

**From:** Van Sleuwen, Terri HSD:EX  
**Sent:** Wednesday, April 8, 2009 3:46 PM  
**To:** McCrea, Bill J HSD:EX; Sturko, Derek HSD:EX  
**Cc:** Pyatt, David E HSD:EX  
**Subject:** RE: FINTRAC Update

Hi,  
FINTRAC advised that they had told BCLC the same thing as they told us about the absolute possibility of a fine and/or public naming if they do not come into compliance in a timely manner (I asked FINTRAC about this specifically).

The compliance regime review for effectiveness is a FINTRAC requirement and could be done by an internal party (I would suggest BCLC Internal Audit) or an external party.

*Terri Van Sleuwen, CGA*  
Executive Director, Audit and Compliance  
Gaming Policy and Enforcement  
Ministry of Housing and Social Development  
604-660-0274  
*Know your limit, play within it.*

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**From:** McCrea, Bill J HSD:EX  
**Sent:** April 8, 2009 3:37 PM  
**To:** Van Sleuwen, Terri HSD:EX; Sturko, Derek HSD:EX  
**Cc:** Pyatt, David E HSD:EX  
**Subject:** RE: FINTRAC Update

Hi Terri,

Thank you for this update. Did the FINTRAC people give you a sense of how much of this they had communicated to BCLC? In light of recent conversations with BCLC management I'm trying to understand their views of what we consider serious money handling issues. The training situation stood out for me. Who would be reviewing their compliance regime for effectiveness? Facing fines or public disgrace, over an issue the Chairman of the Board had advise Government they were taking care of, should move BCLC management to action.

Thank you for your help.

Bill

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**Bill McCrea** BES MBA FCIP  
Executive Director Internal Compliance and Risk Management  
Gaming Policy and Enforcement Branch  
Phone: 250 356-1109  
Mobile: 250 508-8962  
Fax: 250 387-1818

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**From:** Van Sleuwen, Terri HSD:EX  
**Sent:** April 8, 2009 3:04 PM  
**To:** Sturko, Derek HSD:EX  
**Cc:** Pyatt, David E HSD:EX; McCrea, Bill J HSD:EX  
**Subject:** FINTRAC Update

Hi there, we met with FINTRAC yesterday as part of our regular contact with them and to discuss ongoing concerns with BCLC's compliance. Although they have seen some positive change in some areas (reporting and training), they are still concerned with the inadequate training program and BCLC has not yet demonstrated that they have had their compliance regime reviewed for effectiveness. They again discussed the potential for an administrative fine to be levied against BCLC and/or being publicly named on the website as non-compliant if action is not taken to come into compliance in a timely manner.

We are in the process of finalizing our annual audit of BCLC's reporting to FINTRAC and our preliminary findings are:

- Training delivery, though improved, is not at the level it should be; and
- The BCLC compliance regime continues to have deficiencies in areas such as documents policies and procedures.

We have discussed with FINTRAC a more coordinated audit approach for this fiscal period.

- Our semi-annual audit (to be conducted in August) will include, based on our preliminary risk assessment, a review of Suspicious Transaction Reporting (STR) and Large Cash Transactions (LCTR), with an added emphasis on the "occupation" section and the "24 hour" rule, training (program, delivery and attendance) and Cash-Out reporting (training, system, controls and process) that will be required in September 2009.
- FINTRAC will conduct their audit in approximately November 2009 and will follow up on the deficiencies from their previous audit and our semi-annual audit.
- Our annual audit (to be conducted in approximately March 2010) will include a follow up on deficiencies identified by FINTRAC and a complete review of all reporting requirements.

Let us know if you have any questions or concerns.

Thanks,

*Terri Van Sleuwen, CGA*

Executive Director, Audit and Compliance

Gaming Policy and Enforcement

Ministry of Housing and Social Development

604-660-0274

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**GAMING POLICY  
AND  
ENFORCEMENT  
BRANCH**

**REPORT**

**BC Lottery Corporation  
FINTRAC Report  
Summary of Findings  
GPEB File # COMM-282  
Fiscal 2007/08**

**BACKGROUND**

An annual compliance review of the BCLC FINTRAC compliance regime was conducted for the period April 1, 2007 to March 31, 2008 to verify compliance with the *Gaming Control Act, Regulation*, and FINTRAC requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.

The compliance review included an analysis of large cash and suspicious transaction reporting systems in place at gaming sites and BCLC's Richmond office. In addition, staff training and understanding of legislative requirements were reviewed and/or tested. Procedures were performed on a test basis.

**OBJECTIVE**

The objectives of this compliance review are to:

- Verify compliance with FINTRAC reporting requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.
- Verify whether the requirements for casinos under the PC(ML)TFA have been met, such as; submitting reports to FINTRAC, record keeping and client identification, and implementation of a compliance regime;
- Verify compliance with the *Gaming Control Act and Regulation*;
- Verify compliance with BCLC *Casino Standards, Policies and Procedures (CSPP)*.
- Verify compliance with BCLC *Community Gaming Centres Standards, Policies and Procedures (CGCSPP)*.

## SCOPE

The scope of this compliance review included:

- Review of the BCLC system in place for recording information generated at the service provider level;
- Review of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* training provided by BCLC to service provider staff and understanding thereof; and
- Review of the BCLC system in place to process information for submission to FINTRAC.

## PROCEDURES

A review of the BCLC FINTRAC compliance regime was conducted for the period April 1, 2007 to March 31, 2008. Procedures were conducted on a test basis.

The following procedures were performed:

- Data collected as part of annual casino audits was traced through to the BCLC reporting system.
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* training provided by BCLC to service provider staff was reviewed for frequency of delivery.

## FINDINGS

1. FINTRAC Guideline 6F, section 3.1 (June 2005): Large Cash Transaction Records (LCTR)

Objective: To record and report all required large cash transaction information.

FINTRAC Guideline 6F, section 3.1 outlines the information that must be kept for all large cash transaction records.

BCLCs policies and procedures do not facilitate the recording of the required information. The CSPP and the CGCSPP section 3-8.1, 7 does not include the following required information: 1) date of the transaction and 2) identification's "place of issue." However, the LCTR form does contain a field for the date of transaction and place of issue. To ensure completeness and accuracy the policies and procedures should include all required information.



2. FINTRAC Guideline 6F, section 4.2 (June 2005): Client Identity for Large Cash Transactions

Objective: To identify all individuals that conduct large cash transactions.

Fintrac guideline 6F, 4.2 states “You have to identify any individual with whom you conduct a large cash transaction, **at the time of the transaction**, if it is one for which you have to keep a large cash transaction, as described in Section 3.1.”

BCLC's policies and procedures do not conform to the legislation. Through review of the Casino Standards Policies and Procedures (CSPP) and the Community Gaming Centre Standards, Policies and Procedures (CGCSPP) it was noted that section 3-8.1, 2.1.3 states “*For buy-ins – the patron must provide sufficient/acceptable photo identification to identify the player, **before leaving the casino/community gaming centre***”. To ensure all individuals that conduct large cash transactions are identified and reported, identification should be asked for at the time of the transaction.

3. FINTRAC Guideline 4.4.3 (November 2003): Review of the Compliance Policies and Procedures

Objective: To review the compliance policies and procedures and to test its effectiveness as often as necessary.

BCLC's Operational Gaming Audit Department is responsible to review the individual gaming sites compliance with the FINTRAC guidelines (CSPP section 3-8.1). At the time of audit this testing was completed twice per year during the Cage Priority 2 audits. Subsequent to the audit all FINTRAC related testing was moved to the Cage Priority 1 audit, which is completed 4 times per year. The Casino Cage Priority One Procedural Audit Guide section 3-8.1 Cage – Large Cash Transactions include very broad questions that may lead to testing inconsistency among auditors. As well, the guide does not include any reference to testing of the client identification procedures for compliance with the legislation. To ensure completeness and consistency the audit guide could be further refined to include more specific testing procedures.

4. FINTRAC Guideline 4.4.4: Ongoing Compliance Training

Objective: To ensure that all those who have contact with customers, who see customer transaction activity, or who handle cash in any way understand the reporting, client identification and record keeping requirements. This includes those at the “front line” as well as senior management.



During the period April 1, 2007 to March 31, 2008 BCLC conducted FINTRAC training at 19 sites or 66% of the total casino and community gaming centres. A total of 594 personnel were trained throughout the province during this time frame. This was a sizeable increase from the prior year where only one site received training. Ten sites did not receive training throughout the year and nine of these sites would not have had any formal training for at least 2 years. The auditor also noted that the attendance level at some of the training sessions was low in comparison to the staffing levels. The Internal Security Policies and Procedures document states "the training of Casino and Community Gaming Centre site staff on large Cash Transactions and Suspicious Financial Transactions will be conducted by BCLC personnel on an annual, regular basis." This document is dated January 17, 2005. To date training has not been provided to all sites on an annual basis. Training is an important risk mitigation tool to ensure all transactions are correctly identified, recorded and reported to FINTRAC. Without sufficient training exceptions are more likely to occur. This is a repeat issue from the prior year.

During the year GPEB audited 27 sites and found 44% of sites with one or more FINTRAC/money laundering related exceptions.

See below for a summary of exceptions.

Comm #.	Casino	Exception
279	GCC View Royal Casino	No limit on the dollar limit or number of gift certificates purchased. No monitoring of the gift certificates which may later be redeemed for cash.
267	Fraser Downs	No limit on the dollar limit or number of gift certificates purchased. No monitoring of the gift certificates which may later be redeemed for cash.
267	Fraser Downs	Staff unaware of the thresholds for recording LCT and / or foreign exchange transactions
293	Chances Kamloops CGC	Staff unaware of the thresholds for recording LCT and / or foreign exchange transactions
272	Gateway Cascades Casino	LCT record not completed in iTrak within the required time frame.
274	Gateway Burnaby Villa	LCT record not completed in iTrak within the required time frame.
275	GCC Boulevard Casino	LCT forms missing page 2 of the form.
279	GCC View Royal Casino	LCT forms missing page 2 of the form.
278	GCC River Rock Casino	LCT forms missing required information or no indication the information was "on file."
292	Chances Kelowna CGC	LCT forms missing required information or no indication the information was "on file."
266	Lake City Vernon Casino	LCT forms did not contain totals for the total value of the currency transaction. Separate entries were made for each transaction, but the total value of the currency transaction was not completed.
264	Lake City Kelowna Casino	"24 hour rule" not properly understood.
292	Chances Kelowna CGC	LCTs not filed in alphabetical order
313	Chances Mission CGC	LCTs not filed in alphabetical order
271	Edgewater Casino	LCTs not filed in alphabetical order



5. Guideline 7A.2.1: When does a Large Cash Transaction have to be made?

Objective: Large Cash Transaction reports must be sent within 15 calendar days after the transaction.

We found exceptions to the 15 day reporting time frame by BCLC. Of 69 LCTR buy-ins tested, 2 (2.9%) were found to have been submitted late. There was an attempt to file both within the 15 day time frame, but they were returned and later re-submitted after the deadline. This is a repeat issue from the prior year.

6. Guideline 3A.2.2: When does a Suspicious Cash Transaction have to be made?

Objective: Once determined there are reasonable grounds to suspect a transaction is related to the commission of a money laundering or terrorist financing offence, a report, including all required and applicable information must be sent within 30 days.

The auditor reviewed BCLC's suspicious transaction file, which contained 20 reported suspicious transactions. Of the 20, 3 did not contain documentation to show the date the suspicious transaction was submitted to FINTRAC and therefore the auditor was unable to determine if the transaction was filed on time. Of the remaining 17, 1 was not filed within the required time frame (GCC River Rock Casino, FINTRAC report #: <sup>s.16</sup> )

Per discussion with BCLC management it was noted that all suspicious transactions that are reported at the service provider level are evaluated and may be reclassified and not reported to FINTRAC. It was explained that BCLC staff have a significant amount of background, training and expertise to better determine if there are reasonable grounds to suspect that the transaction is related to a money laundering offence. It is the opinion of the auditor that all suspicious transaction reported at the service provider level should be submitted to FINTRAC. Any attempt to reclassify transactions could lead to potential misclassification and incomplete results. Subsequent to the audit date BCLC has issued a draft 11 point action plan. One of the points addresses this issue and should ensure all site level suspicious transactions are reported to FINTRAC.

Commercial Gaming Audit  
Audit and Compliance Division  
July 7, 2008

## REFERENCE SOURCES

The following information and reference sources were employed during this review:

- *Gaming Control Act and Regulation*;
- *BCLC Casino Standards, Policies and Procedures*;
- *BCLC Community Gaming Centres Standards, Policies and Procedures*;
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.
- *FINTRAC Guidelines*
  - Guideline 1,2 – issued March 2003
  - Guideline 3A, 7A – issued February 2006
  - Guideline 4 – issued November 2003
  - Guideline 6F – issued June 2005





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July 17, 2008

Financial Transaction and Reports Analysis Centre of Canada  
Attention: Mr. Murray Dugger, Regional Director  
1120-1185 West Georgia Street  
Vancouver, BC  
V6E 4E6

Comm-282  
Cliff # 365305

Dear Mr. Dugger:

We have completed our annual Summary of Findings of the BCLC FINTRAC compliance regime for the fiscal period 2007/08. Please find a copy of the final report accompanying this letter.

A copy of this final report will be sent to Mr. Terry Towns, Director Corporate Security, British Columbia Lottery Corporation.

If you wish to discuss further any aspect of this report please do not hesitate to contact me.

Sincerely,

David Pyatt, CGA CFE  
Manager, Commercial Gaming Audit

Cc: Terry Towns, BCLC  
Attachments.



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July 17, 2008

Mr. Terry Towns  
Director of Security  
British Columbia Lottery Corporation  
10760 Shellbridge Way  
Richmond, BC V6X 3H1

Comm-282  
Cliff #: 365301

Dear Mr. Towns:

We have completed our annual Summary of Findings of the BCLC FINTRAC compliance regime for the fiscal period 2007/08. Please find a copy of the final report accompanying this letter.

A copy of this final report will be sent to Mr. Murray Dugger, Regional Director, Financial Transaction and Reports Analysis Centre of Canada.

Please ensure we receive a copy of all correspondence to FINTRAC in relation to this audit.

Sincerely,

David Pyatt, CGA CFE  
Manager, Commercial Gaming Audit

Cc: Murray Dugger, FINTRAC  
Attachments.

**From:** Van Sleuwen, Terri SG:EX  
**Sent:** Tuesday, May 27, 2008 11:17 AM  
**To:** Sturko, Derek SG:EX  
**Cc:** Pyatt, David E SG:EX  
**Subject:** RE: GPEB FINTRAC Audit Summary

Derek, my comments are below.

*Terri Van Sleuwen, CGA*  
Executive Director  
Audit and Compliance Division  
Gaming Policy and Enforcement Branch  
Ministry of Public Safety and Solicitor General  
604-660-0274  
*Know your limit, play within it.*

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**From:** Sturko, Derek SG:EX  
**Sent:** May 27, 2008 10:48 AM  
**To:** Van Sleuwen, Terri SG:EX  
**Cc:** Pyatt, David E SG:EX  
**Subject:** RE: GPEB FINTRAC Audit Summary

Thanks.

Why did the 2006/07 report take until December 2007 to get to them (the previous two were finished much faster)? This was a period of reduced staff and staff changes and therefore report time frames were extended beyond normal expectations.

Is the 2006/07 report the most current about which they have been advised of the results and to which they are currently responding? Yes, the 06/07 report is the most current that they have been advised of. And, I believe that this is the one they advised yesterday they are responding to.

I presume the 2007/08 report field work is done and we are either working on the report or it is complete? What's the status? What's the ETA? Fieldwork has been substantially completed and the draft report deadline is June 6th. I will send you the exceptions identified on that day. Then a meeting will be held with BCLC and FINTRAC.

Derek Sturko  
ADM, Gaming Policy & Enforcement  
*Know your limit, play within it.*

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**From:** Van Sleuwen, Terri SG:EX  
**Sent:** Tue, May 27, 2008 10:36 AM  
**To:** Sturko, Derek SG:EX  
**Cc:** Pyatt, David E SG:EX  
**Subject:** GPEB FINTRAC Audit Summary



**Importance:** High

Derek, the following is a summary of our work in relation to the FINTRAC reviews we have carried out over the last few years.

1. Fiscal 04/05 first review report dated July 2005
  - Exceptions:
    - **Late filing of LCT reports to FINTRAC** (16% of sample reviewed were late); and
    - **BCLC training program for services providers needs improvement.**
2. Fiscal 05/06 review report dated May 2006
  - Exceptions:
    - BCLC interpretation of 24 hour rule incorrect (FINTRAC issued a directive to BCLC subsequent to our review to immediately change their policy in relation to this rule);
    - **Late filing of LCT reports to FINTRAC** (20% of sample reviewed were late);
    - **BCLC compliance regime not subject to a review of effectiveness;** and
    - **BCLC training program for services providers needs improvement.**
3. Fiscal 06/07 review report dated Dec 2007
  - Exceptions:
    - **Late filing of LCT reports to FINTRAC** (4% of sample reviewed were late);
    - Late filing of suspicious transaction reports to FINTRAC (10% of sample reviewed were late);
    - **BCLC compliance regime not subject to a review of effectiveness;** and
    - **BCLC training program for services providers ineffective** (only one training session held in this year).

We are in the analysis stage of our review for 07/08 so do not have conclusions yet. We know that they have now had an effectiveness review of their compliance regime (March/April 2008) and they held 26 training sessions.

As you can see there are three issues (highlighted in red) that have repeated each year.

Our normal process in each of these years was to conduct our review, meet with BCLC (Terry Towns and Gord Board) at the draft report stage to discuss our findings, then finalize our report. In each year the final report was sent to FINTRAC and we followed up with a discussion with Murray Dugger, Regional Director of FINTRAC. BCLC was expected to forward their response to our findings direct to FINTRAC. My understanding from FINTRAC is that they have never responded to any of our reports. My understanding from yesterday is that BCLC is currently preparing their response to our findings from the 06/07 report. We will follow up with BCLC to ensure that we get a copy of their response and provide comments on it, if appropriate.

During our meetings with FINTRAC, on at least two occasions, we discussed our concern over BCLC "filtering" suspicious transaction reports submitted by the services providers and possibly using a higher standard of evidence to determine whether the report should go forward to FINTRAC. We could not substantiate this concern with specific facts so this issue was not

included in our reports to FINTRAC. We also discussed this issue with Investigations on a couple of occasions.

Attached are the reports for your reference:

<< File: FINTRAC Final Annual Audit Report .doc >> << File: Comm-190 - FINTRAC Summary of Findings Report FINAL.doc >> << File: Comm-219 - FINTRAC Summary of Findings Report FINAL.doc >>

If you have any questions please let David or I know.

Thanks,

*Terri Van Sleuwen, CGA*  
Executive Director  
Audit and Compliance Division  
Gaming Policy and Enforcement Branch  
Ministry of Public Safety and Solicitor General  
604-660-0274  
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**From:** Van Sleuwen, Terri SG:EX  
**Sent:** Tuesday, June 3, 2008 3:46 PM  
**To:** Sturko, Derek SG:EX  
**Cc:** Vander Graaf, Larry SG:EX; Pyatt, David E SG:EX  
**Subject:** BCLC Response to GPEB FINTRAC Audit 2006/07

Derek, we have now received a copy of BCLC's response to our FINTRAC audit from the 06/07 fiscal period. We will be reviewing their responses for appropriateness and will follow up with them as needed.

Attached are copies of their letter to FINTRAC and our 2006/07 audit report for your reference.



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lottery Corporatio. ITRAC Summary o

If you have any questions please let either David or I know.

Thanks,  
*Terri Van Sleuwen, CGA*  
Executive Director  
Audit and Compliance Division  
Gaming Policy and Enforcement Branch  
Ministry of Public Safety and Solicitor General  
604-660-0274  
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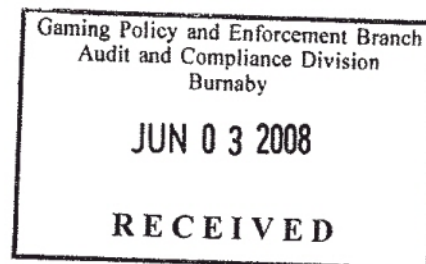




DAVID

May 26, 2008

Mr. Murray Dugger  
Regional Manager  
Financial Transaction and Reports Analysis Centre of Canada  
1120 – 1185 West Georgia Street  
Vancouver, BC  
V6E 4E6



Dear Murray:

Re: **2006/07 GPEB Audit of BC Lottery Corporation FINTRAC Compliance Regime**  
**GPEB File #COMM-21**

Please consider this document a reply to the annual compliance review of the British Columbia Lottery Corporation (BCLC) FINTRAC compliance regime conducted by GPEB to verify compliance with the Gaming Control Act, Regulation and FINTRAC requirements under the Proceeds of Crime [Money Laundering] and Terrorist Financing Act [PCMLTFA], for the period of April 1, 2006 to March 31, 2007.

A copy of the GPEB letter from December 12, 2007, is enclosed for easy reference to their specific paragraphs.

Subsequent follow-up was completed with GPEB in January, 2008 and follow-up with Casino sites in March, 2008.

Please find below a list of each specific GPEB finding as well as our BCLC response to the finding.

**GPEB Finding: GPEB Report Page 2 - FINTRAC Guideline 4.4.3**

"There are no Policies and Procedures for FINTRAC activities at the BCLC Corporate level. Policies and Procedures should be documented to ensure consistent and comprehensive work is performed".

**BCLC Response:**

BCLC has documented internal Procedures in place for Security personnel, as per the attached, and retains them only for internal purposes. Internal Procedures are not placed in BCLC Casino Standards Policies and Procedures manual(s) as it is intended for internal use only.

**GPEB Finding: GPEB Report Page 3 - FINTRAC Guideline 4.4.3**

"The test performed at the Service Provider level can be improved by including interviews with Service Provider employees. This will provide an additional source of information to confirm Policies and Procedures are being followed".

**BCLC Response:**

BCLC's Operational Audit Division conducts at least seven separate Service Provider Audits annually on the Large Cash Transaction compliance regimen. These include audits conducted at the Casino Cage, Security, Surveillance, Slots and Tables. Service Provider employees, both newly hired and experienced, are continually interviewed during the Audit process by BCLC Auditors to ensure Policies and Procedures are being followed and understood. This is also evidenced by the Audit process itself, which identifies any errors or omissions due to compliance issues. BCLC has instituted a new audit guide to set a minimum amount of random sampling of LCTs to be reviewed.

**GPEB Finding: GPEB Report Page 3 - FINTRAC Guideline 4.4.4: Ongoing Compliance Training:**

1. "Only one day of training was provided by BCLC between April 1, 2006 and March 14, 2007 for an opening of a new site. GPEB performed seventeen Casino audits from April 1, 2006 and March 31, 2007."
2. "There have been more than three thousand new employee registrations during this period. BCLC has placed the bulk of responsibility upon the service providers to ensure that staff is trained."
3. "Nine audited sites had one or more exceptions of FINTRAC guidelines and/or BCLC Policies and Procedures. These ranged from minor exceptions such as missing "page 2" of paperwork to a major exception such as failure to identify a Suspicious Cash Transaction."
4. "During GPEB audits were two casino gaming service providers who had staff in positions responsible for initiating, supervising or documenting LCTRs that did not understand the "24 Hour Rule."

**BCLC Response:**

1. BCLC senior executive recognize that "Only one day of training was provided by BCLC between April 1, 2006 and March 14, 2007 for an opening of a new site". From October 26, 2006 to the fall of 2007, BCLC was in the midst of the Ombudsman Inquiry. During this time period, BCLC was addressing audits being conducted by KPMG, Deloitte & Touche, Ron Parks and GPEB. Most of these investigative audits took place simultaneously and required timely responses and diminished BCLC's ability/capacity to deliver the necessary training.

Still throughout the Ombudsman Inquiry, BCLC continued to conduct LCT compliance reviews and provide guidance on a daily basis to all reporting Casinos and Community Gaming Centers throughout the province. BCLC acknowledges that training in this area was insufficient however since January 2008, have trained 564 persons at 44 training sessions.

2. BCLC senior executive realized that there was a lack of sufficient external training to the service providers and as a result have implemented new training procedures throughout the province which includes on-site face-to-face training and the development of a training package which has been sent to every location and Service Provider.



3. "Page 2" of the LCTR is completed only if necessary and only required for foreign exchange transactions totaling the equivalent of \$3,000.00 Canadian and cash outs of \$10,000.00 or more Canadian requiring cashier attestations in a 24 hour period.
4. The "24 Hour Rule" has been a learning and development curve for the entire gaming industry. In essence it is unique and different from the Casino "Gaming Day" in that every patron has their own "time clock."

**GPEB Finding: GPEB Report Page 4 - FINTRAC Guideline 7.A.2.1**

"We found exceptions to the 15 day reporting timeframe by BCLC. Of 89 Buy Ins tested, four were found to have been submitted late" In actual fact the buy ins were filed on time, however the 'batch' was rejected by FINTRAC. FINTRAC guideline 7A states "Your obligation to report will not be fulfilled until you send the complete report to FINTRAC." A rejected batch filed within 15 days of the transaction will not fulfill BCLC's obligation.

**BCLC Response:**

For the time period of April 1, 2006 to March 31, 2007, BCLC processed over 21,000 LCTs. At the time of filing and to the best of our (BCLC) ability the LCTs in question were correct and contained sufficient information to fulfill the filing obligation. Subsequent to a lengthy in depth investigation into the four LCTs rejected in the batch, revealed that one LCT contained an American 'zip code' that utilized a hyphen between numbers. The initial reports were submitted on time, the code was confirmed correct as submitted; however, no fault to BCLC it is unfortunate that FINTRAC software does not make provision to accept this type of 'zip code'. The LCTs were subsequently resubmitted and accepted by FINTRAC.

**GPEB Finding: GPEB Page 4 – Guideline 3A.2.2: When does a Suspicious Transaction have to be made?**

1. "A sample of 20 SCTRs was tested to see if they were reported within the 30 day requirement. Two SCTRs were filed late:  
  
s.16
2. "Per discussion with the CO designate, it is not possible to know the number of SCTRs originally made at the service provider level and submitted to BCLC. This is due to the fact that BCLC Security can and do reclassify ITRAK reports based on their interpretation and investigation of the reports submitted."

**BCLC Response:**

1. a) s.16 was not initially reported as an incident on s.16 but reported by BCLC from the River Rock Casino, on s.16  
  
On s.16, the Casino Cash Cage was subject of a GPEB audit. During the course of conducting that audit, the Casino Cage Manager commented that a 'count team' staff member had remarked that an unknown quantity of money processed in the cage contained, quote "a vague odour that had a slight resemblance to that of marihuana'.

BCLC Investigators contend that up until the time of the report, there was no suspect(s) or activity noted within the Casino that could be contributed to money laundering. This incident was subsequently reported to FINTRAC at the insistence of the GPEB auditor.

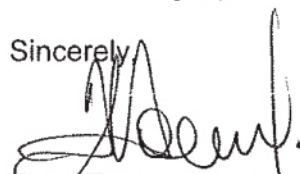
- b) <sup>s.16</sup> was initially reported from the Penticton Casino site. At the time of reporting, the information contained in the report lacked pertinent detail sufficient enough for BCLC Investigators to make a determination as to whether or not this constituted money laundering. Based on a review of the circumstances, the Casino staff treated this incident [approximately <sup>s.16</sup> being brought into the casino by a patron to exchange the coins for bills] as a "non event." There was some indication that the patron involved may have been mentally challenged. A further review was conducted by BCLC investigators. As such, the investigation, which took considerable time to complete, including inquiries with the local Policing authority determined that this incident did not meet established criteria but would be reported for "information" purposes only. This conclusion was stated specifically in the FINTRAC report and the subsequent report to the RCMP Integrated Proceeds of Crime Section which included the FINTRAC file number in the report to the RCMP.

2. Yes we can give numbers of ITRAK reports that have been reclassified. This is our "conduct and manage" responsibility in the province. The three CO designates at BCLC have more than 75 years of combined drug/money laundering investigative experience. Our seasoned investigators review each and every occurrence report submitted by the casinos for policy compliance as well as statute requirements. Secondly, our reviews identify whether the incidents are properly classified to suit the occurrence.

If it is determined that the incident was not properly classified, the investigators are obligated to make necessary changes to ensure that FINTRAC is receiving substantiated "Suspicious Financial Transactions in relation to money laundering" rather than an unusual event.

Should you require any additional information or clarification from BCLC on any of the above GPEB findings, please feel free to contact me directly.

Sincerely,



Terry Towns, Director  
Corporate Security

cc David Pyatt, Gaming Policy Enforcement Branch

Enclosure



**GAMING POLICY  
AND  
ENFORCEMENT  
BRANCH**

**REPORT**

**BC Lottery Corporation  
FINTRAC Report  
Summary of Findings  
GPEB File # COMM-219  
Fiscal 2006/07**

**BACKGROUND**

An annual compliance review of the BCLC FINTRAC compliance regime was conducted for the period April 1, 2006 to March 31, 2007 to verify compliance with the *Gaming Control Act, Regulation*, and FINTRAC requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.

The compliance review included an analysis of: large cash and suspicious transaction reporting systems in place at the casino sites through to the central reporting location at the BCLC Richmond office to FINTRAC and, staff training and understanding of legislative requirements. Procedures were performed on a test basis.

**OBJECTIVE**

The objectives of this compliance review are to:

- Verify compliance with FINTRAC reporting requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.
- Verify whether the requirements for casinos under the PC(ML)TFA have been met, such as; submitting reports to FINTRAC, record keeping and client identification, and implementation of a compliance regime;
- Verify compliance with the *Gaming Control Act and Regulation*;
- Verify compliance with BCLC *Casino Standards, Policies and Procedures* (September, 2004 as amended);

## SCOPE

The scope of this compliance review included:

- Review of the BCLC system in place for recording information generated at the casino level;
- Review of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* training provided by BCLC to service provider staff and understanding thereof; and
- Review of the BCLC system in place to process information for submission to FINTRAC.

## PROCEDURES

A review of the BCLC FINTRAC compliance regime was conducted for the period April 1, 2006 to March 31, 2007. Procedures were conducted on a test basis.

The following procedures were performed:

- Data samples collected as part of annual casino audits were traced through to the BCLC reporting system.
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* training provided by BCLC to service provider staff was reviewed for content and frequency of delivery.

## FINDINGS

### 1. FINTRAC Guideline 4.4.3: Review of the Compliance Policies and Procedures

Objective: To review the compliance policies and procedures and to test its effectiveness as often as necessary.

Per discussion with the BCLC Compliance Officer (CO) delegate it was determined that reviews of their compliance regime have not been conducted at the BCLC Corporate level during the fiscal year. This is a repeat issue from the prior year.

There are no policies and procedures for Fintrac activities at the BCLC corporate level. Policies and procedures should be documented to ensure consistent and comprehensive work is performed.

There are compliance audits (Cage Priority Two Audit) performed by the BCLC Operational Auditors at the individual gaming site level. These audits are performed once every 6 months and are comprised of tests to determine if procedures and policies are being followed by the service provider. Exceptions from these periodic audits are to be forwarded to the Compliance Department. The tests performed at the service provider level can be improved by including interviews with service provider employees. This will provide an additional source of information to confirm policies and procedures are being followed.

## 2. FINTRAC Guideline 4.4.4: Ongoing Compliance Training

**Objective:** To ensure that all those who have contact with customers, who see customer transaction activity, or who handle cash in any way understand the reporting, client identification and record keeping requirements. This includes those at the “front line” as well as senior management.

Only one day of training was provided by BCLC between April 1, 2006 and March 14, 2007 for an opening of a new site. GPEB performed seventeen casino audits from April 1, 2006 to March 31, 2007. There have been more than three thousand new employee registrations during this period. BCLC has placed the bulk of the responsibility upon the service providers to ensure staff are trained. Nine audited sites had one or more exceptions of Fintrac guidelines and/or BCLC P&P's. These ranged from minor exceptions such as missing “page 2” of paperwork to a major exception such as a failure to identify a Suspicious Cash Transaction. Also noted during GPEB audits were two casino gaming service providers who had staff in positions responsible for initiating, supervising or documenting LCTRs that did not understand the “24 Hour Rule”. This gap could lead to failures to report LCT when required.

See below for a summary of exceptions.

File #	Site Name	Service Provider	Nature of Exception
COMM-199	Casino of the Rockies	SEM Resort Limited Partnership	"24 Hour Rule" not properly understood
COMM-201	Kelowna	Lake City Casinos	Paperwork support not complete
COMM-202	Penticton	Lake City Casinos	Foreign Currency Transaction Limits not known.
COMM-203	Vernon	Lake City Casinos	Paperwork support not filed in alphabetical order
COMM-210	The Royal City Star	Gateway Casinos	Foreign Currency Transaction Limits not known.
COMM-210	The Royal City Star	Gateway Casinos	"24 Hour Rule" not properly understood
COMM-211	Burnaby Villa	Gateway Casinos	Paperwork support not complete
COMM-212	Boulevard	Great Canadian Casinos	Paperwork support not complete
COMM-214	Nanaimo	Great Canadian Casinos	Paperwork support not complete
COMM-215	River Rock	Great Canadian Casinos	SCT was not initially identified by staff



3. Guideline 7A.2.1: When does a Large Cash Transaction Have to be Made?

Objective: Large Cash Transaction reports must be sent within 15 calendar days after the transaction.

We found exceptions to the 15 day reporting timeframe by BCLC. Of 89 buy-ins tested, 4 were found to have been submitted late.

4. Guideline 3A.2.2: When does a Suspicious Cash Transaction Have to be Made?

Objective: Once determined there are reasonable grounds to suspect a transaction is related to the commission of a money laundering or terrorist financing offence, a report, including all required and applicable information must be sent within 30 days.

A sample of 20 SCTRs was tested to see if they were reported within the 30 day requirement. Two SCTRs were filed late. One was reported late because the Compliance department was not sure if it was significant to be reported. The second was reported late due to administrative issues with pulling documentation. Per review of the details second late filing, they did not coincide with those of GPEB Audit Compliance Division.

Per discussion with the CO designate it is not possible to know the number of SCTRs originally made at the service provider level and submitted to BCLC. This is due to the fact that BCLC Security can and do reclassify Itrak reports based on their interpretation and investigation of the reports submitted.

Commercial Gaming Audit  
Audit and Compliance Division  
December 14, 2007

## REFERENCE SOURCES

The following information and reference sources were employed during this review:

- *Gaming Control Act and Regulation;*
- *BCLC Casino Standards, Policies and Procedures;*
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA).*

**From:** Van Sleuwen, Terri SG:EX  
**Sent:** Monday, July 21, 2008 10:50 AM  
**To:** Sturko, Derek SG:EX  
**Cc:** Pyatt, David E SG:EX; Whittred, Sue SG:EX; Kraan, Karen SG:EX  
**Subject:** GPED Audit Report - BCLC Reporting to FINTRAC

Derek, we have finalized our review of BCLC's reporting to FINTRAC for the fiscal period 2007/08. We have discussed the content with BCLC and the report has been sent to both FINTRAC and BCLC. Attached is a copy of the report for your reference.



Comm 282 -  
ITRAC Summary o

We will be following up on the deficiencies in the Fall.

If you have any questions about this report please let us know. In my absence over the next week or so, please contact Karen Kraan.

Thanks,  
Terri Van Sleuwen, CGA  
Executive Director  
Audit and Compliance  
Gaming Policy and Enforcement Division  
Ministry of Housing and Social Development  
604-660-0274  
*Know your limit, play within it.*

**From:** Sturko, Derek SG:EX  
**Sent:** Thursday, July 31, 2008 9:31 AM  
**To:** Van Sleuwen, Terri SG:EX  
**Cc:** Pyatt, David E SG:EX; Whittred, Sue SG:EX; Kraan, Karen SG:EX  
**Subject:** RE: GPED Audit Report - BCLC Reporting to FINTRAC

Thanks.

Seems to be similar issues as in previous years.

In our next round of work, we'll have to be looking at how they have fulfilled their commitments to the Minister (through the former Solicitor General) to improve things, etc.

Derek Sturko  
ADM, Gaming Policy & Enforcement  
*Know your limit, play within it.*

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**From:** Van Sleuwen, Terri SG:EX  
**Sent:** Mon, July 21, 2008 10:50 AM  
**To:** Sturko, Derek SG:EX  
**Cc:** Pyatt, David E SG:EX; Whittred, Sue SG:EX; Kraan, Karen SG:EX  
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Derek, we have finalized our review of BCLC's reporting to FINTRAC for the fiscal period 2007/08. We have discussed the content with BCLC and the report has been sent to both FINTRAC and BCLC. Attached is a copy of the report for your reference.

<< File: Comm 282 - FINTRAC Summary of Findings Report FINAL with Cover Letters Signed.pdf >>

We will be following up on the deficiencies in the Fall.

If you have any questions about this report please let us know. In my absence over the next week or so, please contact Karen Kraan.

Thanks,  
Terri Van Sleuwen, CGA  
Executive Director  
Audit and Compliance  
Gaming Policy and Enforcement Division  
Ministry of Housing and Social Development  
604-660-0274  
*Know your limit, play within it.*



**From:** Van Sleuwen, Terri HSD:EX  
**Sent:** Monday, August 18, 2008 12:30 PM  
**To:** Sturko, Derek SG:EX; Vander Graaf, Larry SG:EX  
**Cc:** Whittred, Sue SG:EX; Pyatt, David E SG:EX  
**Subject:** RE: BCLC FINTRAC Reporting

Attached please find the referenced action plan that was not included in the original letter.



BCLC Action Plan  
June 3.doc

Thanks.

*Terri Van Sleuwen, CGA*  
Executive Director  
Audit and Compliance  
Gaming Policy and Enforcement Division  
Ministry of Housing and Social Development  
604-660-0274  
*Know your limit, play within it.*

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**From:** Van Sleuwen, Terri SG:EX  
**Sent:** July 21, 2008 9:52 AM  
**To:** Sturko, Derek SG:EX; Vander Graaf, Larry SG:EX  
**Cc:** Whittred, Sue SG:EX; Pyatt, David E SG:EX  
**Subject:** BCLC FINTRAC Reporting

FYI

Attached is a copy of a letter that BCLC sent to FINTRAC detailing their review of incidents dating back to January 1, 2002.

<< File: BCLC letter to FINTRAC prior incidents July 7 2008.pdf >>

There is reference to an action plan as an attachment to this letter. I did not receive this document but will follow up with BCLC and forward it once received.

Thanks,

*Terri Van Sleuwen, CGA*  
Executive Director  
Audit and Compliance  
Gaming Policy and Enforcement Division  
Ministry of Housing and Social Development  
604-660-0274  
*Know your limit, play within it.*

June 3, 2008

Mr. Michael Graydon  
President and CEO  
British Columbia Lottery Corporation

**Re: Action Plan – IPSA International - Recommendations  
BCLC Anti-Money Laundering Program Review**

Further to our previous discussions and your request for a detailed action plan concerning recommendations identified through review by IPSA dated 6<sup>th</sup> March 2008. As you are aware, throughout this review entitled 'BCLC Casino Gaming Anti-Money Laundering Program Review' IPSA identified a number of recommendations to bring BCLC more inline with new amendments to the current Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). Recently IPSA has further released an Implementation Framework entitled 'Anti-Money Laundering Management Program: Implementation Framework' which sets out a manageable Action Plan (AP) to move BCLC forward. While many of the recommendations put forward by IPSA in their initial draft have already been implemented or at the very least in draft form for implementation, this latest document allows BCLC a 'sober second review' of our entire FinTrac reporting initiative.

As you're aware, BCLC Corporate Security has been responsible for overseeing, reviewing, analyzing and reporting to FinTrac incidents that have been identified by our Service Providers (SP) as suspicious financial transactions in relation to money laundering - only. This initiative recently changed where it was decided that BCLC would identify and report all issues falling within these four (4) critical areas of our gaming operation:

- a) Money Laundering incidents;
- b) Loan Sharking incidents;
- c) All Chip passing, and
- d) Suspicious Transactions

Thus, in order to provide you with BCLC's AP, this report will refer to IPSA's initial engagement and their specific number system for recommendations they identified. Ultimately, this will assist you (the reader) with your review to understand our progress to date and areas that require immediate review.

**Recommendation 3.4.4 – Establishing appropriate Staffing Ratios for Training**

Item 3 - Since January 2008 – it was recognized by Corporate Security Management team that BCLC needed to increase our LCT training initiative for all provincial gaming locations. It was recognized that this training needed to commence immediately and that it would require follow-up training on a bi-annual basis for all of these locations. To

increase this training initiative, BCLC needed to increase our training staff. Thus, in February and early March 2008 – BCLC went from our initial 3 LCTR trainers to 14 LCTR trainers. As a result, since January 2008 to current, BCLC has undertaken 46 training sessions in both casinos and CGC sites offering training to over 746 gaming staff.

As a further initiative, BCLC will continue to undertake additional training for our corporate security staff and gaming auditors to establish more LCTR trainers. As CGC increase in numbers this will require additional trainers to ensure BCLC is meeting their FinTrac training requirements.

#### **Item 4(a) and (b) – Maintaining and Maximizing Effectiveness**

##### **Effectively Managing Change**

Currently, two (2) corporate security investigators review all LCT filings and Suspicious Transaction Reports (STRs) generated by the SP and once reviewed submit these documents electronically to FinTrac. These two investigators basically act as the gatekeepers for LCT and STRs reporting. Thus, in order facilitate this continued increased reporting, coupled with the additional reporting requirements, as identified, additional training will be developed and provided to all corporate security investigators and auditors to enable them to have the aptitude to file these reports electronically to FinTrac. In so doing, this will enhance BCLC's ability to provide a concise review and complete report to this federal agency. As well, it is our intent that these same investigators/auditors will also be reviewing all suspicious occurrences and attempted suspicious occurrences to ensure they are reporting these activities as well, as required by FinTrac. This then, will help address legislative changes forthcoming June 23, 2008. As part of their overall review, BCLC Operational Gaming Auditors will also conduct quarterly audits to ensure all reporting needs demands have been fulfilled to meet FinTrac requests.

##### **Recommendation 3.5.3 – Include Compliance Culture to the formal Risk Assessment**

Currently, it is the President/CEO's intention to create a new position of Corporate Compliance Officer to examine and undertake a risk assessment/ analysis and management of BCLC AML culture. This newly created position will help develop and build a corporate culture, together with corporate policy initiatives that will ensure compliance remains first and foremost within the corporation. This will enhance a corporate milieu dedicated to ensuring FinTrac compliance.

Coupled, with this initiative is the fact that IPSA has been retained to undertake a complete review of BCLC corporate policies and procedures to ensure that they reflect the current attitudes of the corporation and that we meet all requirements within this federal legislation.



### **Recommendation 3.7.3**

#### **Item 1 and 2 - Risk Management Policies and Procedures do not meet FinTrac Guideline**

BCLC does have operational policies and procedures covering FinTrac reporting at the gaming facility site levels. Thus, it is Corporate Security's plan to have IPSA review and develop Corporate policies that accurately reflect the status of BCLC and our role in facilitating the gathering, reviewing and dissemination of AMLP to both FinTrac and our law enforcement community.

Coupled with the development of enhanced policies, IPSA will also review and design procedures that capture and reflect BCLC role within the gaming industry of B.C. These procedures will evolve and highlight the basic foundation of the Canadian AML legislation together with capturing the overall intent and new roles placed on gaming facilities across Canada. In the development of current policies and procedures will help establish BCLC commitment to this legislation province wide.

Finally, BCLC Corporate Security has been a leader in developing AMLP written policies for both the SP security and surveillance departments province wide. Corporate Security recognizes that having updated and timely AML information available to these two important facets of our gaming casino will enhance our overall effectiveness to conduct and manage gaming. Thus, it is our intention to update and refresh these policies once developed and implemented this on a regular, annual basis. Whether that initiative will remain with IPSA or be maintained and reviewed by the Manager, Casino Security and Surveillance will be determined once these policies are drafted and implemented. Ultimately, this decision can only be made in a timely fashion given any legislative changes and developments originating from FinTrac.

### **Recommendation 3.8.3**

#### **Item 1 – Compliance Training – Seminar-type training**

Currently, all training being provided to SP by our Corporate Security Investigators is through power-point, with handouts and question and answer scenarios. As indicated earlier, since March 2008 there has been 46 training sessions and it is our intention to undertake additional training on a semi-annual basis for all gaming properties.

#### **Item 2 – Training Module to illustrate roles and responsibilities to new gaming employee**

Again, it is a Corporate Security initiative to undertake training to all gaming facilities on a semi-annual basis. Should a need be identified from either the SP or our Corporate

Security Investigators that more frequent training is need at specific gaming locations – this training will be undertaken at that time.

Corporate Security will endeavour to strength our LCT training program in the critical areas of ‘verified wins’ in both table games and slots. While SP’s do issue company cheques for only ‘verified wins’ – it is our corporate security’s position that verified ‘slot wins’ cheques should only be issued for a ‘verified’ Jackpot (JP) wins only. These wins are easily determined from both the individual slot machine and our CMS within the cash cage. Thus, verification can occur by both the individual slot attendant and the cash cage supervisor. Table games verified wins would only be issued with the evidence of a Dealer Supervisor tracking slip, verifying that the player won. This then, would eliminate any future attempts by suspected money laundering organizations to utilized casinos to launder their ill gotten gains.

Currently, Corporate Security believes that attempts to launder funds through buy-ins/cash-outs at tables has been and continues to be the strength of our policy initiatives in this area. Casino staff involved in tables games continue to be very vigilant in LCT monitoring and any money laundering enterprise that may surface.

### **Item 3 – BCLC Sign-in Documentation for LCT Training**

BCLC Corporate Security Investigators will continue to require that all SP employees attending a training session to complete a sign-in document to help Corporate Security monitor and maintain training levels and training locations.

### **Recommendation 3.9.3**

#### **Item 1 – Corporate Review of its AML function on an annual basis**

Following the drafting of corporate AML policies – these will be reviewed and monitored to ensure consistency with ongoing FinTrac legislation. Should changes be received, all affected policies areas will be reviewed to ensure risk mitigation and risk reporting is being met. This will also entail that the appropriate areas in both the Surveillance Component Training program and the Gaming Security Officer training program from the Justice Institute of British Columbia (JIBC) receive the same due diligence as our corporate policies.

### **Recommendation 4.1.3 – Consistency with Regulatory Requirements and Best Practices**

It is the intention of our Corporate Security to provide on a semi-annual basis to the BCLC Board Chairman and CEO/President a report outlining critical risk areas, our risk mitigation initiatives and risk reporting in five (5) areas.

This report will encompasses these critical areas:

- all training initiatives undertaken;
- LCT reports submitted;
- Suspicious Money laundering reports submitted;
- Loan Sharking reports submitted and;

- Chip passing reports submitted to FinTrac.

Finally, to ensure BCLC corporate policies and procedures are understood and being followed by SP – Corporate Security will undertake to conduct ‘mystery audits’ on both slot and table operations throughout all gaming operations in the province. Corporate Security will undertake drafting correspondence to FinTrac executives requesting a variance be provided to BCLC so that this proposed mystery auditing can be undertaken without requiring FinTrac reporting under the current legislative conditions. Should FinTrac be in agreement with our proposal, this additional level of risk mitigation and risk reporting will help strengthen BCLC commitment to our own corporate policy and this federal legislation.

Terry Towns,  
Director, Corporate Security  
British Columbia Lottery Corporation

ddm/

Attachments: Overview of Recommendations and actions



## **Action Plan Related to BCLC's Reporting to FINTRAC**

This action plan is the result of a review of current materials and actions of both GPED and BCLC related to the reporting of Large Cash Transactions (LCTs) and Suspicious Currency Transactions (SCTs) to FINTRAC as required by the PC(ML)TF Act.

Detailed below is the recommended plan developed by both GPED and BCLC to ensure the coordination of the efforts of GPED and BCLC, while respecting the distinct roles of each organization and GPED's role as regulator.

### **Gaming Policy and Enforcement Division**

#### **Audit and Compliance**

The Audit and Compliance Branch performs compliance reviews of BCLC and its services providers reporting to FINTRAC to verify compliance with the PC(ML)TF Act. There is an MOU in place with FINTRAC which outlines the process for sharing information between the parties and defines the scope of that information.

##### **Audit Plan:**

- Semi-annual (new) and annual audits of BCLC are conducted to assess compliance in relation to requirements of FINTRAC and the PC(ML)TF Act. Follow up audits are conducted, as required, to confirm that deficiencies identified are resolved in a timely manner.
  - Semi-annual audits will focus on monitoring training provided to services providers and reporting of LCTs and SCTs to FINTRAC.
  - Annual audits of BCLC focus on BCLC compliance regime; ongoing compliance training; record keeping and client identification; and reporting to FINTRAC.
- Annual audits of casino and community gaming centre services providers are conducted to assess compliance in relation to requirements of FINTRAC and the PC(ML)TF Act. Follow up audits are conducted, as required, to confirm that deficiencies identified are resolved in a timely manner.
  - Annual audits of services providers focus on: employee knowledge & training; FINTRAC records review; service provider cheques issued; and required signage in facilities.
- In addition, we will monitor BCLC's actions as detailed in their action plan below (new).

#### **Investigations**

The Investigations Branch has directed BCLC to provide a monthly reconciliation listing that includes all SCTs that have been reported to FINTRAC. This information will be compared to the Section 86 SCTs that have been submitted by the services providers. Any discrepancies will be reported to BCLC.

In addition, BCLC will advise Investigations of their FINTRAC training schedule for services provider staff and provide Investigations Branch with copies of training materials and presentations that are being utilized. Investigations Branch will randomly monitor the training to ensure that GPED requirements and FINTRAC requirements on SCTs are consistent.

## Action Plan Related to BCLC's Reporting to FINTRAC

### BC Lottery Corporation

	ACTION ITEM	ACTION PLAN	PERSON RESPONSIBLE	TARGET COMPLETION DATE
1	BCLC will continue the practice of requiring casino and CGC service providers to send Section 86 Reports on suspicious currency transactions directly to GPED with a copy to BCLC.	BCLC Investigators will continue to review all service provider ITrak files for consistency and thoroughness to ensure Section 86 Reports are being generated and directed to GPED and BCLC.	D. Morrison	Ongoing
2	<p>BCLC will send all information from Section 86 Reports related to suspicious currency transactions dating from 2002 to present to FINTRAC in the interest of transparency. Beginning immediately, BCLC will send all information from Section 86 Reports received from service providers related to suspicious currency transactions directly to FINTRAC.</p> <p>BCLC will provide a monthly reconciliation listing that includes all SCTs that have been reported to FINTRAC to GPED Investigation Branch.</p>	<p>BCLC will send the documentation dating from 2002 to present that includes all suspicious currency transactions, all chip passing incidences that are relevant to suspected money laundering, all loan sharking incidences, and all money laundering incidences to FINTRAC.</p> <p>This will be done in two phases with all ITrak reporting done first, dating from July 2004 to current. The second stage will be from January 2002 to July 2004 with reports from the IRIMS system.</p> <p>All new all suspicious currency transactions, all chip passing incidences that are relevant to suspected money laundering, all loan sharking incidences, and all money laundering incidences will be reported directly to FINTRAC, commencing immediately.</p>	D. Morrison	<p>Anticipated completion is December 31, 2008.</p> <p>These new reporting categories commenced June 1, 2008 – moving forward.</p>
3	BCLC will continue the secondary review process as an internal mechanism to manage, for the purpose of compliance, and to aid in the enhancement of training within the service provider network.	<p>A secondary review of all LCT and SCT reports submitted by the service providers will continue to be conducted.</p> <p>Training initiatives and increased BCLC training staff has been implemented with further training staff coming on stream.</p>	D. Morrison	Ongoing



## Action Plan Related to BCLC's Reporting to FINTRAC

		Since January 2008 to May 2008, 46 training sessions have occurred and 746 staff has been trained.		
4	BCLC will begin monthly reviews of all cheques issued by service providers to analyze trends and multiple wins.	BCLC accounting will be supplying corporate security with a monthly summary of all cheques issued by service provider. This list will be reviewed and all suspicious activities will be <u>immediately</u> reported to GPED Investigation Branch and FINTRAC and then investigated. BCLC has revised policy in regards to verified wins for slot and table game payouts where in cheques will only be issued for verified slot jackpot wins and verified table games wins with the appropriate slips attached to the cheques register.	D. Morrison	Start Date - June 1, 2008
5	BCLC will review the content and increase the frequency of the Anti-Money Laundering Training Program for all service providers. New training materials will be developed and training sessions will be segmented to include training for new employees and refresher courses. BCLC will also implement a testing mechanism for both new and current employees.	Increased training initiatives for all gaming locations in the province on a semi annual basis. A new updated power point presentation has been designed and has been provided to all trainers. Training schedule and training documentation will be sent to GPED Investigations and Audit Branches. Additional training for all Operational Gaming Auditors will commence immediately.	D. Morrison	Ongoing Start Date: June 1, 2008  Training Date to be determined.
6	BCLC will enhance its internal audit process to include a more frequent and systematic review of anti-money laundering procedures at casinos and CGCs as well as adherence to existing policies such as verified win payout procedures. We will also incorporate any suggestions from GPEB's 2006/2007 audit findings.	BCLC's Operational Gaming Audit Department will be increasing its auditing cycle for all anti-money laundering procedures at casinos and CGC's to once a quarter from semi-annually. A complete review of the quarterly audit will be done to ensure it contains all the necessary procedures and questions to ensure service provider compliance.	J. Williamson	Start: July 1, 2008
7	BCLC will determine how it can better exercise the discipline remedies available under existing	BCLC Corporate Security will mandate evidence from service providers to support the	J. Williamson	Ongoing



## Action Plan Related to BCLC's Reporting to FINTRAC

	contracts and legislation to continually stress and strengthen the culture of compliance among all service providers.	issuance of cheques at site level i.e. Dealer Supervisor tracking slips or CMS jackpot printouts.  S.14	T. Towns	Developing
8	Meetings will be established on a semi-annual basis with BCLC's CEO, Board Chair and all service provider executives to review procedures and audit results specific to money laundering and suspicious currency transaction reporting.	Agendas and meeting dates will be established for a semi-annual meeting between the Board, CEO, and Vice President of Corporate Security and Compliance.  Corporate Security will report to the chairman of the board outlining reporting statistics and training initiatives and audit results.	T. Towns  D. Morrison J. Williamson	Semi-Annually  Semi-Annually
9	A new quality assurance program will be developed to test on-site compliance with anti-money laundering policies and procedures in addition to other casino and CGC operating policies and procedures.	BCLC will mystery audit for compliance in regards to the issuance of cheques for table game/slot wins at casinos and CGCs at least annually at each site.	J. Williamson D. Morrison	Ongoing – completion date suggested: November 2008
10	BCLC will request GPED to increase the intensity of their compliance audits in all gaming facilities related to suspicious currency transaction policies.	BCLC will work with GPED to ensure compliance audits are done by BCLC regarding suspicious currency transactions and supply copies of those audits to GPED.	T. Towns	June 2008
11	BCLC will report to GPED on its progress in implementing the above actions and will work directly with them to measure performance and compliance.	BCLC Corporate Security department will meet with GPED's Investigation and Audit Divisions and provide audit reports to GPED on an ongoing basis.	T. Towns J. Williamson D. Morrison	Start June 2008 - Ongoing
	OTHER ACTION ITEMS	ACTION PLAN	PERSON RESPONSIBLE	TARGET COMPLETION DATE
12	BCLC will implement the recommendations	As per plan supplied to the CEO:	D. Morrison	Start Date:

## Action Plan Related to BCLC's Reporting to FINTRAC

	from the IPSA report.	<ul style="list-style-type: none"> <li>• Seminar-type training;</li> <li>• New staff at all casinos province-wide is all given the same consistent, comprehensive training;</li> <li>• Responsible for documenting and demonstrating to BCLC that all its employees had taken the appropriate training module(s);</li> <li>• BCLC undertake a review of its corporate AML function on an annual basis; and</li> <li>• More formal, structured risk management approach: <ul style="list-style-type: none"> <li>○ Document and assess, in a systematic and structured manner, the internal and external AML risks affecting BCLC;</li> <li>○ Ensure that risk management strategies are cost effective, proportional to the risk, and consistent with regulatory requirements and best practices;</li> <li>○ Ensure that the cost-effectiveness and efficiency of the risk management strategies and initiatives are routinely measured and monitored on an ongoing basis; and</li> <li>○ BCLC's executive team and Board of Directors are informed in a structured and timely manner about the internal and external AML risks affecting BCLC.</li> </ul> </li> </ul>		June 2008 - ongoing
13	BCLC has engaged IPSA to prepare Risk Assessment and draft Corporate Policies as required by the changes to PC(ML)TF Act.	Awaiting completion of field work and document preparation. A copy of IPSA report will be forwarded to GPED Audit Branch.	T. Towns	Ongoing with completion date set for November 1, 2008.

## **Action Plan Related to BCLC's Reporting to FINTRAC**



**From:** Van Sleuwen, Terri HSD:EX  
**Sent:** Friday, August 29, 2008 2:16 PM  
**To:** Sturko, Derek HSD:EX  
**Cc:** Vander Graaf, Larry P HSD:EX; XT:Towns, Terry CAsE:IN  
**Subject:** GPED/BCLC Action Plan Related to BCLC's Reporting to FINTRAC

Derek, attached is the action plan that Larry, Terry Towns and I have developed in relation to BCLC's reporting to FINTRAC. This action plan details the coordinated efforts of GPED and BCLC and was requested in the last GPED/BCLC joint executive meeting that was held.



Action Plan-BCLC  
Reporting to ...

If you have any questions or want to discuss this document in more detail please let us know.

Terry, slight revision to #4 in your section from my previous e-mail sent earlier today. I expect that you will forward this document to Michael Graydon.

Thanks,

*Terri Van Sleuwen, CGA*  
Executive Director  
Audit and Compliance  
Gaming Policy and Enforcement Division  
Ministry of Housing and Social Development  
604-660-0274  
*Know your limit, play within it.*

**From:** Van Sleuwen, Terri HSD:EX  
**Sent:** Tuesday, October 7, 2008 12:31 PM  
**To:** Dugger, Murray  
**Cc:** Pyatt, David E HSD:EX  
**Subject:** GPE Audit of BCLC Reporting to FINTRAC

Hi Murray, in BCLC's response to FINTRAC on the findings in our 2006/07 audit (dated May 26, 2008, page 2) they indicate that "BCLC's Operational Audit Division conducts at least seven separate Service Provider Audits annually on the Large Cash Transaction compliance regimen. These include audits conducted at the Casino Cage, Security, Surveillance, Slots and Tables."

In the conduct of our 07/08 audit of BCLC's reporting to FINTRAC we were advised by BCLC that there was only one cage audit conducted twice a year by the Operational Audit Division of BCLC.

I discussed with them the conflict between their response to you and our findings during our 07/08 audit. They advised that the response to you was incorrect and that our 07/08 findings were correct. They have advised that starting in June 2008 this cage audit will be conducted four times per year.

Sorry for the delay in getting this information to you.

If you have any questions please feel free to contact either David or myself.

Thanks,

*Terri Van Sleuwen, CGA*  
Executive Director  
Audit and Compliance  
Gaming Policy and Enforcement Division  
Ministry of Housing and Social Development  
604-660-0274  
*Know your limit, play within it.*

**From:** Sturko, Derek HSD:EX  
**Sent:** Tuesday, October 7, 2008 2:54 PM  
**To:** Van Sleuwen, Terri HSD:EX; Vander Graaf, Larry P HSD:EX  
**Cc:** Pyatt, David E HSD:EX  
**Subject:** RE: FINTRAC Audit of BCLC Underway

Thanks to all of you for keeping on top of this.

Derek Sturko  
ADM, Gaming Policy & Enforcement  
*Know your limit, play within it.*

---

**From:** Van Sleuwen, Terri HSD:EX  
**Sent:** Tue, October 7, 2008 2:23 PM  
**To:** Vander Graaf, Larry P HSD:EX  
**Cc:** Sturko, Derek HSD:EX; Pyatt, David E HSD:EX  
**Subject:** RE: FINTRAC Audit of BCLC Underway

Yes to both questions. We will get a copy of the report and in the next week or so we should be advised of the scope.  
I will let all know.

Terri Van Sleuwen, CGA  
Executive Director  
Audit and Compliance  
Gaming Policy and Enforcement Division  
Ministry of Housing and Social Development  
604-660-0274  
*Know your limit, play within it.*

---

**From:** Vander Graaf, Larry P HSD:EX  
**Sent:** October 7, 2008 2:09 PM  
**To:** Van Sleuwen, Terri HSD:EX; Sturko, Derek HSD:EX  
**Cc:** Pyatt, David E HSD:EX  
**Subject:** RE: FINTRAC Audit of BCLC Underway

Thanks Terri: Are you (we) going to get a copy of the FINTRAC audit? Do we know or will we know the scope of the audit?

Larry Vander Graaf,  
Executive Director  
Investigations and Regional Operations.  
Investigation Division  
Gaming Policy and Enforcement Division  
Ministry of Housing and Social Development

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**From:** Van Sleuwen, Terri HSD:EX  
**Sent:** October 7, 2008 12:42 PM  
**To:** Sturko, Derek HSD:EX  
**Cc:** Vander Graaf, Larry P HSD:EX; Pyatt, David E HSD:EX  
**Subject:** FINTRAC Audit of BCLC Underway

Derek, I've just been advised by FINTRAC that they starting their audit of BCLC and a selection of service providers. They will be conducting audit fieldwork over the next month or so and their expected reporting time will be mid-December. I will keep you informed as we are by FINTRAC.

If you have any questions or concerns please let us know.

Thanks,

*Terri Van Sleuwen, CGA*

Executive Director

Audit and Compliance

Gaming Policy and Enforcement Division

Ministry of Housing and Social Development

604-660-0274

*Know your limit, play within it.*

**From:** Van Sleuwen, Terri HSD:EX  
**Sent:** Wednesday, March 4, 2009 4:28 PM  
**To:** Sturko, Derek HSD:EX; Vander Graaf, Larry P HSD:EX; Tanaka, Kashi HSD:EX; McCrea, Bill J HSD:EX; Saville, Rick HSD:EX  
**Cc:** Pyatt, David E HSD:EX  
**Subject:** FW: FINTRAC Letter to BCLC on Audit Feb 2009 re Compliance.pdf - Adobe Reader

For your information, attached is a follow-up letter from FINTRAC to BCLC.

I suggest that we may want to discuss a GPEB strategy for BCLC in conjunction with the FINTRAC issues/approach in order to exercise our oversight role.

Also, we will be meeting with FINTRAC to determine if a coordinated approach with them in dealing with BCLC is appropriate.

What do you think?

*Terri Van Sleuwen, CGA*  
Executive Director, Audit and Compliance  
Gaming Policy and Enforcement  
Ministry of Housing and Social Development  
604-660-0274  
*Know your limit, play within it.*

---

**From:** Pyatt, David E HSD:EX  
**Sent:** March 4, 2009 3:43 PM  
**To:** Van Sleuwen, Terri HSD:EX  
**Subject:** FINTRAC Letter to BCLC on Audit Feb 2009 re Compliance.pdf - Adobe Reader



FINTRAC Letter to  
BCLC on Audi...



February 27, 2009

Doug Morrison  
Manager, Casino Security & Surveillance  
British Columbia Lottery Corporation  
10760 Shellbridge Way  
Richmond, British Columbia V6X 3H1

Gaming Policy and Enforcement Branch  
Audit and Compliance Division  
Burnaby

MAR 03 2009

RECEIVED

Dear Mr. Morrison:

The purpose of this letter is to discuss your compliance action plan submitted to us on January 23, 2009. You prepared the plan as a result of the deficiencies identified in our recent examination to verify your compliance with the requirements under Part 1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* and associated Regulations.

We would like to express our appreciation for submitting your action plan in a timely manner. After reviewing your action plan, we have assessed that greater clarification is required to adequately address the identified deficiencies. The remaining issues are outlined below, and correspond with the same deficiencies as numbered on our findings letter dated December 23, 2008.

**Deficiency #1: *Compliance Regime – General Regulations 71(1)***

▪ *Lack of Refresher Training to seasoned service provider staff*

You had identified in your response that BCLC had delivered 120 FINTRAC training sessions in 2008. We require details on these training sessions, including content, numbers and specifics on who attended, and casino sites visited. Ultimately, we are interested in knowing what percentage of your staff have received this training to date.

You had identified in your response that BCLC is moving towards implementation of three different training modules: Beginners Orientation Training, Face-to-face Intermediate Training and Advanced Refresher Training. We require details on when each of these training sessions will be implemented and when will all existing staff have had the opportunity to receive the training.

▪ *No process in place to review Compliance Policies and Procedures*

You had identified in your response that BCLC Corporate FINTRAC Procedures will be reviewed on a regular basis. We require details on whom will be conducting the review, when will the reviews occur, what content will be covered in the reviews and confirmation it will be signed off by senior management.

**Deficiency #4: *Reporting – Large Cash Transactions, Regulations: Schedule 1***

**Deficiency #8: *Record Keeping – Large Cash Disbursement Records: Regulation 42(1)***

You had indicated in your response that if patrons refuse to provide their occupation to staff, the staff have no legal authority to demand answers to this question. However, it should be noted that if a patron continues to buy-in without disclosing their occupation after reaching \$10,000 or greater or a patron is cashed-out \$10,000 or greater without providing their occupation, BCLC would be in non-compliance with their legislative obligations. This requirement should be reflected in your policies and procedures.





**Deficiency #5: *Reporting – Transactions within a 24-hour period, Regulation 3***

You had indicated in your response that the details of the individual buy-ins are maintained in your LCT records. However, it should be noted that the details of these individual buy-ins must not only be captured, but reported to FINTRAC in the prescribed form and manner of the Large Cash Transaction Report.

With respect to **Deficiencies 4, 6, 7, 8**, you had indicated that training will be modified to direct staff to prevent allowing further buy-ins of patrons surpassing the \$10,000 threshold if they fail to provide acceptable identification, including occupation. We require details on when this new training will be rolled out to staff.

FINTRAC is committed to achieving compliance by taking a cooperative approach. Consequently, we request that you provide us with an action plan identifying what steps you will take to rectify these compliance issues, in writing, no later than 15 days from the date of this letter. After that time, a FINTRAC Compliance Officer may conduct a follow-up examination to verify if the steps have assisted your organization in meeting its obligations under the PCMLTFA and its Regulations.

We would like to thank you for your assistance and cooperation. For more information, or if you have any questions please do not hesitate to contact me by telephone at (604) 666-8184 or by e-mail at [Robby.Judge@fintrac-canafe.gc.ca](mailto:Robby.Judge@fintrac-canafe.gc.ca)

Sincerely,

Robby Judge  
Regional Compliance Officer

- cc:** Terry Towns  
Vice-President, Corporate Security & Compliance  
British Columbia Lottery Corporation
- cc:** Terri Van Sleuwen  
Executive Director, Audit and Compliance Division  
Gaming Policy and Enforcement Branch

**GAMING POLICY  
AND  
ENFORCEMENT  
DIVISION**

**REPORT**

**BCLC  
FINTRAC Report  
Mid-Year Review  
GPEB File # COMM-4097  
Fiscal 2008/09**

**BACKGROUND**

A midyear compliance review of the BCLC FINTRAC compliance regime was conducted for the period April 1, 2008 to September 30, 2008 to verify compliance with the *Gaming Control Act, Regulation*, and FINTRAC requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.

The compliance review included an analysis of large cash transaction reporting systems in place at gaming sites and BCLC's Richmond office. In addition, staff training was reviewed and/or tested. Procedures were performed on a test basis.

**OBJECTIVE**

The objectives of this compliance review are to:

- Verify compliance with FINTRAC reporting requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.
- Verify whether the requirements for casinos under the *PC(ML)TFA* have been met, such as; submitting reports to FINTRAC, record keeping and client identification, and implementation of a compliance regime;
- Verify compliance with the *Gaming Control Act and Regulation*;
- Verify compliance with BCLC *Casino Standards, Policies and Procedures (CSPP)*.



## SCOPE

The scope of this compliance review included:

- Review of the BCLC system in place for recording information generated at the service provider level;
- Review of the frequency and levels of formal training provided to service provider staff;
- Review of the BCLC system in place to process information for submission to FINTRAC.

## PROCEDURES

A review of the BCLC FINTRAC compliance regime was conducted for the period April 1, 2008 to September 30, 2008. Procedures were conducted on a test basis.

The following procedures were performed:

- LCT data collected at 6 Lower Mainland Casinos was reviewed and traced through to the BCLC reporting system.
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* training provided by BCLC to service provider staff was reviewed for frequency of delivery throughout the province.

## FINDINGS

### 1. Recording of Information

FINTRAC Guideline 6F: Record Keeping and Client Identification for Casinos 2008, section 3.2

Objective: To ensure that FINTRAC receives all the required information and all information is complete and accurate.

Through a review of 152 “buy-ins” qualifying as large cash transaction (LCT) records the following exceptions were noted:

1. There were 5 records where the incorrect LCT amount was recorded to iTrak for eventual reporting to FINTRAC.
  - 20080010122 – recorded as <sup>s.16</sup>
  - 20080010654 – recorded as
  - 20080008506 – recorded as
  - 20080009603 – recorded as
  - 20080012183 – recorded as



2. There were 19 instances where the LCT paperwork did not contain all the required information. The patron's address, principal business or occupation, birth date, or the identification's place of issue was not recorded on the paper LCT record. "On File" was not written on the paperwork to indicate any of these items were already recorded in the iTrak file.
  - 20080013557, 20080020255, 20080009420, 20080010012, 20080010427, 20080012183, 20080013363, 20080014237, 20080008786, 20080007807, 20080009442, 20080013698, 20080014600, 20080015108, 20080016795, 20080017045, 20080018169, 20080020102, 20080009021.

To ensure complete and accurate data is processed to FINTRAC all required information should be recorded on the paperwork. If the required information is already available in the iTrak System, "On File" must be written on the paperwork to indicate it per BCLC Casino Standards, Policies and Procedures.

## 2. Training

### FINTRAC Guideline 4.4.4: Ongoing Compliance Training

Objective: To ensure that all those who have contact with customers, who see customer transaction activity, or who handle cash in any way understand the reporting, client identification and record keeping requirements. This includes those at the "front line" as well as senior management.

Findings: During the period April 1, 2008 to October 3, 2008 BCLC conducted formal onsite training at 16 of 30 sites (53%), to a total of 618 site staff. Although this is an increase from the prior year, there were 3 locations that did not receive any formal training for at least 18 months (Billy Barker Casino, Chances Campbell River and Chances Courtney). Also, the attendance level at many of the training sessions appears to be quite low in comparison to the staffing levels (e.g. Gateway Boulevard Casino, Edgewater Casino, and GCC River Rock Casino). Through discussion it was noted that BCLC is looking at implementing other types of training in the future. Different types of training could help to increase and retain employee knowledge in this area.

Training is an important risk mitigation tool to ensure all transactions are correctly identified, recorded and reported to FINTRAC. Without sufficient training, exceptions are more likely to occur. This is a repeat issue from the prior year's GPED report.

Commercial Gaming Audit  
Audit and Compliance Division  
December 16, 2008

## REFERENCE SOURCES

The following information and reference sources were employed during this review:

- *Gaming Control Act and Regulation*;
- *BCLC Casino Standards, Policies and Procedures*;
- *BCLC Community Gaming Centres Standards, Policies and Procedures*;
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.
- *FINTRAC Guidelines*

Cc: Mr. Terry Towns, Vice-President, Corporate Security and Compliance, BCLC  
Mr. Murray Dugger, Director, Western Region, FINTRAC



**From:** Dugger, Murray [Murray.Dugger@fintrac-canafe.gc.ca]  
**Sent:** Friday, October 30, 2009 2:51 PM  
**To:** Van Sleuwen, Terri HSD:EX; Pyatt, David E HSD:EX  
**Cc:** Judge, Robby  
**Subject:** RE: GPEB FINTRAC midyear compliance review

Terri / David:

Thanks for the update - we have bumped the start of our exam by one week to allow for the legislated 30 days to produce records and gave Doug and Terry the notification today. It will officially commence on Nov 30, with Robby meeting with them a week in advance.

Do not hesitate to contact Robby or myself with any questions. We'll all meet sometime in January to discuss the results.

Enjoy your weekend.

Murray

---

**From:** Van Sleuwen, Terri HSD:EX [<mailto:Terri.VanSleuwen@gov.bc.ca>]  
**Sent:** October 30, 2009 13:51  
**To:** XT:Towns, Terry CAsE:IN  
**Cc:** Pyatt, David E HSD:EX; VanderWerf, Neil HSD:EX; Dugger, Murray  
**Subject:** RE: GPEB FINTRAC midyear compliance review

Terry, looks like we have been able to work something out for our mid-year review. We will place reliance for our mid-year review on the work that FINTRAC will be doing in November and therefore not have to carry out any fieldwork ourselves. We will conduct our next full audit of BCLC in relation to your reporting to FINTRAC prior to the end of March 31, 2010. A notification will be sent to you prior to the start of this work.

Hopefully this addresses your concerns appropriately.

*Terri Van Sleuwen, CGA*  
Executive Director, Audit and Compliance Division | Gaming Policy and Enforcement Branch  
Ministry of Housing and Social Development  
604-660-0274  
*Know your limit, play within it.*

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**From:** Terry Towns [<mailto:TTOWNS@BCLC.com>]  
**Sent:** October 23, 2009 12:04 PM  
**To:** VanderWerf, Neil HSD:EX; Van Sleuwen, Terri HSD:EX; [duggerm@fintrac.gc.ca](mailto:duggerm@fintrac.gc.ca)  
**Cc:** Doug Morrison; XT:Graydon, Micheal CAsE:IN  
**Subject:** RE: GPEB FINTRAC midyear compliance review  
**Importance:** High



Teri/Murray

I was called by Robbie Judge this AM to advise Fintrac will be auditing commencing the 23<sup>rd</sup> of November. Attached is the GPEB audit notification (received today) of a GPEB Fintrac audit commencing November 02 and forward. We are now being audited twice in the same month in regards to Fintrac. This goes to my earlier comment about the frequency of the audits. Since October, 2008 this will be the 3<sup>rd</sup> GPEB audit and the 2<sup>nd</sup> Fintrac audit. A total of 5 audits in slightly more than one year!

I realize you are going to say you are auditing different things, that you are separate entities but surely this is overkill. BCLC and the Service Providers are not objecting to being audited in any way, but some reasonableness has to come into play. Audits take time and resources and we are willing to commit those but in a way that makes sense.

I would urge you to arrange to share one or the others audits with each other or come to some other arrangement.

Terry

---

**From:** VanderWerf, Neil HSD:EX [<mailto:Neil.Vanderwerf@gov.bc.ca>]

**Sent:** October 23, 2009 10:58 AM

**To:** Terry Towns

**Cc:** Doug Morrison

**Subject:** GPEB FINTRAC midyear compliance review

Good morning Mr. Towns, please find attached a notification letter re: GPEB FINTRAC midyear compliance review for 2009-2010.

<<FINTRAC Midyear Audit Notification Letter to BCLC.doc>>

Mr. Morrison, we had originally discussed meeting at your offices sometime during the week of November 2nd, 2009; however, due to scheduling issues, I will require additional time to complete my information gathering in the field (Metro Vancouver casinos). I will contact you again once this work has been completed to arrange a mutually convenient time to meet at your offices. Thank you for your patience.

Thank you,

**Neil VanderWerf**

Commercial Audit  
Audit and Compliance  
Gaming Policy and Enforcement Branch  
Ministry of Housing and Social Development  
220 - 4370 Dominion Street  
Burnaby BC V5G 4L7  
Telephone: (604) 775-1194  
Fax: (604) 660-0267

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**GAMING POLICY  
AND  
ENFORCEMENT  
BRANCH**

**REPORT**

**BC Lottery Corporation  
FINTRAC Report  
Summary of Findings  
GPEB File # COMM-4577  
Fiscal 2008/09**

**BACKGROUND**

An annual compliance review of the BCLC FINTRAC compliance regime was conducted for the period April 1, 2008 to March 31, 2009 to verify compliance with the *Gaming Control Act, Regulation*, and FINTRAC requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.

The compliance review included an analysis of large cash and suspicious transaction reporting systems in place at gaming sites and BCLC's Richmond office. In addition, staff training and understanding of legislative requirements were reviewed and/or tested. Procedures were performed on a test basis.

**OBJECTIVE**

The objectives of this compliance review are to:

- Verify compliance with FINTRAC reporting requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.
- Verify whether the requirements for casinos under the PCMLTFA have been met, such as; submitting reports to FINTRAC, record keeping and client identification, and implementation of a compliance regime;
- Verify compliance with the *Gaming Control Act and Regulation*;
- Verify compliance with BCLC *Casino Standards, Policies and Procedures (CSPP)*.
- Verify compliance with BCLC *Community Gaming Centres Standards, Policies and Procedures (CGCSPP)*.



## SCOPE

The scope of this compliance review included:

- Review of the BCLC system in place for recording information generated at the service provider level;
- Review of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* training provided by BCLC to service provider staff and understanding thereof; and
- Review of the BCLC system in place to process information for submission to FINTRAC.

## PROCEDURES

A review of the BCLC FINTRAC compliance regime was conducted for the period April 1, 2008 to March 31, 2009. Procedures were conducted on a test basis.

The following procedures were performed:

- Data collected as part of annual casino audits was traced through to the BCLC reporting system.
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* training provided by BCLC to service provider staff was reviewed for frequency of delivery.

## FINDINGS

- 1) **FINTRAC Guideline 4: Implementation of a Compliance Regime, section 5** states that an effective compliance regime includes policies and procedures and shows commitment to prevent and detect and address non-compliance.
  - a) BCLC does have written policies and procedures, (CSPP and CGCSPP) to describe the reporting, record keeping, and client identification procedures relevant to the industry but the policies and procedures do not include the following:
    - i) Required information for LCTR does not include the date of transaction or identification's place of issue. (Previously identified in prior year audit.)
    - ii) There is no section to state a single transaction of \$10,000 or more requires a separate LCTR.
  - b) The policies and procedures could be further expanded or clarified.
    - i) CSPP Section 3-8.1, 7.1.4 states that the assigned casino employee shall record the total dollar value of the "buy-in" in the "Pit Transactions" area on page 1 of the



LCTR. It is recommended that this be changed to emphasize that all “Pit Transactions” must be recorded and not grouped into a single transaction.

- ii) Section 3-8.1, 2.1.3 of the CSPP and CGCSPP states that for buy-ins - the patron must provide sufficient/acceptable photo identification to identify the player, before leaving the casino. This is contrary to CSPP 3-8.1, 7.2, as well as FINTRAC Guideline 6F, section 4 Client Identity, which states you need to identify any individual with whom you conduct a large cash transaction, at the time of the transaction, if you have to keep a large cash transaction record for it.
- 2) **FINTRAC Guideline 4: Implementation of a Compliance Regime, section 7** states 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. As well it says that new people should be trained before they begin to deal with clients. All staff 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.
- a) For the period April 1, 2008 to March 31, 2009 new staff did not receive formal FINTRAC training and many staff did not receive formal training during the year. More specifically audit testing identified the following:

Site	# of staff trained for the period April 1, 2008 to March 31, 2009	Approximate % of employees trained during the year	Approximate % of employees trained during a two year period **
Great Canadian Boulevard Casino	168	28%	32%
Burnaby Villa Casino	108	16%	33%
Gateway Cascades Casino	111	29%	60%
Great Canadian Hastings Park Racecourse and Slots	7	9%	32%
Great Canadian River Rock Casino	148	16%	17%
Great Canadian View Royal	10	6%	35%

Casino			
--------	--	--	--

\*\* - This number is calculated by adding the number of staff trained for the period April 1, 2007 to March 31, 2008 to the number of staff trained for the period April 1, 2008 to March 31, 2009. This figure is then divided by the approximate number of employees to be trained. It does not take into account whether or not the same employees attended the training two years in a row.

- b) No training occurred at Chances Prince Rupert and Treasure Cove Casino Prince George during the fiscal year.
- c) Through discussion with guest services staff at Fraser Downs Racetrack & Casino it was noted that guest services staff did not appear to know the policy limits surrounding gift cards/certificates. Training should be provided to minimize potential risks of money laundering through the use of gift cards. (CSPP 2-4.1, 2.2)

It is noted that BCLC has revised the training modules to include three separate training modules. The first is a "New Hires – Entry Module." The second is the "Advance Module," and the third is a "Refresher Module. Currently, only the face to face "Advanced Module" has been offered to employees. According to the Manager of Corporate Security and Compliance the Entry and Refresher Modules will be ready to be offered by July 1, 2009 and both modules will be offered as an online course. The introduction of the two new modules should significantly increase the amount of training provided to service provider staff.

- 3) **BCLC CSPP section 3-8.1, 3.1 and CGCSPP section 3-8.1, 3.2** states that all LCTRs dated within the last year shall be stored in alphabetical order in a secure storage area within the community gaming centre.

Through review of the service provider audits for the period April 1, 2008 to March 31, 2009 it was noted that 4 gaming sites did not store the LCTRs in alphabetical order. The sites were GCC River Rock, Chances Boardwalk Mission, Chances Kamloops, Chances Cowichan, and Chances Campbell River.

- 4) **FINTRAC Guideline 7a: Submitting Large Cash Transaction Reports to FINTRAC Electronically** outlines the information that must be sent for each LCT. Both the date and time of the large cash transaction must be entered if known.

- a) Through review of the service provider's LCTRs it was noted that the time of the transaction is not recorded on either the paper copy of the LCTR or the electronic "iTrak" version.



- b) We identified 4 LCTRs where the transaction date entered into iTrak was different than the transaction date on the paper version of the LCTR. (Chances Mission - LCT 20090000166/ LCT20090000168) and Chances RimRock - LCT20090001873/Paper form LCT 11)

- 5) **FINTRAC Guideline 6: Record Keeping and Client Identification for Casinos section 3.2** states that the individual's principal business or occupation must be recorded on an LCT. It states that one must be as descriptive as possible regarding the business or occupation. Record information that clearly describes it, rather than use a general term. For example in the case of a consultant, the occupation recorded should reflect the area of consulting, such as "information technology consultant..."

Through review of 111 LCTRs it was identified that 16 LCTRs listed the occupation in general terms, such as self-employed or business owner. This was previously identified in the December 23, 2008 audit report prepared by FINTRAC. BCLC has since updated their Standards, Policies and Procedures and training modules to focus training on this area.

- 6) **FINTRAC Guideline 7A: Submitting Large Cash Transaction Reports to FINTRAC Electronically Appendix 1, Part B1** states that you must make separate large cash transaction reports for each single transaction of \$10,000 or more.

Through review of LCTs it was noted that single transactions of \$10,000 were often amalgamated with other transactions. Examples include:

- LCT20090001437
- LCT20090006802
- LCT20090007156
- LCT20090007258
- LCT20090002449
- LCT20080022293
- LCT20090002500
- LCT20090002160
- LCT20090002099

Through discussion with BCLC it was noted that they are aware of this deficiency. The Standards, Policies and Procedures and training modules have not been revised to reflect this deficiency.

- 7) **Guideline 7A: Submitting Large Cash Transaction Reports to FINTRAC Electronically** describes the information that must be submitted for each LCTR. In Appendix 1: under the heading '24-hour-rule indicator' it states that if a report is about a transaction that is part of a group of two or more cash transactions of less than \$10,000 then the report must include each such transaction in the same large cash transaction.



Through review of LCTRs at various service providers it was identified that individual buy-ins are often amalgamated when entered into iTRAK, rather than reported as individual transactions. For example if a patron bought in for \$1,000 and \$3,000 on BJ1 and \$4,000 and \$5,000 on BJ2 some service providers have been recording the entry as BJ1 \$4,000 and BJ2 \$9,000. Individual entries should be made for all transactions. Examples include:

- LCT20090006817
- LCT20090006808
- LCT20090006814
- LCT20090007258
- LCT20090007255
- LCT20090007156
- LCT20090007935
- LCT20090007437
- LCT20090002448
- LCT20090002449
- LCT20090002198
- LCT20090002414
- LCT20090002304
- LCT20090002196
- LCT20090002160
- LCT20090002099

- 8) **Guideline 2: Suspicious Transactions, section 4** states a suspicious transaction report must be sent to FINTRAC within 30 days.

Through review of 108 suspicious transaction reports it was identified that 4 were filed to FINTRAC after 30 days.

BCLC Incident #	Date of transaction	Date of submission to FINTRAC
08-40805	s.16	
08-40189		
08-40137		
08-39759		

## BCLC RESPONSE

May 25, 2009

Mr. Murray Dugger  
Regional Director  
Western Region  
120-1185 West Georgia Street,  
Vancouver, B.C.  
V6E 4E6

Gaming Policy and Enforcement Branch  
Audit and Compliance Division  
Burnaby

MAY 29 2009

RECEIVED



BCLC  
10780 Shellbridge Way  
Richmond, BC V6X 3H1  
T 604.270.0649  
F 604.276.6424  
www.bclc.com

Dear Murray:

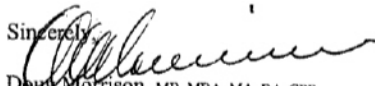
Re: Gaming Policy and Enforcement - Audit Compliance Division  
FinTrac Audit Report – Fiscal 2008/09

Please find attached a copy of BCLC Action Plan for issues identified by GPE Audit and Compliance Division concerning their findings in their most recent review. As you will note, BCLC is committed to a number of policy amendments that should address a number of the issues surfaced. You will also note that BCLC is making great strides in our various training initiatives and two of the three current training modules will be available to all BC gaming Service Partners via web based approach, shortly. These two modules should address concerns identified both in your FinTrac audit of last fall and this most recent GPE audit.

BCLC is currently undertaking a review of the ITrak –FinTrac software to ensure that this system is totally functional for the anticipated reporting conditions that come on stream in September 2009. BCLC has committed a casino investigator familiar with FinTrac reporting to this project to ensure all FinTrac and BCLC needs are identified and addressed.

Finally, BCLC is committed to compliance with this Act and is committed to ensuring all of our gaming partners are dedicated as well. Should you have any issues or concerns, please don't hesitate in contacting the writer at your convenience.

Sincerely,

  
DAVID MORRISON, MB, MBA, MA, BA, CPP  
Manager, Corporate Security and Surveillance  
British Columbia Lottery Corporation

Cc: ✓ Ms. Terri Van Sleuwen, Executive Director,  
Audit and Compliance Division, Gaming Policy and Enforcement  
Terry Towns, VP, Corporate Security and Compliance  
British Columbia Lottery Corporation





<p>Item #1</p>	<p>FinTrac Guideline 4: Implementation of a Compliance Regime Section 5</p> <p>a) i) LCTR information does not include date or identification place of issue;</p> <p>a) ii) No policy that to state a single \$10,000.00 transaction;</p> <p>b) i) Recommendation that a policy change be made to emphasize all Pit Transactions</p> <p>b) ii) Recommendation for change identification requirements for Large Cash Transactions;</p>	<p>BCLC has requested an amendment to policies under 3-8.1.7.1.4 which will include date of transaction. Amendments will also be made to our Community Gaming Policies as well.</p> <p>CSPP 3-8.1.7.1.2 – Buy-in policy will be amended to include the place of issue;</p> <p>Upon review of BCLC policies this issue is clearly identified in policy 3-8.1.7.1 which states “\$10,000.00 or more, in one or more transactions”.</p> <p>CSPP 3-8.1.7.1.4 will be amended to reflect that all buy ins ‘Pit Transactions’ will be recorded;</p> <p>CSPP 3-8.1.2.1.3 will be amended to reflect that patron identification will be requested when the player reaches/exceeds the reportable threshold;</p>	<p>What is important to understand is that the date is fundamental to the LCTR being generated. -Photocopy of the patron’s identification is available to the Patron’s LCTR file which identifies the place of issue. Policy change request will be undertaken by May 31, 2009.</p> <p>No Policy change required</p> <p>Policy change request will be undertaken by May 31, 2009.</p> <p>Policy change request will be undertaken by May 31, 2009.</p>
<p>Item #2</p>	<p>FinTrac Guideline 4: Implementation of a Compliance Regime, section 7</p> <p>a) April 1, 2008 – March 31, 2009 – new staff received not formal FinTrac Training;</p>	<p>BCLC conducted 112 FinTrac Training sessions throughout the Province of BC for this period training in excess of 1852 people together with two training sessions for BCLC security/site staff. While BCLC appreciates GPEB comments concerning ‘New Hire Training’ it has been identified to the GPEB FinTrac auditor that BCLC is taking steps to alleviate this situation by have two of our BCLC training modules captured on the Web.</p>	<p>BCLC realizes the need to training not only to ‘new hires’ but that enhanced training is required for the more experienced staff as well. ICOM is addressing BCLC needs moving forward. Ultimately, time is required to ensure that this web designed system meets BCLC</p>



		<p>Ultimately, this will help ease training demands moving forward. BCLC is currently awaiting an outside Website designer 'ICOM' to make the needed software designs that will facilitate this changing in training initiatives. BCLC has been instrumental in providing the training requirements to ICOM and they currently have designed a web program that will facilitate this training being placed on web. Currently, ICOM representatives are meeting with BCLC IT staff to make this a smooth transition for our training demands. It is anticipated that this Web design will be completed by July 1, 2009 with rollout slated for 1 September 2009.</p>	<p>needs whereby gaming employees logging into the system can take the training without issues and that BCLC is able to ensure that tracking of individuals and training results are captured. Without meeting all of these demands – the web training will fall on its face. Thus, before roll-out BCLC must ensure all features are available before introduction. Deployment date: 1 September 2009.</p>
	<p>b) No training occurred for Prince Rupert CGC and Treasure Cove Casino</p>	<p>FinTrac Training is scheduled for Prince Rupert 26/27 May 2009. Training for Treasure Cove Casino commenced for 3 sessions on 25 March 2008.</p>	<p>While BCLC agrees that training is an important component of the FinTrac process – realistically training that occurred in 2008 should allow BCLC investigators some level of freedom regarding training. As noted previously in this document – BCLC did conduct 112 training sessions for April 1, 2008 – 31 March 2009. Ultimately, when all of BCLC training modules are available via the web – this training initiative will be much more streamlined and really shouldn't be an issue.</p>
	<p>c) Fraser Downs Racetrack and Casino guest services requiring FinTrac Training;</p>	<p>BCLC policy dictates that the maximum gift card amounts are restricted to \$500.00 per card. BCLC believes that the appropriate policy controls are in place that restricts gift cards and BCLC believes that guest services do not require FinTrac training.</p>	<p>Ultimately, the goal for an individual involved in laundering money is to cleanse money into other reportable instruments. Given the policy limitations of a customer gift card –</p>

			laundering funds at \$500.00 a time would make this laundering avenue limited. This fact, coupled with surveillance photographs of the individual request the gift card – make laundering in this fashion a rather ‘high risk’ limited endeavor.
Item #3	BCLC CSPP Section 3-8.1.3.1 - LCTR Storage	<p>Following receipt of this issue in the GPE Audit, BCLC conducted a further review of these 5 gaming locations in the province and ascertained that these issues had surface during GPE FinTrac audit June 2008 in Cowichan and that after this issue was identified – it was resolved on the 20<sup>th</sup> June 2008. The same hold true for Chances Mission and Chances Kamloops. As far as Campbell River CGC is concerned – this fact was identified in early March 2009 and it was rectified shortly thereafter.</p> <p>Finally, investigation at RRCR determined that this casino site does file their LCTR in alphabetical order. It was determined – for example- and for ease of LCTR recovery - that at RRCR all of the ‘A’s are filed alphabetically but that they also file these via gaming date so that in the ‘A’ section there will be ‘A’ for a certain date. This simply allows the surveillance supervisor easy and quick reference to that patron’s LCTR records quickly – as opposed to combing through the entire letter A patrons. Once the A patron finishes his gaming activities – the LCTR is then filed alphabetically.</p>	Obviously, BCLC attempts to implement policies that not only provide solid direction to the Service Partner but also allows the Service Partner to undertake their specific roles with ease and purpose. Thus, because RRCR don’t follow the BCLC policy to the ideal letter but changes it somewhat to make it work for their surveillance staff – BCLC is agreeable as long as it works practically for them and at the end of the day – they do meet out policy requirements. I believe policies are simply a guide not the rule!
Item #4	<p>FinTrac Guideline 7a: Submission of LCTR Electronically – with both date and time.</p> <p>4 a) Time of the transaction not</p>	Currently, BCLC casino investigators	Currently, Service



	<p>recorded on LCTR paper or electronically;</p> <p>4 b) 4 LCTR where transaction dates are different then hardcopy of the LCTR;</p>	<p>submit to FinTrac all LCTR data via 'Batch file' system which does not have a time requirement. STR is filed via F2R filing in which both the date and time are reported.</p> <p>A review of these LCTR's suggests that human error obviously played a role in this compliance issue. There does not appear to be any other substantive reason for this occurring.</p>	<p>Partners report LCTR data transactions via a rolling 24 hour time frame. With BCLC now report separately all LCTR over the threshold amount of \$10,000.00 – it has made FinTrac reporting much easier for BCLC investigator staff.</p> <p>From a physical review of cashier duties at either casino or CGC locations throughout the province indicates that these staff member work under heavy workloads, stress and a whole battery of customer service complaints and thus in this type of atmosphere human error occurs. While BCLC stresses that staff double check their work – these type of mistake do occur because they are human.</p>
Item #5	<p>FinTrac Guideline 6: Record Keeping and Client Identification – Section 3.2</p>	<p>Review located 16 LCTR's of the 111 sampled where Service Partners provided only a general description of the patron's occupation;</p>	<p>BCLC has since this issue was first identified in the FinTrac Audit report dated 23 DEC 2008. Since this report was received BCLC has redesigned the 3 modules of FinTrac training to ensure that Service Partner staff responsible makes strong attempts to capture and drill down through Patron occupation. BCLC policy has also be revamped to strength our demand for occupation</p>



			<p>clarification. However, it must be remembered that the Service Partner cashiers can only ask for the patron's occupation – they have no additional grounds to demand the patron provide a valid answer. There are cases where the patron simply refuses to cooperate further and as such – the SP cashier is only left with the answer supplied.</p>
Item #6	<p>FinTrac Guideline 7A – Submission of LCTR Electronically</p> <p>Amalgamation of single transactions over the threshold amount with other LCTR;</p>	<p>BCLC policy will be amended to reflect this most recent requirement. However, it must be noted that in order to change this requirement requires a software upgrade by IView Systems. BCLC has already made changes to our FinTrac training modules and update Casino Investigators or this further requirement.</p>	<p>BCLC is currently undertaking a further IView/ITrak upgrade that addresses single transaction reporting together with Foreign Exchange reporting at the threshold level. Since BCLC was advised by FinTrac that BCLC was in non-compliance over single LCTR submissions – BCLC investigators have been addressing these reporting situations with IView integrators to rectify these reporting situations. I think there are several issues that have slowed this rectification of reporting but the major situation evolves around IView not have the ability to test the electronic system while BCLC is in the production mode of submissions to</p>

			FinTrac. In other words, IView has no way of testing whether their changes have eliminated the issue. The only method currently available is for BCLC investigators to submit batch files of LCTR and wait to see if the files were successful in submission or if they rejected. BCLC and IView.
Item #7	Guideline 7A: Submitting Large Cash Transaction Report to FinTrac  -24 Hour Rule Indicator and Individual Buy In indicators;	GPE have identified a number of LCT files where all of the individual transaction entries were not provided;	Upon BCLC investigation reveals that three of these noted LCT files were in fact a single buy in transaction. The other LCT files reveal that the respective individual buy in data has been reported on the electronic version of the LCT.
Item #8	Guideline 2: Suspicious Transactions, Section 4 – STR must be filed within 30 days	GPE review reveal that of the 108 STR reviewed four reports had been filed after the 30 day submission period.	BCLC agrees with the findings of GPE that these 4 STR were submitted after the 30 day submission period. While these 4 reports are from the RRRCR the BCLC investigator undertook further investigation and enquiries to obtain a complete occupation for these various patrons. The investigator was not satisfied with the response provide at the time the LCTR was created and took additional steps to get

			this done. While there was nothing suspicious in relation to transactions – it was the occupation requirement that needed additional attention.
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Commercial Gaming Audit  
Audit and Compliance Division  
September 1, 2009



## REFERENCE SOURCES

The following information and reference sources were employed during this review:

- *Gaming Control Act and Regulation*;
- *BCLC Casino Standards, Policies and Procedures*;
- *BCLC Community Gaming Centres Standards, Policies and Procedures*;
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.
- *FINTRAC Guidelines*

### Distribution List:

Mr. Terry Towns, Vice President Corporate Security and Compliance, BCLC

Mr. Murray Dugger, Regional Director Western Region, FINTRAC

**GAMING POLICY  
AND  
ENFORCEMENT  
BRANCH**

**REPORT**

**BC Lottery Corporation  
FINTRAC Report  
Summary of Findings  
GPEB File # COMM-4577  
Fiscal 2008/09**

**BACKGROUND**

An annual compliance review of the BCLC FINTRAC compliance regime was conducted for the period April 1, 2008 to March 31, 2009 to verify compliance with the *Gaming Control Act, Regulation*, and FINTRAC requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.

The compliance review included an analysis of large cash and suspicious transaction reporting systems in place at gaming sites and BCLC's Richmond office. In addition, staff training and understanding of legislative requirements were reviewed and/or tested. Procedures were performed on a test basis.

**OBJECTIVE**

The objectives of this compliance review are to:

- Verify compliance with FINTRAC reporting requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.
- Verify whether the requirements for casinos under the PCMLTFA have been met, such as; submitting reports to FINTRAC, record keeping and client identification, and implementation of a compliance regime;
- Verify compliance with the *Gaming Control Act and Regulation*;
- Verify compliance with BCLC *Casino Standards, Policies and Procedures (CSPP)*.
- Verify compliance with BCLC *Community Gaming Centres Standards, Policies and Procedures (CGCSPP)*.

## SCOPE

The scope of this compliance review included:

- Review of the BCLC system in place for recording information generated at the service provider level;
- Review of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* training provided by BCLC to service provider staff and understanding thereof; and
- Review of the BCLC system in place to process information for submission to FINTRAC.

## PROCEDURES

A review of the BCLC FINTRAC compliance regime was conducted for the period April 1, 2008 to March 31, 2009. Procedures were conducted on a test basis.

The following procedures were performed:

- Data collected as part of annual casino audits was traced through to the BCLC reporting system.
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* training provided by BCLC to service provider staff was reviewed for frequency of delivery.

## FINDINGS

- 1) **FINTRAC Guideline 4: Implementation of a Compliance Regime, section 5** states that an effective compliance regime includes policies and procedures and shows commitment to prevent and detect and address non-compliance.
  - a) BCLC does have written policies and procedures, (CSPP and CGCSPP) to describe the reporting, record keeping, and client identification procedures relevant to the industry but the policies and procedures do not include the following:
    - i) Required information for LCTR does not include the date of transaction or identification's place of issue. (Previously identified in prior year audit.)
    - ii) There is no section to state a single transaction of \$10,000 or more requires a separate LCTR.
  - b) The policies and procedures could be further expanded or clarified.
    - i) CSPP Section 3-8.1, 7.1.4 states that the assigned casino employee shall record the total dollar value of the "buy-in" in the "Pit Transactions" area on page 1 of the



LCTR. It is recommended that this be changed to emphasize that all “Pit Transactions” must be recorded and not grouped into a single transaction.

- ii) Section 3-8.1, 2.1.3 of the CSPP and CGCSPP states that for buy-ins - the patron must provide sufficient/acceptable photo identification to identify the player, before leaving the casino. This is contrary to CSPP 3-8.1, 7.2, as well as FINTRAC Guideline 6F, section 4 Client Identity, which states you need to identify any individual with whom you conduct a large cash transaction, at the time of the transaction, if you have to keep a large cash transaction record for it.
- 2) **FINTRAC Guideline 4: Implementation of a Compliance Regime, section 7** states 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. As well it says that new people should be trained before they begin to deal with clients. All staff 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.
- a) For the period April 1, 2008 to March 31, 2009 new staff did not receive formal FINTRAC training and many staff did not receive formal training during the year. More specifically audit testing identified the following:

Site	# of staff trained for the period April 1, 2008 to March 31, 2009	Approximate % of employees trained during the year	Approximate % of employees trained during a two year period **
Great Canadian Boulevard Casino	168	28%	32%
Burnaby Villa Casino	108	16%	33%
Gateway Cascades Casino	111	29%	60%
Great Canadian Hastings Park Racecourse and Slots	7	9%	32%
Great Canadian River Rock Casino	148	16%	17%
Great Canadian View Royal	10	6%	35%

Casino			
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\*\* - This number is calculated by adding the number of staff trained for the period April 1, 2007 to March 31, 2008 to the number of staff trained for the period April 1, 2008 to March 31, 2009. This figure is then divided by the approximate number of employees to be trained. It does not take into account whether or not the same employees attended the training two years in a row.

- b) No training occurred at Chances Prince Rupert and Treasure Cove Casino Prince George during the fiscal year.
- c) Through discussion with guest services staff at Fraser Downs Racetrack & Casino it was noted that guest services staff did not appear to know the policy limits surrounding gift cards/certificates. Training should be provided to minimize potential risks of money laundering through the use of gift cards. (CSPP 2-4.1, 2.2)

It is noted that BCLC has revised the training modules to include three separate training modules. The first is a "New Hires – Entry Module." The second is the "Advance Module," and the third is a "Refresher Module. Currently, only the face to face "Advanced Module" has been offered to employees. According to the Manager of Corporate Security and Compliance the Entry and Refresher Modules will be ready to be offered by July 1, 2009 and both modules will be offered as an online course. The introduction of the two new modules should significantly increase the amount of training provided to service provider staff.

- 3) **BCLC CSPP section 3-8.1, 3.1 and CGCSPP section 3-8.1, 3.2** states that all LCTRs dated within the last year shall be stored in alphabetical order in a secure storage area within the community gaming centre.

Through review of the service provider audits for the period April 1, 2008 to March 31, 2009 it was noted that 4 gaming sites did not store the LCTRs in alphabetical order. The sites were GCC River Rock, Chances Boardwalk Mission, Chances Kamloops, Chances Cowichan, and Chances Campbell River.

- 4) **FINTRAC Guideline 7a: Submitting Large Cash Transaction Reports to FINTRAC Electronically** outlines the information that must be sent for each LCT. Both the date and time of the large cash transaction must be entered if known.

- a) Through review of the service provider's LCTRs it was noted that the time of the transaction is not recorded on either the paper copy of the LCTR or the electronic "iTrak" version.



- b) We identified 4 LCTRs where the transaction date entered into iTrak was different than the transaction date on the paper version of the LCTR. (Chances Mission - LCT 20090000166/ LCT20090000168) and Chances RimRock - LCT20090001873/Paper form LCT 11)

- 5) **FINTRAC Guideline 6: Record Keeping and Client Identification for Casinos section 3.2** states that the individual's principal business or occupation must be recorded on an LCT. It states that one must be as descriptive as possible regarding the business or occupation. Record information that clearly describes it, rather than use a general term. For example in the case of a consultant, the occupation recorded should reflect the area of consulting, such as "information technology consultant..."

Through review of 111 LCTRs it was identified that 16 LCTRs listed the occupation in general terms, such as self-employed or business owner. This was previously identified in the December 23, 2008 audit report prepared by FINTRAC. BCLC has since updated their Standards, Policies and Procedures and training modules to focus training on this area.

- 6) **FINTRAC Guideline 7A: Submitting Large Cash Transaction Reports to FINTRAC Electronically Appendix 1, Part B1** states that you must make separate large cash transaction reports for each single transaction of \$10,000 or more.

Through review of LCTs it was noted that single transactions of \$10,000 were often amalgamated with other transactions. Examples include:

- LCT20090001437
- LCT20090006802
- LCT20090007156
- LCT20090007258
- LCT20090002449
- LCT20080022293
- LCT20090002500
- LCT20090002160
- LCT20090002099

Through discussion with BCLC it was noted that they are aware of this deficiency. The Standards, Policies and Procedures and training modules have not been revised to reflect this deficiency.

- 7) **Guideline 7A: Submitting Large Cash Transaction Reports to FINTRAC Electronically** describes the information that must be submitted for each LCTR. In Appendix 1: under the heading '24-hour-rule indicator' it states that if a report is about a transaction that is part of a group of two or more cash transactions of less than \$10,000 then the report must include each such transaction in the same large cash transaction.



Through review of LCTRs at various service providers it was identified that individual buy-ins are often amalgamated when entered into iTRAK, rather than reported as individual transactions. For example if a patron bought in for \$1,000 and \$3,000 on BJ1 and \$4,000 and \$5,000 on BJ2 some service providers have been recording the entry as BJ1 \$4,000 and BJ2 \$9,000. Individual entries should be made for all transactions. Examples include:

- LCT20090006817
- LCT20090006808
- LCT20090006814
- LCT20090007258
- LCT20090007255
- LCT20090007156
- LCT20090007935
- LCT20090007437
- LCT20090002448
- LCT20090002449
- LCT20090002198
- LCT20090002414
- LCT20090002304
- LCT20090002196
- LCT20090002160
- LCT20090002099

- 8) **Guideline 2: Suspicious Transactions, section 4** states a suspicious transaction report must be sent to FINTRAC within 30 days.

Through review of 108 suspicious transaction reports it was identified that 4 were filed to FINTRAC after 30 days.

BCLC Incident #	Date of transaction	Date of submission to FINTRAC
08-40805	s.16	
08-40189		
08-40137		
08-39759		

Commercial Gaming Audit  
Audit and Compliance Division  
September 1, 2009

## REFERENCE SOURCES

The following information and reference sources were employed during this review:

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- *BCLC Casino Standards, Policies and Procedures*;
- *BCLC Community Gaming Centres Standards, Policies and Procedures*;
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.
- *FINTRAC Guidelines*

### Distribution List:

Mr. Terry Towns, Vice President Corporate Security and Compliance, BCLC

Mr. Murray Dugger, Regional Director Western Region, FINTRAC



**ADVICE TO MINISTER  
CONFIDENTIAL**

<b>ISSUES NOTE</b>  <b>British Columbia Lottery Corporation</b> <b>Date: July 16, 2009</b> <b>Minister Responsible: Rich Coleman</b>	<b>Subject: FINTRAC reporting</b>
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**ADVICE AND RECOMMENDED RESPONSE:**

- Money laundering and suspicious transactions occurring anywhere are certainly concerns to BCLC we are committed to complying with the requirements to assist authorities in addressing this activity.
- BCLC has been working with its service provider partners, the regulator and FINTRAC to meet the level of compliance expected by FINTRAC. Unfortunately, the legislation wasn't initially created with the gaming industry in mind and therefore there are challenges applying it directly to a casino environment.
- Out of nearly 32,000 suspected large transaction reports in 2008, FINTRAC determined that one report was not filed, and based on that one report, said that BCLC was not compliant in this area. Investigation later found that the one report had in fact been submitted. BCLC is asking FINTRAC to review this finding.
- Last year more than 1900 casino staff across BC were trained on reporting and compliance requirements. This number will increase significantly this year with more on-site training scheduled and the introduction of web-based training to connect with as many people as possible.
- We've also updated our policies and implemented our own quality assurance programs.
- FINTRAC examined six BC casinos in Fall 2008, and found that BCLC had some minor non-compliance issues with reporting and training requirements. BCLC has filed an action plan with FINTRAC regarding these issues.
- BCLC is committed to monitoring and making enhancements to its compliance activities and reporting on our progress. We also encourage FINTRAC to look at its transparency regarding actions taken resulting from the suspicious transaction reports filed.

**BACKGROUND:**

- CBC reporter Curt Petrovich has called BCLC wanting a comment after hearing a speech from the head of FINTRAC outlining that casinos are failing to properly report as per FINTRAC requirements.
- FINTRAC examined 10 entities in the casino sector in the fall of 2008, involving 22 casino locations, including 6 locations in British Columbia (River Rock in Richmond, Starlight in New Westminster, Boulevard and Grand Villa in Burnaby, and Edgewater and Fraser Downs in Vancouver).
- Casinos and community gaming centres (CGCs) are required to report all large cash transactions, suspicious cash transactions and attempted transactions to BCLC. BCLC forwards these reports directly to FINTRAC. Copies of reports filed to FINTRAC are sent to GPE through the service providers. BCLC also sends copies of these reports to the appropriate RCMP Proceeds of Crime unit.
- In December 2008, FINTRAC reported deficiencies in BCLC's reporting of large cash and suspicious transactions. This included:
  - Not ensuring service partners were fully complying with reporting requirements;

**ADVICE TO MINISTER  
CONFIDENTIAL**

- Not possessing full and complete records of any individual who conducts a large cash transaction; and
- Not ensuring staff at casinos and CGC were receiving regular training.
- As a result BCLC has:
  - Revised its policies to ensure service providers are aware of reporting obligations;
  - Enhanced or developed training programs for casino and CGC staff; and
  - Implemented quality assurance programs including monthly reviews of all large financial transactions to test service provider compliance with reporting requirements.
- GPE conducts monthly reviews of BCLC's reports of suspicious transactions, and through its enhanced commercial audit program, GPE monitors BCLC and service provider compliance with reporting of suspicious or large cash transactions.
- FINTRAC has introduced additional reporting conditions for all gaming facilities across Canada. BCLC is currently working towards addressing these new reporting conditions, which become operational September 28, 2009.
- BCLC submitted 25,449 Large Cash Transaction reports to FINTRAC in 2007; and 31,953 Large Cash Transaction Reports in 2008. In its audit last fall FINTRAC determined that one LCT was not filed, and said that BCLC was not compliant in regards to its Large Cash Transaction reporting procedures. An investigation determined that report had in fact been submitted. FINTRAC is being asked to review its finding in this instance.

**For more information, please contact:**

Susan Dolinski  
Director, Public Affairs  
Direct: 604.247.3096  
Cell: 604.833.0051



**From:** Birge, Sue HSD:EX  
**Sent:** Thursday, July 16, 2009 3:53 PM  
**To:** Van Sleuwen, Terri HSD:EX; McCrea, Bill J HSD:EX; Code, Kathy L HSD:EX  
**Cc:** Sturko, Derek HSD:EX  
**Subject:** FW: RESPONSE - Media Call (CBC) regarding FINTRAC Compliance

**Importance:** High

FYI....

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**From:** Susan Dolinski [<mailto:SDolinski@BCLC.com>]  
**Sent:** Thu, July 16, 2009 3:45 PM  
**To:** Gordon, Seumas PAB:EX; Woolley, Paul PAB:EX; Haslam, David PAB:EX  
**Cc:** Sturko, Derek HSD:EX; Birge, Sue HSD:EX; Code, Kathy L HSD:EX  
**Subject:** RE: RESPONSE - Media Call (CBC) regarding FINTRAC Compliance  
**Importance:** High

I responded to Curt Petrovich

Was able to relay the following bullets (conversation was recorded):

- **BCLC has been working with its service provider partners, the regulator and FINTRAC to meet the level of compliance expected by FINTRAC. Unfortunately, the legislation wasn't initially created with the gaming industry in mind and therefore there are challenges applying it directly to a casino environment.**
- **Out of nearly 32,000 suspected large transaction reports in 2008, FINTRAC determined that one report was not filed, and based their finding on this. An investigation later found that the report had in fact been submitted. BCLC is asking FINTRAC to review this finding.**
- **Last year more than 1900 casino staff across BC were trained on reporting and compliance requirements. This number will increase significantly this year with more on-site training scheduled and the introduction of web-based training to connect with as many people as possible.**
- **GPEB conducts monthly reviews of BCLC's reports of suspicious transactions to FINTRAC, and its Audit and Compliance group conducts a formal audit of FINTRAC reporting on an annual basis.**
- **FINTRAC examined six BC casinos in Fall 2008, and found that BCLC had some minor non-compliance issues with reporting and training requirements. BCLC has filed an action plan with FINTRAC regarding these issues.**
- **BCLC is committed to monitoring and making enhancements to its compliance activities and reporting on our progress. We also encourage FINTRAC to look at its transparency regarding actions taken resulting from the suspicious transaction reports filed.**

The question he asked me twice was:

"It seems it is the smaller amounts and people coming in multiple times with under 10k that is the challenge... can you boil down what the problem is here?"

My response was:

- **.Unfortunately, the legislation wasn't initially created with the gaming industry in mind and therefore there are challenges applying it directly to a casino environment. Gaming is an anonymous activity... while when you walk into a bank, the bank knows exactly who you are and**



your history. We encourage staff to report any suspicious transaction and these are sent to FINTRAC and GPE and enforce compliance. In addition, multiple audits are conducted by BCLC, GPE and FINTRAC to review these reports.

Overall, it was a fairly positive interview.

Cheers,

Susan

**Susan Dolinski**

Director, Communications & Public Affairs  
Corporate Affairs  
BCLC

10760 Shellbridge Way, Richmond, B.C. V6X 3H1

T 604 247 3096 C 604 833 0051 F 604 276 6422

[sdolinski@bclc.com](mailto:sdolinski@bclc.com)

bclc.com

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**From:** Gordon, Seumas PAB:EX [<mailto:Seumas.Gordon@gov.bc.ca>]  
**Sent:** July 16, 2009 3:12 PM  
**To:** Susan Dolinski; Woolley, Paul PAB:EX; Haslam, David PAB:EX  
**Cc:** Sturko, Derek HSD:EX; Birge, Sue HSD:EX; Code, Kathy L HSD:EX  
**Subject:** RE: RESPONSE - Media Call (CBC) regarding FINTRAC Compliance

Good to go...please respond

---

**From:** Susan Dolinski [<mailto:SDolinski@BCLC.com>]  
**Sent:** Thursday, July 16, 2009 2:53 PM  
**To:** Woolley, Paul PAB:EX; Gordon, Seumas PAB:EX; Haslam, David PAB:EX  
**Cc:** Sturko, Derek HSD:EX; Birge, Sue HSD:EX; Code, Kathy L HSD:EX  
**Subject:** RESPONSE - Media Call (CBC) regarding FINTRAC Compliance  
**Importance:** High

Please see attached IN. Please note reporter's deadline is 3pm. I will be spokesperson. Please advise if BCLC can respond.

Thanks,

**Susan Dolinski**

Director, Communications & Public Affairs  
Corporate Affairs  
BCLC

10760 Shellbridge Way, Richmond, B.C. V6X 3H1

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[sdolinski@bclc.com](mailto:sdolinski@bclc.com)

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Just a heads up that CBC has contacted BCLC after a speech was made by the head of FINTRAC Jeanne Flemming (see speech below). CBC's questions are:

- Comment from BCLC regarding how BC stacks up in Flemming's remarks.
- Compliance under-reporting: CBC did a story on that last year (money laundering) – has this problem been fixed?
- Risk assessment...done in too few casinos. Is this the case in BC?

We are updating our messaging currently and I will circulate something for review in the next hour.

Cheers,

Susan

The remarks specific to Casinos are highlighted below.

Specifically, here are some highlights

- FINTRAC examined 10 entities in the casino sector in the fall of 2008, involving 22 casino locations
- Overall, we found that about 98% of the time, casinos were keeping the required client records. Unreported transactions were not identified as a major issue. Many provinces are also providing us with good to excellent information in the description section of their suspicious transaction reports.
- But we do have some concerns with the casinos' compliance regimes. We found that over half the casinos reviewed did not have an effective anti-money laundering training program in place.
- We also found that many casinos are struggling with reporting large cash transactions in accordance with the 24-hour rule.
- We think that our findings show that the casino sector requires more attention and assistance from us. Over the next year, we will be working toward raising the level of compliance among the casino operators. We will conduct more on-site examinations.
- We will identify deficiencies in compliance programs that seem common to many operators and we will do what we can to focus their attention on these shortfalls so that improvements in compliance will result.
- For example, casinos have a legal obligation to make a risk assessment of their operations to identify risks of money laundering and terrorist financing and to put appropriate procedures in place to mitigate those risks. This is something that needs to be done in every casino as part of their compliance regime. To date, it is being done in too few casinos.
- We hope to increase the degree of transparency and openness that we have taken with compliance with both casino operators and gaming regulators.
- So for the fall, FINTRAC will produce a report on money laundering trends in the Canadian casino sector. In doing this, my hope is that the casino sector will become more aware and more engaged in the efforts to combat these crimes.



## **Presentations and Speeches**

### **Notes for remarks by Jeanne M. Flemming, Director, FINTRAC, to the annual General Meeting of the Canadian Gaming Regulators Association**

**Halifax**

**July 16, 2009**

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#### **Compliance Obligations for Canadian Casinos**

##### **Check against delivery**

I would like to thank you for the opportunity to speak to CAGRA about the risk of money laundering in Canadian casinos and the unique role gaming regulators have in national efforts to combat money laundering and terrorist financing.

What I want to do this morning is to give you some insight into what is being done in Canada to combat money laundering and terrorist financing and to make a meaningful connection to the important work that you undertake as regulators and what we do at FINTRAC.

Let me state what is obvious but is not often apparent.

Money laundering is a criminal offence. Money laundering is a crime that is always connected to some other criminal activity. For example, fraud, theft, drug trafficking and the smuggling of contraband create profits that need to be laundered.

If you leave here today to find that someone has stolen your car that would be a crime. If the man that made off with your car sold it for cash, he would be in possession of the proceeds of crime. To be fair, if he still has the car, he would also be in possession of criminal proceeds. Almost anything, other than mere possession, that he does with the criminal proceeds is a money laundering offence. He might bring the cash to a bank, a credit union or a casino in order to make its origins appear legitimate.

Many criminal activities can produce a profit but the point I wish to make is that all of them require that the criminal proceeds be brought back into the legitimate financial system. In addressing money laundering, FINTRAC is also addressing other criminal activity with well understood social harm and we are assisting police with the investigation of the laundering of the proceeds of crime and sometimes the predicate offence as well.

The efforts to deal with the proceeds of crime have some history in Canada and knowing something about the origins of this national initiative should provide some context for where we are today. The development of Canada's anti-money laundering regime has been driven by the domestic needs of law enforcement and by an ever-increasing push by like-minded countries that together we needed to adopt much stronger laws against money laundering.

It begins with the simple principle that criminals should not enjoy the proceeds of their crimes. Measures to codify that principle in law have taken a number of turns dating back many years. A major development in Canada came in 1989, when changes to the *Criminal Code* dealt with all aspects of the proceeds of crime: special offences, a special warrant, a restraint order, and a confiscation regime. These measures enhanced the tools available to Canadian police to deal with criminal proceeds.

In 1991, Parliament adopted the *Proceeds of Crime (Money Laundering) Act* whose purpose was to establish record-keeping requirements in the financial sector in order to facilitate the investigation and prosecution of money laundering offences. This legislation brings us closer to what we have today, with record keeping as an important component of the regime. It was an important change, one that underscored the importance of being able to follow the money trail of financial transactions.

In July 2000, the government implemented new legislation, the *Proceeds of Crime (Money Laundering) Act*. This made mandatory the reporting of suspicious and certain prescribed financial transactions as well as the cross-border movements of large amounts of currency and monetary instruments. These new requirements would apply to prescribed financial institutions, persons engaged in the business of foreign exchange dealing,



casinos and other financial intermediaries. This legislation also created the Financial Transactions and Reports Analysis Centre of Canada or FINTRAC, as we are known, with a mandate to detect, deter and prevent money laundering.

A breakthrough on an international level came in 1989, when the G-7 summit agreed to create the Financial Action Taskforce, or FATF, that would serve to promote the adoption and implementation of appropriate measures to combat money laundering globally. The FATF continues to promote effective financial intelligence units, such as FINTRAC, greater scrutiny for financial transactions and stronger measures to combat money laundering and terrorist financing. Canada, being one of the G-7, was on a course to create an anti-money laundering regime in Canada.

In 2001, following the attacks of September 11th, Canadian legislation was amended to include terrorist activity financing and the legislation became known as the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* or PCMLTFA. These attacks led many countries to expand the work of their financial intelligence units to include terrorist financing as well as money laundering. Under this expansion, the work of scrutinizing and analyzing financial transactions would serve both objectives. And I should mention that today almost every country in the world has a financial intelligence unit, albeit most not as sophisticated and far-reaching as FINTRAC.

To bring us to more recent events, the latest round of legislative changes was brought about by Bill C-25, which was adopted by Parliament in December 2006. This bill was shaped by the international standards promoted by the FATF. As you are no doubt aware, the last of the changes included in C-25, which will come into force on September 28, 2009, will require casinos to report to FINTRAC disbursements of \$10,000 or more.

Canadian casinos also have compliance obligations that include keeping records, checking identification and reporting certain transactions. All these requirements came into force under the PCMLTFA, starting in 2001.

In Canada, FINTRAC has a dual role: first, we exist to ensure compliance with Part 1 of the Act that is to ensure compliance with the law. This places us in the realm of regulatory bodies with many similar roles and functions that are common in those working toward regulatory compliance. This role will be familiar to many of you.

At the same time, however, FINTRAC is a financial intelligence agency with a mandate to assist the detection of money laundering and terrorist financing by analyzing the financial transactions that are reported to us and providing financial intelligence to police and national security agencies. This gives our agency a separate dimension. Both functions serve the larger objective of combating money laundering and terrorist activity financing.

As FINTRAC's Director, I know first-hand that following the money and making connections through financial transactions does benefit police investigations where proceeds of crime and money laundering are involved. We have been able to offer assistance in following the money trail to numerous drug trafficking, fraud and other types of investigations in the last few years.

Through our analysis, we are sometimes able to expand what is known about an existing criminal network by identifying individuals and businesses that were previously unknown to police. Often, we can shed light on the size and scope of a criminal network or the length of time it has been operating. Ultimately, the financial transactions create a trail to assets that may be seized.

But to do this we need accurate and complete reporting from the financial entities required to send reports to us.

This is where I want to look specifically at the casino sector.

I will be frank. The casino sector needs to improve their compliance programs, and specifically the quality and quantity of their reporting in some areas. It is clear to us at FINTRAC that more can and should be done. Let me explain why.

FINTRAC undertook compliance examinations of 10 entities in the casino sector in the fall of 2008, involving 22 casino locations. Our examinations were detailed: we reviewed thousands of records, interviewed hundreds of casino staff involved in compliance including supervisors, dealers, and those working in the cash cage, as well as in security and surveillance. We have also conducted research to look at the information that



was being reported to us by the casinos.

The combination of these on-site examinations and our analysis of the information that has been reported provided some important insights.

Overall, we found that about 98% of the time, casinos were keeping the required client records. Unreported transactions were not identified as a major issue. Many provinces are also providing us with good to excellent information in the description section of their suspicious transaction reports.

But we do have some concerns with the casinos' compliance regimes. We found that over half the casinos reviewed did not have an effective anti-money laundering training program in place.

We also found that many casinos are struggling with reporting large cash transactions in accordance with the 24-hour rule. Casinos are required to report large cash transactions of \$10,000 or more but if a series of smaller transactions are conducted within a twenty-four hour period that total \$10,000 or more, this also triggers the obligation to report. Specifically, in some provinces this reporting rule was not complied with 95% of the time.

We think that our findings show that the casino sector requires more attention and assistance from us. Over the next year, we will be working toward raising the level of compliance among the casino operators. We will conduct more on-site examinations. Under federal legislation, FINTRAC officers have the legal authority to access all records and all areas of a casino relevant to ensuring compliance with the law. We will exercise our legal authority to determine if client identification, record keeping, reporting and other requirements set out in the Act are being met.

We will identify deficiencies in compliance programs that seem common to many operators and we will do what we can to focus their attention on these shortfalls so that improvements in compliance will result. For example, casinos have a legal obligation to make a risk assessment of their operations to identify risks of money laundering and terrorist financing and to put appropriate procedures in place to mitigate those risks. This is something that needs to be done in every casino as part of their compliance regime. To date, it is being done in too few casinos.

We hope to increase the degree of transparency and openness that we have taken with compliance with both casino operators and gaming regulators.

As a first step, we will pursue a pilot project with the Alcohol and Gaming Commission of Ontario. This pilot will include sharing our findings with the regulator in advance of providing them to the casino and finding a way for the AGCO to be involved in observing the examination from start to finish. The findings of an examination are not negotiable, but the regulator should be able to comment if something seems out of line.

But we want to go much further. We want you as regulators to re-evaluate your role in supporting compliance with the PCMLTFA. What can you do to help us ensure that the gaming industry is made less vulnerable to money laundering and terrorist financing? Surely, it is in our collective interest to see that casinos are not unwittingly providing assistance to criminal activity within the provinces that casinos operate. If there are ways for us to work together to advance our shared interests, I want to hear them.

Why do we want all this? Because greater compliance will help achieve two objectives: deterrence and detection. If casinos can make improvements to their compliance regimes, they will effectively lower their risk of being used to launder money by criminals. This is a good objective. It will make them less vulnerable to criminal activity and this is surely in the social and public interest.

Detection is the other objective. FINTRAC needs better information from all reporting entities, including casinos, in order to enable us to assist police with their investigations relating to money laundering and proceeds of crime.

It is also clear from our analysis of casino reporting that this role is not well enough understood by many casino operators. So we are going to redouble our efforts to demonstrate to casino operators and regulators why it is important to get good reporting from the casino sector. Not just tell them, show them.

What we are going to do is replicate a very successful report we produced recently with the banking sector called Money Laundering and Terrorist Financing Typologies and Trends in Canadian Banking. It will be available on our website by the end of July, should you want to consult it.



What this report did was show the banks exactly what is done with the millions of reports they send to us, how we analyze them, how we uncover money laundering and terrorist financing, basically, how their compliance programs are helping us help law enforcement and national security agencies protect public safety. In the report we also talk about trends and typologies of money laundering and gave them a case to illustrate how we do our work.

So for the fall, FINTRAC will produce a report on money laundering trends in the Canadian casino sector. In doing this, my hope is that the casino sector will become more aware and more engaged in the efforts to combat these crimes.

If you have questions that you feel should be answered by our casino research report, please send them to me or to my staff. FINTRAC would benefit from the support and cooperation of all the provincial gaming regulators in this research project and in the larger project of achieving compliance within the sector.

Let me conclude by reiterating that money laundering and terrorist activity financing are crimes. They are the types of crime that can be prevented from happening in Canadian casinos. And there are measures that can be taken to detect these crimes when they do occur. For those of us who have a regulatory role in this sector, it is incumbent on us to do both.

Thank you again for affording me the time to speak to you today. It is much appreciated.

I look forward to hearing from you.

**Susan Dolinski**

Director, Communications & Public Affairs  
Corporate Affairs  
BCLC

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**ADVICE TO MINISTER  
CONFIDENTIAL**

<b>ISSUES NOTE</b>	
<b>British Columbia Lottery Corporation</b>	<b>Subject: FINTRAC reporting</b>
<b>Date: July 16, 2009</b>	
<b>Minister Responsible: Rich Coleman</b>	

**ADVICE AND RECOMMENDED RESPONSE:**

- Money laundering and suspicious transactions occurring anywhere are certainly concerns to BCLC we are committed to complying with the requirements to assist authorities in addressing this activity.
- BCLC has been working with its service provider partners, the regulator and FINTRAC to meet the level of compliance expected by FINTRAC. Unfortunately, the legislation wasn't initially created with the gaming industry in mind and therefore there are challenges applying it directly to a casino environment.
- Out of nearly 32,000 suspected large transaction reports in 2008, FINTRAC determined that one report was not filed, and based on that one report, said that BCLC was not compliant in this area. Investigation later found that the one report had in fact been submitted. BCLC is asking FINTRAC to review this finding.
- Last year more than 1900 casino staff across BC were trained on reporting and compliance requirements. This number will increase significantly this year with more on-site training scheduled and the introduction of web-based training to connect with as many people as possible.
- We've also updated our policies and implemented our own quality assurance programs.
- FINTRAC examined six BC casinos in Fall 2008, and found that BCLC had some minor non-compliance issues with reporting and training requirements. BCLC has filed an action plan with FINTRAC regarding these issues.
- BCLC is committed to monitoring and making enhancements to its compliance activities and reporting on our progress. We also encourage FINTRAC to look at its transparency regarding actions taken resulting from the suspicious transaction reports filed.

**BACKGROUND:**

- CBC reporter Curt Petrovich has called BCLC wanting a comment after hearing a speech from the head of FINTRAC outlining that casinos are failing to properly report as per FINTRAC requirements.
- FINTRAC examined 10 entities in the casino sector in the fall of 2008, involving 22 casino locations, including 6 locations in British Columbia (River Rock in Richmond, Starlight in New Westminster, Boulevard and Grand Villa in Burnaby, and Edgewater and Fraser Downs in Vancouver).
- Casinos and community gaming centres (CGCs) are required to report all large cash transactions, suspicious cash transactions and attempted transactions to BCLC. BCLC forwards these reports directly to FINTRAC. Copies of reports filed to FINTRAC are sent to GPE through the service providers. BCLC also sends copies of these reports to the appropriate RCMP Proceeds of Crime unit.
- In December 2008, FINTRAC reported deficiencies in BCLC's reporting of large cash and suspicious transactions. This included:
  - Not ensuring service partners were fully complying with reporting requirements;

**ADVICE TO MINISTER  
CONFIDENTIAL**

- Not possessing full and complete records of any individual who conducts a large cash transaction; and
- Not ensuring staff at casinos and CGC were receiving regular training.
- As a result BCLC has:
  - Revised its policies to ensure service providers are aware of reporting obligations;
  - Enhanced or developed training programs for casino and CGC staff; and
  - Implemented quality assurance programs including monthly reviews of all large financial transactions to test service provider compliance with reporting requirements.
- GPE conducts monthly reviews of BCLC's reports of suspicious transactions, and through its enhanced commercial audit program, GPE monitors BCLC and service provider compliance with reporting of suspicious or large cash transactions.
- FINTRAC has introduced additional reporting conditions for all gaming facilities across Canada. BCLC is currently working towards addressing these new reporting conditions, which become operational September 28, 2009.
- BCLC submitted 25,449 Large Cash Transaction reports to FINTRAC in 2007; and 31,953 Large Cash Transaction Reports in 2008. In its audit last fall FINTRAC determined that one LCT was not filed, and said that BCLC was not compliant in regards to its Large Cash Transaction reporting procedures. An investigation determined that report had in fact been submitted. FINTRAC is being asked to review its finding in this instance.

**For more information, please contact:**

Susan Dolinski  
Director, Public Affairs  
Direct: 604.247.3096  
Cell: 604.833.0051



July 29, 2009

Jeanne M. Flemming, Director  
Financial Transactions Reports Analysis Centre of Canada  
24<sup>th</sup> Floor, 234 Laurier Avenue West  
Ottawa, ON K1P 1H7



Dear Ms. Flemming:

I am writing regarding your remarks to the Canadian Gaming Regulators Association in Halifax on July 16, 2009.

BCLC is committed to compliance under the Proceeds of Crime (money laundering) and Terrorist Financing Act (PCMLTFA) and its Regulations on every level. BCLC supports FINTRAC's interest in increasing transparency and openness with casino operators and gaming regulators. These principles echo BCLC's values of integrity and social responsibility and it is for this reason I write to you to request an increased level of collaboration between BCLC and your organization.

Unfortunately, many real challenges exist in applying the reporting requirements of the PCMLTFA directly to a casino environment. I know that the casino sector could achieve compliance more effectively if we could work more collaboratively with FINTRAC in understanding ways we can better utilize the gaming security expertise we employ.

BCLC would embrace the prospect of participating in the development and discussion of best practices in compliance, transparency and openness between casino operators, gaming regulators and FINTRAC. I respectfully request a meeting with you to discuss this opportunity.

You may be aware that BCLC is implementing a 13-point action plan to address the deficiencies identified by FINTRAC during a review of six BC Casinos in the fall of 2008. BCLC is:

- reviewing all service provider files dating from 2002;
- increasing training initiatives to include multi-level and web-based training;
- increasing and improving its internal auditing procedures; and
- intensifying its compliance audits in all gaming facilities.

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Jeanne M. Flemming  
July 29, 2009  
Page 2

We are committed to this work and continual enhancements to our processes. However, I sincerely believe that improving communication, not just around the review process but on an ongoing basis between FINTRAC and BCLC is an essential first step toward achieving the goals you outlined in your Halifax address.

Thank you for your time and attention to these matters. I sincerely look forward to your reply.

Best regards,

Michael Graydon  
President and CEO

cc: Murray Dugger



**GAMING POLICY &  
ENFORCEMENT  
BRANCH**



## **AUDIT REPORT**

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**BCLC  
FINTRAC Year-End Audit  
GPEB File # COMM-5401  
2009/2010**

### **1.0 EXECUTIVE SUMMARY**

An audit of BCLC's FINTRAC compliance regime was conducted for the period April 1, 2009, to March 31, 2010, to verify compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), FINTRAC guidelines, and the *Gaming Control Act* and Regulation.

The review included an analysis of large cash transaction and suspicious transaction reporting systems in place at BCLC gaming sites and head office in Richmond, BC. BCLC FINTRAC training programs and gaming workers' understanding of legislative requirements were reviewed as well. Procedures were performed on a test basis.

### **2.0 AUDIT OBJECTIVES**

The objectives of the audit were to:

- Verify compliance with FINTRAC reporting requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA);
- Verify compliance with FINTRAC guidelines applicable to BCLC and its gaming sites;
- Verify compliance with the *Gaming Control Act* (GCA) and Regulation (GCR).

### **3.0 AUDIT SCOPE**

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

- Organizational structure and reporting relationships;
- Staff training programs;
- Internal audit systems;
- Record keeping systems;
- FINTRAC reporting systems.

The audit was performed for the period April 1, 2009, to March 31, 2010.

### **4.0 AUDIT PROCEDURES**

Field work was conducted throughout the audit period at BCLC gaming sites, and March to June 2010 at BCLC's head office in Richmond, BC. Audit procedures were conducted on a sample testing basis to provide reasonable assurance of compliance. The auditor(s) performed on-site compliance work through observation, interview and testing. Substantial additional testing was performed off-site through the review of records provided by service providers and BCLC.

A sample made up of 298 Large Cash Transaction Records (LCTRs) resulting from buy-ins, disbursements, and foreign exchanges, occurring during the period April 1, 2009, to March 31, 2010, was reviewed for compliance with FINTRAC requirements. A sample of 17 Suspicious Transaction Records, occurring during the same period, was also reviewed for compliance with FINTRAC requirements.

### **5.0 EXCEPTIONS**

Details of issues resulting from audit procedures:

- 1) **FINTRAC Guideline 4: Implementation of a Compliance Regime, Section 7** 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.”

- a) BCLC currently requires all new employees to complete a beginners’ orientation training module online. This module provides a broad overview of BCLC’s FINTRAC requirements. Employees are also required to complete an advanced training module, currently delivered in a classroom setting, within 24 months of completing the beginners’ orientation training module. BCLC has also developed an advanced refresher module for employees who have completed the first two levels of training. The advanced refresher training module is intended to be delivered annually to those employees who have already completed the other training modules. Implementation of the advanced refresher module was originally scheduled to be introduced online July 1, 2010, but has been postponed.

A review of the beginners’ orientation training module determined the content of FINTRAC training for new employees has been reduced since the previous GPEB audit. Specifically, there is less detail (examples) regarding:

- large cash transactions;
- forms completion; and
- identifying suspicious transactions.

A review of the advanced training module determined it contains much more material relevant to gaming workers as part of their day-to-day duties. As stated above, BCLC currently requires gaming workers to complete the advanced training module within 24 months of completing the beginners’ orientation training module. It is understood that employees receive FINTRAC training from many sources other than the training modules including coworkers, supervisors, managers, and through review of BCLC *Standards, Policies and Procedures*. However, it is recommended that gaming workers be required to complete the advanced training module sooner to solidify and enhance training received from other sources. It is also recommended that the online advanced refresher course be introduced as soon as possible.

- b) Changes to FINTRAC reporting requirements (e.g. reporting large cash disbursements) were introduced during the period reviewed. BCLC made significant efforts to retrain employees as a result. A review of BCLC FINTRAC training schedule records determined the number of employees who completed one of the above levels of training during the period reviewed was significantly improved over the previous year with 92.4% of all employees at 32 sites receiving some level of training. Three sites were significantly below this level:

- Chances Campbell River 35.0%
- Chances Courtenay 62.9%
- Chances Cowichan 48.9%

c) A review of GPEB audits conducted during the period reviewed determined one site where staff interviewed did not provide correct responses to general questions pertaining to FINTRAC requirements. Specifically, during an audit of Kamloops Lake City Casino, a Surveillance Manager stated the LCT reporting threshold was \$1,000 rather than \$10,000, and was unaware of foreign exchange thresholds. The interviewee was also unable to give an example of a suspicious transaction.

- 2) **FINTRAC Guideline 6F: Record Keeping and Client Identification for Casinos, Section 3.2** states, in part, “Be as descriptive as possible regarding the business or occupation. Record information that clearly describes it, rather than use a general term.”

A review of the sample of 298 Large Cash Transaction Records in iTRAK determined 29 records (9.7%) where a general term such as “businessman” or “self-employed” was recorded.

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

A review of the sample of 298 Large Cash Transaction Records in iTRAK determined 4 records (1.3%) where iTRAK records provided no evidence that the transactions were sent to FINTRAC:

LCT #	Date of Transaction	Transaction Type	Amount
20090006022	s.16		
20090026286			
20090027972			
20090026768			



A review of the sample of 298 Large Cash Transaction Records also determined 14 records (4.7%) where iTRAK records indicated transactions were reported to FINTRAC more than 15 days after transactions occurred:

LCT #	Date of Transaction	Transaction Type(s)	Amount	Days to Report
20090026020	s.16			
20100000757				
20090025615				
20090026740				
20090025700				
20090025696				
20090025729				
20090026185				
20090026232				
20090026525				
20090026826				
20090026814				
20090026903				
20090026871				

- 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 LCTRs determined that BCLC is not following this procedure when determining whether an LCTR should be created and reported. Therefore, BCLC is underreporting LCTRs to FINTRAC, e.g.:

LCT #	Date & Time	Amounts	Reported by BCLC	FINTRAC Minimum Requirement	Description
20100002219	s.16				
20100003046					
20100003482					



- 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 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 a money laundering or terrorist financing offence."

A review of the sample of 17 Suspicious Transaction Records determined 2 records (11.8%) where records indicated transactions were reported to FINTRAC more than 30 days after transactions occurred:

Category	FINTRAC Report #	Date of Initial Transaction	Date of Receipt	Days to Report
Suspicious Financial Transaction	s.16			
Exchange of Cash/Chips				

## 6.0 **CONCLUSION**

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

Commercial Gaming Audit  
Audit and Compliance Division  
July 6, 2010

### **Distribution List:**

Mr. Terry Towns, Vice President Corporate Security and Compliance, BCLC  
Mr. Murray Dugger, Regional Director Western Region, FINTRAC

**GAMING POLICY &  
ENFORCEMENT  
BRANCH**



## **AUDIT REPORT**

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**BCLC  
FINTRAC Year-End Audit  
(And Addendum)  
GPEB File # COMM-5401  
2009/2010**

### **1.0 EXECUTIVE SUMMARY**

An audit of BCLC's FINTRAC compliance regime was conducted for the period April 1, 2009, to March 31, 2010, to verify compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), FINTRAC guidelines, and the *Gaming Control Act* and Regulation.

The review included an analysis of large cash transaction and suspicious transaction reporting systems in place at BCLC gaming sites and head office in Richmond, BC. BCLC FINTRAC training programs and gaming workers' understanding of legislative requirements were reviewed as well. Procedures were performed on a test basis.

### **2.0 AUDIT OBJECTIVES**

The objectives of the audit were to:

- Verify compliance with FINTRAC reporting requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA);
- Verify compliance with FINTRAC guidelines applicable to BCLC and its gaming sites;
- Verify compliance with the *Gaming Control Act* (GCA) and Regulation (GCR).



### **3.0 AUDIT SCOPE**

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

- Organizational structure and reporting relationships;
- Staff training programs;
- Internal audit systems;
- Record keeping systems;
- FINTRAC reporting systems.

The audit was performed for the period April 1, 2009, to March 31, 2010.

### **4.0 AUDIT PROCEDURES**

Field work was conducted throughout the audit period at BCLC gaming sites, and March to June 2010 at BCLC's head office in Richmond, BC. Audit procedures were conducted on a sample testing basis to provide reasonable assurance of compliance. The auditor(s) performed on-site compliance work through observation, interview and testing. Substantial additional testing was performed off-site through the review of records provided by service providers and BCLC.

A sample made up of 298 Large Cash Transaction Records (LCTRs) resulting from buy-ins, disbursements, and foreign exchanges, occurring during the period April 1, 2009, to March 31, 2010, was reviewed for compliance with FINTRAC requirements. A sample of 17 Suspicious Transaction Records, occurring during the same period, was also reviewed for compliance with FINTRAC requirements.

### **5.0 EXCEPTIONS**

Details of issues resulting from audit procedures:

- 1) **FINTRAC Guideline 4: Implementation of a Compliance Regime**, Section 7 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.”

- a) BCLC currently requires all new employees to complete a beginners’ orientation training module online. This module provides a broad overview of BCLC’s FINTRAC requirements. Employees are also required to complete an advanced training module, currently delivered in a classroom setting, within 24 months of completing the beginners’ orientation training module. BCLC has also developed an advanced refresher module for employees who have completed the first two levels of training. The advanced refresher training module is intended to be delivered annually to those employees who have already completed the other training modules. Implementation of the advanced refresher module was originally scheduled to be introduced online July 1, 2010, but has been postponed.

A review of the beginners’ orientation training module determined the content of FINTRAC training for new employees has been reduced since the previous GPEB audit. Specifically, there is less detail (examples) regarding:

- large cash transactions;
- forms completion; and
- identifying suspicious transactions.

A review of the advanced training module determined it contains much more material relevant to gaming workers as part of their day-to-day duties. As stated above, BCLC currently requires gaming workers to complete the advanced training module within 24 months of completing the beginners’ orientation training module. It is understood that employees receive FINTRAC training from many sources other than the training modules including coworkers, supervisors, managers, and through review of BCLC *Standards, Policies and Procedures*. However, it is recommended that gaming workers be required to complete the advanced training module sooner to solidify and enhance training received from other sources. It is also recommended that the online advanced refresher course be introduced as soon as possible.

### **BCLC Response**

BCLC is committed to ever improving the content of FINTRAC training material presently delivered to any and all gaming employees. BCLC presently delivers two forms of training, an advanced version that is conducted in a classroom environment (face to face) and an online format. The online version currently has two web based modules to facilitate training; the first ‘entry’ level or beginner’s orientation, module targets



newly hired employees and must be completed by them prior to commencing duties on the gaming floor. The 'advanced' training module is designed for more experienced employees who have already taken the introductory module. Notably the new online training will be one module that will incorporate both current forms into one comprehensive training package.

Over and above the web based modules, BCLC has continued with the delivery of FINTRAC training in a 'face to face' format. BCLC has also developed and implemented a refreshed advanced training module in May 2010, designed to be web based and replace existing modules as noted above. This updated training module contains significantly more information than previous modules, specifically with respect to large cash transactions, forms completion (Disbursements) and suspicious transaction scenarios. It also enhances existing training to ensure acceptable occupation and identification requirements are understood. Since its development, it has been delivered to any and all employees who require FINTRAC training at any level in a face to face format, particularly all Management and Supervisory staff. As stated it was designed to be web based and intended for introduction on line 2010 JULY 01. The introduction was postponed due to the occurrence of BCLC policy changes and the need to reflect those changes in the new module. ICOM Industries has been selected to continue with the online design and development and targeted 2010 SEP 01 as the 'go live' date. This introduction may have given rise to some confusion as to course content compared with the original entry level module but BCLC emphasizes that the training materials have been enhanced significantly and not reduced. BCLC is committed to widely introducing the new module as soon as practicable and delivering to all employees sooner than later.

## **ACTION PLAN**

FINTRAC training at all levels is an ongoing process. BCLC has developed the newly enhanced FINTRAC Training Module and is delivering training from that material in a classroom format as well as in the web based format. BCLC will continue to provide 'face to face' training together with the web based training. ICOM Industries is presently designing and developing the next stage of the web based on line version targeted for implementation 2010 SEP 01 for uploading into the BCLC web system, 'learn@BCLC.com'.

- b) Changes to FINTRAC reporting requirements (e.g. reporting large cash disbursements) were introduced during the period reviewed. BCLC made significant efforts to retrain employees as a result. A review of BCLC FINTRAC training schedule records determined the number of employees who completed one of the above levels of training during the period reviewed was significantly improved over the previous year with 92.4% of all



employees at 32 sites receiving some level of training. Three sites were significantly below this level:

- Chances Campbell River 35.0%
- Chances Courtenay 62.9%
- Chances Cowichan 48.9%

### **BCLC Response**

In calendar year 2009, BCLC embarked on an aggressive FINTRAC training program targeted at all service provider employees, whose job functions required FINTRAC training. Training was 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 increased training to staff overall by approximately 150% percent from the previous year. BCLC also employed and dedicated a 'Compliance and Trend Analyst' position to oversee all FINTRAC training applications and to monitor all FINTRAC training Province wide. As such, the pace of training utilizing these two mediums has not relented but continues to be improved, not only in increased content but accessibility to staff via online web based training modules and face to face training in all areas of gaming. This includes Casino or Community Gaming Center management staff. BCLC conducted a review of all sign in sheets for those sites identified in this audit as being below the 92.4% of service provider employees trained overall: Chances Campbell River 35.0%, Chances Courtenay 62.9% and Chances Cowichan 48.9%. This review revealed that a number of sign in sheets were missed in the overall count and more accurate results are Chances Campbell River 38%; Chances Courtenay 74% and Chances Cowichan 60%. Regardless, further training within these three particular sites commenced immediately with 53 additional staff trained to date. It is a well known fact that the staff turnover rate in the gaming industry is high. In recent discussions with GPEB Auditor and Director, BCLC requested that clarification be made in staff numbers not percentages as percentages of untrained staff in smaller gaming sites can equate to but a few individuals.

### **ACTION PLAN**

Additional FINTRAC training commenced at these three sites on 2010 JUL 19 and continues.

Across these three sites, a total of 53 additional service provider staff have been newly trained and or retrained, bringing the percentage numbers up to Chances Campbell River 92%; Chances Courtenay 97% and Chances Cowichan 76%. BCLC is committed to continually monitoring all sites within the Province to ensure the greater percentage of



staff is trained in a timely fashion. Further enhanced FINTRAC training also commenced for staff at both the Kamloops Casino and Community Gaming Center 2010 JUL 19.

- c) A review of GPEB audits conducted during the period reviewed determined one site where staff interviewed did not provide correct responses to general questions pertaining to FINTRAC requirements. Specifically, during an audit of Kamloops Lake City Casino, a Surveillance Manager stated the LCT reporting threshold was \$1,000 rather than \$10,000, and was unaware of foreign exchange thresholds. The interviewee was also unable to give an example of a suspicious transaction.

#### **BCLC Response**

BCLC considers training key for critical staff in respect of their FINTRAC responsibilities, such as the Surveillance Manager of a casino, as a priority. This incident documented by the GPEB Auditor is therefore considered unacceptable. BCLC commenced an assessment of training needs for both the Kamloops Casino and the Community Gaming Center; delivered further training to Casino and CGC staff, in particular, the Surveillance Manager identified through 2010 JUL 19 through 22. BCLC is committed to continuously monitoring not only this site but all sites in the Province, so that this type of situation does not re-occur with a staff member occupying a critical position.

#### **ACTION PLAN**

ON 2010 JUL 19 through 22, BCLC commenced additional FINTRAC training in the Kamloops Casino to adequately address this shortfall. Particular attention was given to the Surveillance Manager identified and to all such staff in key or critical areas. As of 2010 JUL 22, an additional 37 staff were trained at the Kamloops Casino and the Kamloops Community Gaming Center. Of those 37 staff trained, approximately 65% were at the managerial or supervisory level. Presently Kamloops Casino stands at 97% staff trained and the Community Gaming Center stands at 81% trained.

- 2) **FINTRAC Guideline 6F: Record Keeping and Client Identification for Casinos, Section 3.2** states, in part, "Be as descriptive as possible regarding the business or occupation. Record information that clearly describes it, rather than use a general term."

A review of the sample of 298 Large Cash Transaction Records in iTRAK determined 29 records (9.7%) where a general term such as "businessman" or "self-employed" was recorded.

#### **BCLC Response**

The issue of 'vague' occupation or occupation described in general terms as obtained by service provider staff has been addressed with a number of initiatives. First and foremost is

that all the FINTRAC training materials utilized to train service provider staff have been amended to specifically deal with the issue of occupation. Scenarios have also been designed and incorporated into the training material that offer instruction to staff on how to engage patrons more effectively and obtain a more detailed occupation.

Since January 2010, the BCLC Compliance and Trend Analyst, has produced a weekly report from the BCLC Itrak system that identifies all Large Cash Transactions in which a vague occupation was recorded. This includes 'businessman', 'unemployed', 'self employed' and 'retired' even though Guideline 10A (see below) deems certain of these occupational categories as acceptable. These reports are made available to BCLC Investigators for follow-up with service provider staff and patrons to promote compliance. Additional workshops are being hosted by BCLC Investigators to casino service provider cash cage personnel and have been implemented in Casinos and Community Gaming Centers. These workshops are dedicated to enhance staff training, particularly in key areas, such as improving their abilities to engage patrons and obtain more descriptive occupations, identification or addresses. Further, a conference call that included all Casino and Community Gaming Center Cash cage managers and supervisors throughout the Province was hosted by BCLC management where these issues were discussed and course of action determined.

#### FINTRAC GUIDELINE 10A (Field C21)

*"If the individual is not employed or engaged in any type of business or profession, provide information that best describes their situation, such as "student", "unemployed", "retired", etc. "*



**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 the sample of 298 Large Cash Transaction Records in iTRAK determined 4 records (1.3%) where iTRAK records provided no evidence that the transactions were sent to FINTRAC:

LCT #	Date of Transaction	Transaction Type	Amount
20090006022	s.16		
20090026286			
20090027972			
20090026768			

## BCLC RESPONSE

BCLC is sensitive to FINTRAC guidelines as they pertain to the submission and are committed to the reporting of large cash transactions within the requisite 15 calendar day period. This matter was first brought to the attention of BCLC by GPEB Auditor Neil VANDERWERF while conducting his audit. BCLC Investigator KARLOVCEC was contacted by GPEB Auditor Neil VANDERWERF to render assistance in determining whether or not FINTRAC Reports were generated by BCLC's FINTRAC reporting software and submitted to FINTRAC. BCLC immediately reviewed the identified large cash transactions and determined that there was an issue. BCLC IT immediately conducted an exhaustive analysis of BCLC's FINTRAC reporting software to ascertain whether it was functioning properly.

The problem that was identified is in relation to disbursement reports being generated, but not sent to FINTRAC. BCLC IT determined that a software issue only exists when the batch file size (The number of reports in a single file) is 1 or 2. Previously BCLC used a batch file size of 5 or 10, but changed it down to 1 to decrease the number of errors we were receiving from FINTRAC as well as assist in troubleshooting errors more expeditiously.

The details of the software issue suggests that a batch file sent to FINTRAC is created via the file name Year, Month, Day, Hour, Minute and Second. When a report is processed one at a time, the FINTRAC software can actually process more than one report per second which results in two batch files having the same name, which results in the first submission being

'overwritten'. When the response file comes back from FINTRAC the system looks at the file name and sets all reports with that file name to 'processed', masking the issue from BCLC.

### Action Plan

Since this issue was identified, BCLC IT has worked in conjunction with Iview Systems, the developer of the software, to resolve this issue. Subsequently, all submissions now confirm proper reporting. BCLC IT publishes a daily report of the status of all submissions to FINTRAC.

BCLC has dedicated a full time IT resource to monitor and rectify any software issues relating to FINTRAC reporting. As well, a full time manager has been appointed, dedicated to all issues and responsibilities relating to FINTRAC.

A review of the sample of 298 Large Cash Transaction Records also determined 14 records (4.7%) where iTRAK records indicated transactions were reported to FINTRAC more than 15 days after transactions occurred:

LCT #	Date of Transaction	Transaction Type(s)	Amount	Days to Report
20090026020	S.16			
20100000757				
20090025615				
20090026740				
20090025700				
20090025696				
20090025729				
20090026185				
20090026232				
20090026525				
20090026826				



20090026814	s.16
20090026903	
20090026871	

## BCLC RESPONSE

In the fall of 2009, FINTRAC developed a new reporting system format utilizing the XML platform.. BCLC was required to conform to this new reporting platform. In collaboration with BCLC's software developer, Iview Systems, and on behalf of all the BC Casinos and Community Gaming Centers, a whole new reporting format was created. BCLC introduced this new FINTRAC reporting software on 2009 SEP 28 for the purposes of reporting large cash transactions, foreign exchanges and casino disbursements.

IT issues became apparent to BCLC as soon as the new software was introduced. This was immediately brought to the attention of Iview Systems, the developer of BCLC's FINTRAC Reporting software.

All of the identified reports were in the infancy of the new software and the late filings were solely attributed to IT issues surrounding the software. Iview Systems has taken responsibility for these issues and BCLC is closely monitoring Iview's response.

## Action Plan

BCLC IT and Iview Systems worked in a collaborative manner to identify and address all IT related issues surrounding the software. Iview Systems have since rectified this issue and all submissions since confirm proper reporting. BCLC IT continues to monitor the FINTRAC Reporting software on a daily basis to determine whether it is operating and reporting all large cash transactions, disbursements and foreign exchanges as per FINTRAC guidelines. BCLC IT has now developed a Quality Assurance (QA) process to ascertain and report any outstanding submission issues to BCLC Investigators on a daily basis. This Q A now allows BCLC IT and BCLC Investigators the ability to identify, review and resolve any outstanding issue quickly. BCLC has dedicated a full time IT resource to monitor and take responsibility for this function.

- 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 LCTRs determined that BCLC is not following this procedure when determining whether an LCTR should be created and reported. Therefore, BCLC is underreporting LCTRs to FINTRAC, e.g.:

LCT #	Date & Time	Amounts	Reported by BCLC	FINTRAC Minimum Requirement	Description
20100002219	s.16				
20100003046					
20100003482					



## BCLC RESPONSE

BCLC is committed to reporting all reportable transactions as per the 24 hour Rule guidelines set out by FINTRAC. As of September 28, 2009, BCLC introduced new software for our BC Casinos and Community Gaming facilities for the purposes of reporting large cash transactions, foreign exchanges and casino disbursements to FINTRAC. The software was created by utilizing FINTRAC's own schema standards and in consultation with FINTRAC Tech Support. Once gaming transactions are uploaded into the electronic FINTRAC module by the Service Provider the software determines which transactions are reportable within a **24 hour static period**. Use of a static period by a reporting entity is an acceptable option set out in the FINTRAC guidelines.

The 24 hour period static period begins with the first new transaction when the reporting entity knows that the transactions were made by or on behalf of the same person. The 24 hour rule applies to multiple transactions in a 24 period which commences at the time of the earliest transaction. A report is made when combined amount is \$10,000 or more.

The following FINTRAC example explains how the static period option chosen by BCLC works:

John Doe makes the following four cash transactions with a reporting entity called ABC on the same day. One of ABC's employees knows that these four cash transactions are all by the same person. John Doe's cash deposits are as follows:

9:00 a.m. - \$10,000 CDN	}	= LCTR: 1
10:00 a.m. - \$ 4,000 CDN		= LCTR: 2
2:00 p.m. - \$ 4,000 CDN		
4:00 p.m. - \$ 4,000 CDN		

ABC would submit an LCTR (**1**) for the first cash deposit of \$10,000 as it is a single transaction. The other three smaller cash deposits of \$4,000 would also have to be reported (**2**) as they combine to an amount over \$10,000 and they were conducted by, or on behalf of, the same person within 24 hours.

BCLC has reviewed each of the following reports identified by during the GPEB audit; 20100002219, 20100003046, and 20100003482 and disagrees with the finding. BCLC takes the position that we have reported accurately and as per **FINTRAC Interpretation Notice No. 4 (August 2009)**.

All of the following LCT's and their respective transactions fall within a static 24 hour period

In the first identified LCT2010002219 all the gaming transactions fall within a static 24 hour period and, in fact, took place within a five[5] hour time frame. The first three transactions total <sup>s.16</sup> therefore the software generated a FINTRAC report for this amount. The remaining two transactions total <sup>s.16</sup> and **are not reportable** as combined they do not meet the reporting threshold of \$10,000.00 within a consecutive 24 hour period and no further known gaming transactions took place which may have incorporated the remaining transactions and made them reportable.

In the second identified LCT2010003046 all the gaming transactions fall within a 24 hour period and, in fact, took place within a 12 hour period. The first two transactions total <sup>s.16</sup> and accordingly the software generated a FINTRAC report for this amount. The remaining transaction of <sup>s.16</sup> ) **is not reportable** as it does not meet the reporting threshold. No further known gaming transactions took place which combined with the remaining transaction would have made it reportable.

In the third identified LCT2010003482, all the gaming transactions fall within a 24 hour period and in fact took place within one[1] hour. The first two transactions total <sup>s.16</sup> therefore the software generated a FINTRAC report for this amount. The remaining two transactions total <sup>s.16</sup> therefore **are not reportable** as they do not meet the reporting threshold. No further known gaming transactions took place which may have incorporated the remaining transactions and made them reportable.

## Action Plan

BCLC reviewed the options set out in the Interpretation guideline of the 24 hour static and the 24 hour rolling clock. BCLC determines that it uses the static option. The 24 hours period begins (i.e. the clock starts to tick) with the earliest transaction or EFT of less than \$10,000, of multiple transactions made by or on behalf of the same individual or entity. In the case of a casino disbursement, the 24 hour period begins with the earliest disbursement of less than \$10,000 when the reporting entity knows the disbursements were received by or on behalf of the same individual or entity. AS FINTRAC points out: "...if your system permits you to know of multiple cash transactions, EFTs or casino disbursements only within a static 24-hour period (e.g. from 9:00 a.m. to 9:00 a.m. the next day) you are required to report the multiple transactions that you know of in that 24-hour period." This describes BCLC's use of the static 24 hour option in accordance with its reporting software's functionality.

BCLC has changed its policy documents to clarify BCLC's use of the static option.



**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 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 a money laundering or terrorist financing offence.”

A review of the sample of 17 Suspicious Transaction Records determined 2 records (11.8%) where records indicated transactions were reported to FINTRAC more than 30 days after transactions occurred:

Category	FINTRAC Report #	Date of Initial Transaction	Date of Receipt	Days to Report
Suspicious Financial Transaction	s.16			
Exchange of Cash/Chips				

**BCLC RESPONSE**

**FINTRAC Report #** <sup>s.16</sup>

BCLC has reviewed this report which relates to BCLC Incident# 20090031573 which took place at the River Rock Casino.

BCLC feels that they have reported to FINTRAC well within the 30 day required time period from the time BCLC was made aware of the incident.

On 2009 JUN 03, as a money laundering risk mitigation strategy and protocol, BCLC adopted and commenced a new AML risk mechanism dedicated to reviewing casino service provider cheques. Cheques in excess of \$25,000 that were being issued to Casino patrons are subjected to BCLC Investigator scrutiny to ensure that the service providers were adhering to BCLC policy and procedures as they relate to “verified wins”.

On 2010 JUL 29 BCLC Gaming Auditor Jim HUSLER conducted an audit of casino cheques issued for “verified wins” for the month of <sup>s.16</sup> 2009 at all BC Casinos. BCLC Investigators were first

provided a copy of the audit report on August 6, 2009. Upon reviewing the audit report it was determined that the patron identified and subject of this Suspicious Transaction Report to FINTRAC had been issued s.16 "verified win" cheques for the month s.16 at the River Rock Casino. All BCLC policy and procedures governing the issuance of "verified win" cheques had been followed.

This incident was simply reported for informational purposes to the RCMP Proceeds of Crime Unit, GPEB and FINTRAC on s.16 a day after the report was received by Investigators.

#### FINTRAC Report # s.16

BCLC has reviewed this report which relates to BCLC Incident# 20100002446 which took place at Chances Kelowna Gaming Facility.

BCLC feels that they have in fact reported this incident to FINTRAC within the required 30 day period.

BCLC investigators first became aware of this incident when it was first was reported by Chances Kelowna in the Casino Reporting System (iTRAK) and to GPEB via Section 86 on s.16 2010. Upon review of the incident it was determined that a Chances Surveillance employee had made an observation of the same patrons a week prior on s.16, 2010. However an incident report was not generated in iTRAK by the gaming facility nor was it brought to the attention of BCLC until s.16, 2010.

#### FINTRAC guidelines 3.2 suspicious transaction reporting timelines states:

*"If you are a reporting entity as described in section 2, you have to send a suspicious transaction report to FINTRAC when there are reasonable grounds to suspect that a transaction (including an attempted transaction) is related to the commission or the attempted commission of money laundering offence or a terrorist financing offence.*

*There is no minimum threshold amount for reporting a suspicious transaction. Guideline 2: Suspicious Transactions has more information on how to identify a suspicious transaction.*

*You have to submit suspicious transaction reports to FINTRAC, containing specific information (see section 5). Once you have determined that there are reasonable grounds to suspect that the 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 a money laundering or terrorist financing offence. If such a fact is detected at the time of the transaction, the reporting timeline begins at the time of the transaction. However, if the fact is not detected at the time of the transaction, the 30-day time limit could begin at some time after. For example, if the fact were detected during a review by corporate security after the transaction took place, the 30-day time limit would begin when corporate security first detected the fact."*

It is ultimately BCLC investigators and not casino employees who determine whether or not an incident is considered suspicious in nature and reported to FINTRAC as a Suspicious Transaction.

As such, BCLC upon learning of and reviewing the circumstances of the Chances Kelowna iTRAK report on <sup>s.16</sup>, 2010, completed and submitted a Suspicious Transaction Report to FINTRAC on <sup>s.16</sup> 2010 which was within the 30 day required reporting period.

## CONCLUSION

This Audit Report essentially deals with four key areas:

- a) Training – BCLC is committed to continuously improving the content of training material delivered to service provider personnel. Training material is a 'living document', ever changing, improved, updated and refreshed. BCLC is committed to the delivery of FINTRAC training to service provider personnel at all levels within the industry in a timely fashion and within FINTRAC guidelines. BCLC has recently created a newly enhanced FINTRAC Training Module designed to be web based as well as deliverable in a classroom setting. It contains substantially more material than previous modules and compliments our face to face training efforts. This web based design will be implemented on the BCLC web site at 'learn@BCLC.com as soon as the developer (ICOM systems) can complete production. BCLC has also employed a Compliance and Trend Analyst position to oversee all FINTRAC training applications and to monitor all FINTRAC training in the Province. It is anticipated that this training initiative will keep the numbers of staff trained at a constant, consistent high percentage level.
- b) Vague Occupations – BCLC has tasked a Compliance and Trend Analyst with conducting weekly reviews of submissions to FINTRAC to determine that proper occupations are being obtained by Casino and Community Gaming service provider staff. These reviews generate formal lists of patrons requiring occupations for updating and review and are forwarded to Corporate Security Investigators for follow-up and amendment.



Enhanced and updated FINTRAC training materials have been amended to specifically deal with the issue of occupation recording. Scenarios have been created that offer instruction to service provider staff on how to better engage patrons more effectively to obtain more detailed occupations. Additional workshops are being conducted by BCLC investigators in Casinos and Community Gaming Centers dedicated to further training staff on improving their abilities to obtain proper current identification, addresses and occupations, thereby increasingly fulfilling FINTRAC requirements.

- c) IT Issues – BCLC Tech Support has worked diligently with FINTRAC and the software developer, Iview Systems, to resolve any and all technical issues related to software compatibility with FINTRAC reporting software. BCLC has developed and implemented a Q A process to ascertain and report on a daily basis any outstanding submission issues relating to the reporting of Large Cash Transactions, Disbursements and Foreign Exchanges. This allows for any issue of reporting to be identified immediately and rectified in an expedited manner.
- d) Suspicious Financial Transactions – BCLC has instituted a number of initiatives dedicated to identifying suspicious transactions more effectively on the Casino and Community Gaming Center gaming floors. Enhanced training materials and newly developed web based training modules communicate a considerable amount of information and dedicate several scenarios to this topic. BCLC has developed an advanced risk management matrix specifically designed to identify patrons considered at high risk through a specific set of criteria. A dedicated process of analysis and recording has been incorporated into the Itrak system accessible to BCLC Investigators and the Compliance and Trend Analyst. BCLC has also revised and implemented a strict cheque issuance Policy at Casino and Community Gaming Centers and re-defined 'verified win'. BCLC has enhanced Policy to reflect the operational need to obtain valid identification at a lower threshold than required by FINTRAC, \$9,000.00 as opposed to \$10,000.00 in order to ensure compliance with reporting and identify early in the process, patrons that attempt to circumvent reporting requirements. BCLC has also positioned all gaming facilities into four gaming categories in order to identify High Risk Gaming locations based on geographical location. Within these four groups BCLC has identified various high risk groups based on financial profiles with their respective geographical location. This information is analyzed, assessed and forwarded to BCLC Investigators for any follow-up required.

BCLC Corporate Security incorporates a compliance regime composed of numerous factors all dedicated to meeting or exceeding FINTRAC reporting and risk management guidelines. BCLC continues to dedicate considerable time and resources in meeting any and all FINTRAC requirements.



## **6.0 CONCLUSION**

Significant issues were identified in this audit. BCLC has provided responses and action plans regarding issues identified in this audit.

BCLC and GPEB differ in their understanding of FINTRAC Interpretation Notice No. 4 (August 31, 2009) The “24-Hour Rule”, specifically regarding the meanings of the terms “static” and “rolling”, as well as the calculations required to determine reportable amounts under each scenario. Clarification and direction from FINTRAC is needed to resolve this issue.

Commercial Gaming Audit  
Audit and Compliance Division  
November 10, 2010

### **Distribution List:**

Mr. Murray Dugger, Regional Director Western Region, FINTRAC  
Mr. Terry Towns, Vice President Corporate Security and Compliance, BCLC  
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**GAMING POLICY &  
ENFORCEMENT  
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## **AUDIT REPORT ADDENDUM**

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**BCLC  
Addendum to the 2009/2010  
FINTRAC Year-End Audit  
(Period reviewed: July 1, 2010, to August 3, 2010)**

### **1.0 EXECUTIVE SUMMARY**

Based on a request from BCLC, a follow-up review of BCLC's FINTRAC compliance regime was conducted for the period July 1, 2010, to August 3, 2010, to verify compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), FINTRAC guidelines, and the *Gaming Control Act* and Regulation.

The follow-up review included an analysis of large cash transaction reporting systems in place at BCLC gaming sites and head office in Richmond, BC. Recent changes to BCLC's FINTRAC training program were reviewed as well. Procedures were performed on a test basis.

### **2.0 AUDIT OBJECTIVES**

The objectives of the audit were to:

- Verify compliance with FINTRAC reporting requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA);
- Verify compliance with FINTRAC guidelines applicable to BCLC and its gaming sites;
- Verify compliance with the *Gaming Control Act* (GCA) and Regulation (GCR).

### **3.0 AUDIT SCOPE**

BCLC's request for a follow-up review and discussions with GPEB determined areas to be reviewed. Specific fieldwork was performed in the following areas:

- BCLC's FINTRAC staff training program;



- BCLC's record keeping systems;
- BCLC's FINTRAC reporting systems.

The audit was performed for the period July 1, 2010, to August 3, 2010.

#### **4.0 AUDIT PROCEDURES**

Data was collected from six casinos (Boulevard, Cascades, Edgewater, Grand Villa, River Rock, and Starlight) for the period July 1, 2010, to August 3, 2010. Data was tested at BCLC's head office in Richmond, August 17 - 19, 2010. Audit procedures were conducted on a sample testing basis to provide reasonable assurance of compliance.

A sample made up of 319 Large Cash Transaction Records (LCTRs) resulting from buy-ins, disbursements, and foreign exchanges, occurring during the period July 1, 2010, to August 3, 2010, was reviewed for compliance with FINTRAC requirements. Recent changes to BCLC's FINTRAC training program were also reviewed.

#### **5.0 FINDINGS**

Details of issues resulting from audit procedures:

- 1) **FINTRAC Guideline 4: Implementation of a Compliance Regime, Section 7** 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."

BCLC communicated an action plan in its response to the 2009/2010 year-end audit report, for implementation commencing September 1, 2010. BCLC also provided a draft copy of a new training program to be delivered to all staff, including management, prior to beginning work on the gaming floor. The training program is similar to the prior advanced and refresher training modules, and is expanded to include more detail and examples pertaining to all aspects of FINTRAC reporting applicable to the gaming industry. Also, BCLC indicated its testing system has been modified. BCLC has expanded the number of test questions from which to draw when testing staff knowledge regarding FINTRAC policies and procedures. In

the past, all staff was given the same test. BCLC's new FINTRAC staff training program was determined to be significantly improved.

### **BCLC Response**

It should also be noted that during the time period of the audit, BCLC also provided educational sessions on Anti Money Laundering (AML) compliance to its Audit Committee, Board of Directors and responsible Minister.

- 2) **FINTRAC Guideline 6F: Record Keeping and Client Identification for Casinos, Section 3.2** states, in part, "Be as descriptive as possible regarding the business or occupation. Record information that clearly describes it, rather than use a general term."

A review of the sample of 319 Large Cash Transaction Records (LCTRs) in iTRAK determined 1 record where a general term such as "businessman" or "self-employed" was recorded. However, records indicate the patron was asked to provide a more specific occupation and refused to do so.

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

A review of the sample of 319 Large Cash Transaction Records (LCTRs) determined 2 records where iTRAK records indicated transactions were reported to FINTRAC more than 15 days after transactions occurred. In both instances, reporting was delayed due to patrons being unable to provide ID at the time the transactions were initiated. BCLC reported the transactions immediately after receiving patron identification and completing the transactions.

LCT #	Date of Transaction	Transaction Type	Amount	Days to Report
20100019168	s.16			
20100020180				

- 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 also states, "... the 24-hour period begins with each new transaction ... of less than \$10,000...."



The Interpretation notice includes a number of examples to explain how LCTRs are to be calculated. The examples illustrate situations where individual amounts are included in more than one LCTR. A review of BCLC's LCTRs determined that BCLC is not following this procedure when determining whether an LCTR should be created and reported. Therefore, BCLC is underreporting LCTRs to FINTRAC, e.g.:

### **BCLC Response**

BCLC queries whether this finding is supported by FINTRAC's own directions and examples. FINTRAC allows for both rolling and static approaches to 24 hours. How can BCLC be accused of under compliance when the examples used clearly conform to FINTRAC's own examples.

Reference material (<http://www.fintrac.gc.ca/publications/FINS/2009-08-31-eng.asp>)

*"The 24 hour period static period begins with the first new transaction when the reporting entity knows that the transactions were made by or on behalf of the same person. The 24 hour rule applies to multiple transactions in a 24 period which commences at the time of the earliest transaction. A report is made when combined amount is \$10,000 or more."*

LCTR #	Date & Time	Amounts	Reported by BCLC	FINTRAC Minimum Requirement	Description
20100019921	s.16				
20100018392					

Note: Due to the nature of the examples in the interpretation notice, reporting entities have been granted an option in reporting. For example, for LCTR #20100018392 above, by strictly applying the rule, “the 24-hour period begins with each new transaction ... of less than \$10,000....” transactions “b” and “c” could also be reported in a separate LCTR totalling s.16. However, FINTRAC has indicated that this report is optional because all of the information is present in the previous LCTR. (In order to simplify computer programming and to ensure that all reportable amounts are reported to FINTRAC, BCLC may want to consider strictly applying the 24-hour as stated in the interpretation notice and begin 24-hour periods with each new transaction.)

### **BCLC Response**

BCLC was using the static option (which as noted in the audit is an option), then the finding that BCLC is under reporting is not correct. BCLC feels the above scenario does not differ from the examples FINTRAC has provided.



## **6.0 CONCLUSION**

GPEB's follow-up review has determined the following:

- 1) Training - BCLC has communicated an action plan and draft training documents addressing GPEB's concerns regarding the level of training delivered to staff, including management, prior to commencing work on the gaming floor. BCLC's new FINTRAC staff training program was determined to be significantly improved.
- 2) Record Keeping and Client Identification - A review of the sample of 319 LCTRs reported during the period Jul 1, 2010, to August 3, 2010, determined BCLC is ensuring its service providers are requesting and recording information to clearly describe patrons' occupations, rather than recording general terms, whenever possible. This is a significant improvement over prior GPEB audit results.
- 3) Submitting LCTRs to FINTRAC - A review of the sample of 319 LCTRs reported during the period July 1, 2010, to August 3, 2010, determined that, with the exception of two LCTRs, all reports were delivered within 15 calendar days after transactions occurred. For the two LCTRs that were submitted late, reporting was delayed due to patrons failing to provide ID at the time the transactions were initiated. BCLC reported the transactions immediately after having received patron identification and completing the transactions. This is a significant improvement over prior GPEB audit results.  
The 24-Hour Rule - A review of BCLC LCTRs determined BCLC is not currently calculating LCTRs, for the purposes of reporting to FINTRAC, based on FINTRAC Interpretation Notice No. 4 (August 2009) The "24-Hour Rule", and is therefore underreporting LCTRs to FINTRAC.

### **BCLC Response**

This Interpretation Notice specifically states that either rolling or static can be used. In the examples in this audit set out above, the reporting was compliant on a static basis. BCLC feels it is reporting appropriately as per FINTRAC guidelines.

Records sampled during the Addendum audit period indicate actions have been undertaken to address issues regarding Training and Record Keeping and Client Identification. However, BCLC and GPEB continue to differ in their understanding of FINTRAC Interpretation Notice No. 4 (August 31, 2009) The "24-Hour Rule", specifically regarding the meanings of the terms "static" and "rolling", as well as the calculations required to determine reportable amounts under each scenario. Clarification and direction from FINTRAC is needed to resolve this issue.

Commercial Gaming Audit  
Audit and Compliance Division  
November 10, 2010

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