

Gaming Policy and Enforcement Branch Review



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EXECUTIVE SUMMARY

The Gaming Policy and Enforcement Branch (GPEB) Review is a comprehensive business and organizational review aimed at aligning and integrating programs and staff to ensure gambling continues to be conducted responsibly and with integrity for the benefit of British Columbians.

Through a methodical collection and analysis of information, the project has been divided into 3 phases: research into the current state of GPEB, Executive Team strategic planning to define the future state of GPEB, and analysis of the information to generate key issues and corresponding recommendations.

The current state phase generated a comprehensive, 360 degree snapshot of GPEB. This phase of the Review involved conducting 13 GPEB employee sessions, and interviews with each GPEB Executive Team member, various executives of BC Lottery Corporation, and key executive stakeholders with the Ministries of Finance and Community, Sport and Cultural Development. The overall findings from the current state phase of the project highlight an organization that is performing work satisfactorily for the most part, but has a broad spectrum of performance ranging from high performing to gravely concerning.

The second phase of the Review established a new vision, mission, values, desired culture, and business goals for the future state of GPEB. The Executive Team provided this input into a new business plan that will serve as a road map for staff in the coming years.

Analysis of information gathered from the first and second phases of the Review confirmed 20 key issues that currently exist within GPEB. They are separated into four quadrants as follows:

<p style="text-align: center;">Maintain (Keep)</p> <ol style="list-style-type: none"> 1. Responsible and Program Gambling program 2. Personnel Registration program 3. Certification program 4. Regionalized service delivery structure 5. Horse Racing program 	<p style="text-align: center;">Establish (Start)</p> <ol style="list-style-type: none"> 16. Operationalize Enterprise Risk Management and Quality Assurance within divisions 17. Clarity of Community Gaming Grants program roles between GPEB and CSCD 18. ADM's Office resources 19. <i>Gaming Control Act</i> and Regulations review 20. Modernization of organization name
<p style="text-align: center;">Improve (Fix)</p> <ol style="list-style-type: none"> 6. Strategic policy competence and capacity 7. Quality of work, competence of staff, leadership capacity, and relationship with BCLC 	<p style="text-align: center;">Extinguish (Stop)</p> <ol style="list-style-type: none"> 13. Focus on lottery compliance 14. Paid parking and mileage 15. Working group structure for key strategic

at Investigations and Regional Operations Division	priorities and risks
8. Decrease adversity and manage political relationships throughout GPEB (BCLC, Ministry of Finance, MLAs)	
9. Resourcing for public facing and administrative support services	
10. Technology systems	
11. Corporate registration program	
12. Audit and Compliance Division leadership, staff competence, and relationship with BCLC	

Recommendations were developed for each of the 20 issues and themes and are presented in detail in this report.

To support the recommendations, three organizational structure options have been developed:

1. Maintain the status quo
2. Restructure to a three-division model
 - i. Compliance and Enforcement Division
 - ii. Responsible and Problem Gambling and Grants Division
 - iii. Policy and Corporate Services Division
3. Restructure to a four-division model
 - i. Licensing, Registration and Certification Division
 - ii. Compliance and Enforcement Division (includes audit, inspections, investigations)
 - iii. Responsible and Problem Gambling and Grants Division
 - iv. Policy and Corporate Services Division

Common to options 2 and 3 are the recommendations to create an Executive Coordinator position to exclusively support the ADM in identifying and managing strategic issues, a temporary Senior Advisor, Grants position to oversee the transition of the grants program to a new division, and a temporary Senior Advisor, eGaming Strategy to lead a project team in the development of GPEB's eGaming strategy.

Overall, GPEB has an opportunity through this review to modernize, integrate, and streamline ways of delivering its programs and services. Selecting and implementing an appropriate organizational structure to support the delivery of programs and services is the first step towards becoming a high performing organization.

INTRODUCTION AND PROJECT DESCRIPTION

This report summarizes the findings of the Gaming Policy and Enforcement Branch (GPEB) Review, including themes, key issues, options and recommendations to enhance the overall performance of the organization.

The GPEB Review was conducted in response to a culmination of internal and external pressures, trends and events that the organization has been facing or expects to be addressing in the near future. The project presents an opportunity to conduct a comprehensive review of the organization in its entirety, evaluating core business at GPEB and how it is being delivered. Central to the GPEB Review is the desire to become better aligned and integrated within the organization, with key gambling industry stakeholders, and with the future direction of gambling in BC.

The vision for the GPEB Review is that when completed, GPEB's programs and services are aligned and integrated to ensure gaming continues to be conducted responsibly and with integrity for the benefit of British Columbians.

The mission of the GPEB Review is to develop recommendations for optimal program delivery and implementation based on an understanding of the organization's current and desired future states. In essence, the purpose of the review answers the question, "How should gambling programs and services be best aligned, integrated and delivered to ensure gaming continues to be conducted responsibly and with integrity for the benefit of British Columbians?" Through a methodical collection and analysis of information, the project has been divided into 3 phases:



1. Phase 1: Current State
 - reviewing current work occurring within each of GPEB's divisions
 - interviewing key stakeholders including BC Lottery Corporation executives, Ministry of Finance executives, the former GPEB ADM, and the ADM of Culture, Arts, Gaming Grants and Sport.
2. Phase 2: Future state

- designing a new vision and mission with GPEB's current Executive Team
- developing new business goals and focus with GPEB's current Executive Team (resulting in a new Business Plan for the branch)
- prioritizing key initiatives, programs, and services for the branch
- interviewing key stakeholders (noted above in the current state phase) on perspectives on GPEB's future

3. Phase 3: Strategic analysis of the gap between the current and future states

- generating key themes and issues GPEB currently faces in reaching the desired future state
- developing recommendations on effective programs and infrastructure that enables GPEB to achieve its desired culture and business goals

A fourth phase, Implementation, will begin for the project once the outcomes of this report are considered and the ADM, GPEB decides what actions will be taken resulting from the review. The implementation phase will include designing a plan for the accepted GPEB Review recommendations that will need to be implemented resulting from this report.

The review of the organization and its programs has been championed and led by the ADM of GPEB who provided the project vision and mission. The project has been managed by a third party, the Strategic Human Resources (SHR) Branch of the Ministry of Finance, who has not had a long history of providing consultative advice and support to GPEB and can therefore ensure a neutral analysis. As the review had a significant focus on the compliance and enforcement programs and services provided within the branch, a third party compliance and enforcement expert also joined the project team to provide regulatory policy and programming advice.

Supporting the project throughout each phase was the Ministry of Finance's Performance Management and Corporate Priorities Branch, led by Donna Selbee, who developed a communication plan and provided communications support to the ADM and GCPE. (See Appendix B for a brief overview of the communications plan for the project.)

A change management plan (see Appendix C), was also developed based on John Kotter's change management model that utilizes 8 steps for managing change, to ensure employees were engaged and the review continued its momentum throughout all phases.

GPEB HISTORY

GPEB's beginnings provide organizational context for why the GPEB Review project is timely. GPEB began as the Gaming Commission (GC) and Horse Racing Commission. The GC drafted policies and standards for how legal gaming was to be run (i.e. charity-run casino nights and bingo halls). The GC issued licences and inspected all

events and audited a charity's eligibility for the licences and how the funds raised were spent. In 1996, the Gaming Audit and Investigation Office (GAIO) was created to investigate criminal and regulatory matters occurring in gaming facilities, conduct forensic audits, and register gaming workers and product suppliers. The Gaming Commission also continued to exist, and continued to be responsible for inspections of events, auditing charities, drafting of policies and standards, and issuing licences. The introduction of slot machines to the province in 1999 resulted in a shift in focus for the GC towards inspecting bingo and auditing charities, and leaving enforcement activities within casinos to BC Lottery Corporation (BCLC), which previously was only involved in sales of lottery tickets. The inspections role began to phase out at this time in favour of auditors at the GC.

In 2002, GAIO, the GC and the Horse Racing Commission merged to form GPEB. The Gaming Control Act was introduced. For the first time, compliance and enforcement was divided into separate work units (Investigations, Audit and Compliance, Licensing, for example). In 2007, a lottery retailer scandal originating in Ontario turned attention on BC's lack of controls, resulting in an investigation into GPEB by the Office of the Ombudsman. One of GPEB's responses to this issue was the dedication of resources towards lottery compliance and enforcement, including creation of the lottery registration work unit, a lottery audit work unit, and a lottery retailer investigations work unit (each housed in 3 separate divisions).

The 2007 Ombudsman Report also recommended that the functions of internal compliance, quality assurance and risk management functions be centralized within the branch, and a strategic leadership position reporting to the ADM be created to oversee these functions. The Executive Director, Internal Compliance and Risk Management role was filled and today is a standalone position that maintains the branch risk register and various internal compliance programs.

In 2010, the Community Gaming Grant program came into effect, amalgamating the Direct Access Program Grants and the Bingo Affiliation Grants that had been operating since the late 1990s. Premier Clark responded to complaints about the gaming grants by dividing the program between two ministries; today grants continue under the Ministry of Community, Sport, and Cultural Development (responsible for the fund policy and the money itself) and GPEB (responsible for administering the program).

In 2011, the Responsible and Problem Gambling (RPG) Program became a strategic priority for the branch, and was moved from reporting to the Executive Director, Corporate Services to directly reporting to the ADM. The profile for RPG needed to be raised as it was viewed that the social licence to operate gambling activities in the province was directly dependent on the ability of RPG to deliver services. This social responsibility perspective needed to be integrated into all of GPEB's work.

GPEB has been a part of 5 ministries in the past 6 years. Today, GPEB is a division of the Ministry of Finance, reporting to the Associate Deputy Minister. The current structure of GPEB allocates 156 FTEs of the branch into 8

divisions: Registration and Certification; Licensing and Grants; Quality Assurance and Risk; Responsible Gambling; Audit and Compliance; Racing; Investigations; Policy and Corporate Services. The lead position of each of the 8 divisions reports to the Assistant Deputy Minister of GPEB, forming GPEB's Executive Team. The Executive Team consists of 6 Executive Directors (classified within the Strategic Leadership band), 2 Directors (classified within the Business Leadership band), and the ADM.

PHASE I: CURRENT STATE

The history of GPEB has led the organization to where it is today, the "current state." The GPEB Review began with a comprehensive look at the current state of the organization, starting with an internal review where staff participated in a variety of information gathering sessions about the current deliverables and processes occurring at GPEB. Once the employee sessions were completed, interviews were conducted with each GPEB Executive Team member, various executives of BC Lottery Corporation, and executives of Ministry of Finance's Corporate Services Division and the Deputy Minister's Office.

METHODOLOGY: LANGDON'S LANGUAGE OF WORK MODEL

In total, 49 employees participated in 12 sessions gathering information about the current state internal to GPEB over May and June, 2014. A 13th session was conducted with the ADM and 8 divisional leaders to capture the executive team's corporate-wide deliverables and processes.

Langdon's Language of Work model was selected as the most appropriate tool to gather information in these sessions. The Language of Work model was developed by Danny Langdon in the mid-1990's as a method of mapping work and business processes. It is a neutral model that captures high level deliverables (called 'outputs') in each work unit. It is not intended to evaluate the performance of the work or process (i.e. how well or how poorly the work is being carried out). The Strategic Human Resources Branch within the Ministry of Finance has used this model for over seven years with various client groups in the ministry with success; as it was a 'tried and tested' model, it was determined this was an appropriate framework and methodology from which the GPEB Review would benefit. The model and a description of its main components can be found in Appendix D.

Staff were invited by their respective Executive Director or Director to participate in their work unit's current state session. The sessions were a minimum of three hours each. The intent was for factual information to be gathered at the sessions only. The Language of Work model does not judge or value information provided—it is simply a process documentation tool. Naturally, staff attended the sessions also prepared to present information about what was working well and what was not working well, in addition to providing factual information about their work. The issues and any corresponding solutions were recorded as a "parking lot" for each work unit but were not the main focus or purpose of the sessions. Following each session, the information generated was formatted

and emailed to employee representatives. It was then their responsibility to share the information to all staff within their work unit and validate the information. In this way, every staff member of GPEB had the opportunity to participate in the review and contribute to the information gathering phase of the project. It should also be noted that the Executive Team members collectively made a decision not to participate in the current state sessions; they were intended for as many ‘front line staff’ as possible. It was felt that an Executive Director’s presence in the session would prevent staff from being entirely forthcoming in their information provided. This is a typical practice for Language of Work sessions and is not unique to GPEB.

Staff that were viewed as credible experts who could represent their peers well in conveying information about work processes and deliverables were selected to participate in the sessions. (See Appendix F for criteria and schedule of sessions.) The intention in using these selection criteria was for staff to support the process, and to ensure everyone perceived that the GPEB Review was fair and comprehensive.

SUMMARY OF EMPLOYEE CURRENT STATE SESSION OUTPUTS

The process maps developed from each session can be found in a supplementary document to this report, and have been provided to the ADM. A summary table of all the deliverables (referred to as “outputs” in the LoW model) are in Appendix E.

The employee sessions confirmed the broad range of activities currently underway at GPEB. Many of these processes are a decade old or built on “workarounds,” and would benefit from a refreshed, modern perspective. For example, the process of reviewing grant applications and approving or denying the application is wrought with inefficiencies and inconsistencies, primarily due to the lack of clarity and GOS’ substandard abilities. There is evidence of collaboration and communication between some divisions and work units that are connected by their client or purpose. For example, the Certification Unit works with Audit and Compliance Division’s charitable audit group with regard to electronic 50/50 systems, Investigations Division when an investigation involves the technological design of a lottery or casino product/platform, and Registration and Certification Division’s Corporate Registration work unit when registering an organization for the first time also requires certification expertise. There was no evidence from the sessions to suggest that the regionalized structure (i.e. the offices in Prince George and Kelowna) is dysfunctional. In fact, it appears there are more benefits to maintaining a geographic dispersion of staff delivering GPEB’s programs and services than not. A regional presence in key communities across the province appears to have enabled GPEB staff from two divisions (ACD and IROD) to work effectively in partnership with each other. This has resulted in a “one window” service approach to citizens, service providers, communities, and organizations in the northern and southern regions of the province. In Burnaby and Victoria, this one window of service from GPEB does not exist. The same citizen or stakeholder group has multiple GPEB touch points, and receives information that is division-specific. Increasing collaboration across GPEB would result in greater proactive sharing of information, better service, and less potential for inconsistency.

SUMMARY OF “PARKING LOT” ISSUES

While staff were not discouraged from raising issues currently faced in their work units, this was not the focus of the sessions. The emphasis remained on capturing neutral facts about the key deliverables. The reason why current state sessions were not focused around the questions, “what’s wrong with the current state of your work unit and how would you resolve it?” is because there is no guarantee that the way programs are delivered in the current state will stay that way at the end of the GPEB Review. We did not want staff to spend staff’s valuable time generating ideas about how to resolve issues that may be irrelevant in the future. The reason for including a “future state” phase into the GPEB Review was to undergo a visioning exercise where new opportunities and priorities were identified, and potentially a new organizational structure to support the delivery of these new priorities. A commitment was made to staff that if some of the issues generated from their session were relevant at the end of the review, there would be follow up and their comments would be pursued further. Appendix E contains a table that summarizes the issues brought forward by the respective employee groups.

The issues raised by staff represent the sentiments internal to the organization only and are reflective of today’s current way of delivering programs and services. They are not all validated by the GPEB Review; that is, they do not reflect the experiences and opinions of all key stakeholders to GPEB that were interviewed as part of the review. Subsequent sections of this report outline the issues generated as a result of all perspectives and information gathered.

SWOT ANALYSIS

Another aspect included in the current state analysis of the GPEB Review was a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis. The Executive Team conducted the SWOT Analysis in May, 2014, to build a foundation on which to develop a new vision, mission, values, and key business goals for GPEB. See Appendix G for the full SWOT analysis responses from the Executive Team.

Main themes for GPEB’s internal strengths:

- the people. Staff are knowledgeable and passionate about their work
- length of time GPEB (formerly GAIO, GC, etc.) has existed as a regulator of gaming in BC
- culture of being resilient (to change in leadership and ministries)

Main themes for GPEB’s internal weaknesses:

- expected retirements are significant, especially staff in senior and executive leadership positions, Licensing and Grants Division and Investigations and Regional Operations Division. This puts corporate knowledge at risk

- lack of communication flow within GPEB (need better integration and alignment)
- relationship with BCLC (not aware of issues proactively, communication not effective in some areas)
- technology and GOS
- Gaming Control Act – some areas may be acting outside their authority, legislation is not adaptive to changing environment

Main themes for opportunities external to GPEB:

- technology (social media a new way to promote programs, expansion of eGaming, smart phones and handheld devices allow gambling apps). Overall these are opportunities to modernize and refresh the entire organization to deliver in a different way
- shifting trends in gambling including developments in technology and the eGaming industry within BC. BCLC's PlayNow.com eGaming platform and the illegal online gaming industry are both progressing in strides and there is a need for GPEB to modernize itself as a regulator of online gambling activity.
- new leadership at BCLC is an opportunity to redefine relationship
- Internal Audit and Advisor Services' crown review of BC Lottery Corporation will evaluate the areas of duplication between GPEB and BCLC and recommend actions for GPEB once their report is released (expected in November, 2014)
- ability and speed to deliver programs and services

Main themes for threats to GPEB:

- illegal gambling websites are not regulated and therefore unknown. Some may become legal in other provinces and have impacts in BC
- technology crosses international borders (for example, competition with Washington state)
- media attention is negatively biased around our business and organization
- BCLC (potential to overstep their bounds into regulator's domain, and move ahead of issues without providing time for GPEB to develop its own research and policy responses to their solutions)

The SWOT analysis confirmed the Executive Team's opinion that technology is the central driver to most of the threats, opportunities and weaknesses GPEB faces. It reinforces the GPEB Review is an opportunity to address technology in every sense, across all divisions and programs. The SWOT analysis also affirmed one of GPEB's strengths is its people and the knowledge they possess to address threats and weaknesses; however, many of these same people represent the aging workforce which was offered as a main weakness. A significant number of GPEB staff are eligible to retire immediately, presenting a risk to the organization in loss of knowledge, but also an opportunity to modernize and refresh the organization.

EXECUTIVE STAKEHOLDER INTERVIEWS

The final portion of the current state phase involved individually interviewing GPEB Executive Team members and key stakeholders from other ministries, BCLC, and the Ministry of Finance in July and August, 2014. For a complete listing of individuals interviewed as part of the current state analysis of the GPEB Review, see Appendix G. For confidentiality reasons, direct quotes from BCLC executives are not included in this report. A complete copy of interview notes from all interviews has been provided separately to the ADM, GPEB. The information provided in these interviews contributed to the overall findings of the review, including key issues and recommendations. It is acknowledged that each opinion comes with some bias to the organization to which the interviewee belongs. For example, BCLC brings a biased perspective to appreciating those areas of GPEB that enable its revenue generation. Key themes that emerged from the interviews are as follows.

BCLC

The same issues were raised consistently between the executives, including the supporting examples, which suggests preparation and collaboration took place with the BCLC Executive Team prior to meeting with the GPEB Review project team. Each BCLC executive signed a confidentiality statement, agreeing not to share details of the information exchanged during the interviews. The main takeaway from all BCLC interviews is that the relationship with GPEB needs to be strengthened at all levels of the organization (starting with the Executive Directors and spanning to front line staff) if GPEB wants to have credibility with BCLC as a competent, innovative, unbiased, trusting, and responsive regulator. The functionality of the relationship between BCLC and GPEB varies broadly. It is working well in Personnel Registration, Certification, and Responsible and Problem Gambling. It is severely dysfunctional in Investigations and Regional Operations Division and moderately dysfunctional in Audit and Compliance Division. Some of the strain is due to the intrusive nature of the work that investigators and auditors at GPEB perform. However, the nature of the work cannot be blamed as the single reason the relationships are not built around respect and trust. At the core, the ineffectiveness of the relationship is due to the culture that leadership (from both organizations) establishes and reinforces to staff. The costs of the dysfunction are concerning; significant time is spent backpedalling and rationalizing decisions through formal written correspondence or meetings in person. A high degree of defensiveness exists between auditors and investigators versus BCLC staff. Often, there is a fixation over one small detail (such as the wrong font size in an advertisement or one sentence in a report) at the expense of working together to resolve the “real” issue or priority at hand.

Investigations and Regional Operations Division

Of greatest concern are the allegations made by BCLC executives of Investigation and Regional Operations Division’s false reporting of its investigations file outcomes. Second to this is alleged incompetence at investigative work, especially at the senior leadership level and in the area of eGaming. Seven Reports of Findings on eGaming

investigations were brought forward as examples to illustrate slow investigations (where timelines were missed and prevented charges from proceeding in one case) and poor quality Reports to Crown Counsel (RTCCs) on high profile fraud allegations (where Crown requested BCLC re-write GPEB investigators' RTCCs in one month where it had taken GPEB 18 months). In one case, the GPEB Investigator assigned to a file where BCLC was a fraud victim of \$160,000 closed the file without listing BCLC as a victim and therefore Crown was unable to proceed with any charges. This same file was allegedly reported in GPEB's 2012-13 Annual Report as having proceeded to 18 charges under the Criminal Code. When clarification was requested by BCLC, the Senior Director of Investigations Division responded with a letter where the rationale contradicted previous statements made on the same topic in earlier months. BCLC prepared and delivered a 2-inch binder filled with examples of unsatisfactory correspondence and poor quality investigative files to the GPEB Review Project Director as a supplement to the allegations made during the BCLC executive interviews. The materials were reviewed, and the prevalent finding of the Project Director is that trust between BCLC and the Investigations and Regional Operations Division is so damaged and broken it will not be repaired without significant intervention from the ADM, GPEB and BCLC's VP, Corporate Security and Compliance. Many opportunities to work collaboratively on addressing illegal gambling sites and fraud are being missed intentionally as GPEB has refused to meet with BCLC on eGaming matters. The attitude of various GPEB directors in this division towards BCLC staff has been perceived as negative and closed.

Audit and Compliance Division

The main comment received was that there is not a lot of value-added outcomes generated from the division's audits due to duplication of audits (i.e. repeating what BCLC auditors or KPMG just audited), a "gotcha" attitude, and outdated "1980's-style auditing." Each year, the same audits on the same service providers and lottery retailers are conducted, looking at the same things. Many reports on the same organization are almost verbatim from year to year. There are some instances where one act of non-compliance is observed, and the auditor's report includes an assumption that this act of non-compliance is the norm (i.e. grand, sweeping statements are made in audit reports that BCLC believes is unfounded and may hurt their reputation). There does not appear to be openness to exploring how to create a shared audit and compliance model between BCLC, KPMG, and GPEB. BCLC alleges that in all of the duplicate audits GPEB auditors conducted on service providers, there was an average of 55% more findings of non-compliance. Items such as wrong postal codes used in mail outs, wrong font size used in advertising, and improper display of a lottery registration certificate are examples of non-compliance that are reported out from GPEB. Lottery retailer audits have the lowest strategic value according to BCLC as they are almost always duplicates of a recent BCLC audit. BCLC inspects every lottery service provider every 8 weeks at a minimum. (Note: the inspections' focus for BCLC is on the amount of revenue being generated in each location and ensuring that it is meeting targets. It also includes inspections of many of the same areas of the GPEB audits, however.) Lastly, it was acknowledged that the Executive Director of Audit and Compliance at GPEB demonstrated

a willingness to work collaboratively with BCLC and was reasonable in considering BCLC's requests to mitigate reputation damage resulting from GPEB's "overly zealous" audit findings.

GameSense

BCLC and GPEB share responsibility for the GameSense program, part of the Responsible Gambling Program at GPEB and under the umbrella of social responsibility at BCLC. GPEB provides funding for GameSense Advisors (GSAs) while BCLC manages the GSAs onsite at casinos on a day to day basis. In BCLC's opinion, the reason the shared responsibility for the GameSense program has little conflict is because the Director at GPEB is strategically focused on outcomes overall for the program. The two organizations work collaboratively, which ensures that time is spent focusing on strategic issues as opposed to clarifying intent or defending decisions. GameSense is an example of an effective relationship between GPEB and BCLC.

Registration and Certification Division

As noted earlier, Personnel Registration and Certification are widely regarded amongst BCLC executives as two of the most effective relationships and programs between the two organizations. These GPEB programs and services enable BCLC's ability to generate revenue, as gaming products must be certified in order to be used in BC, and gaming workers must be cleared by GPEB in order to work at BCLC and other gambling establishments. The relationship that BCLC has with the Director, Certification and the Executive Director of RCD is also an example of what collaboration between the regulator and the revenue generating organization should look like across GPEB's divisions. It is collaborative, perceived as fair and value-added, and comprehensive in its approval processes.

Policy capacity

BCLC's primary issue is with the competence and speed at which GPEB provides policy support. GPEB develops Minister's briefing notes on strategic policy matters which have included inaccurate information at times. The turnaround time for policy responses and decisions is excessive and results in delaying new revenue streams being offered in some instances. There is a shortage of resources required to support BCLC's regulatory policy needs, and a lack of business knowledge about the industry. BCLC expressed fatigue in hearing the rationale, "we are new and under-resourced" as a response from GPEB's Corporate Services Division. The relationship between the Executive Director of Corporate Services and BCLC's VP of communications is dysfunctional; the comment was made that there was never an issue until the current Executive Director assumed her role. Lastly, BCLC expressed confusion as to why all issues needed to go through GPEB when they require a direct line to the Associate Deputy Minister for non-regulatory policy matters such as financing and revenue generation.

The ADM, Culture, Sports, Gaming Grants was interviewed on community gaming grant perspectives. She expressed concern over the Executive Director, Licensing and Grants' current practice of reconsidering denied grant applications in the absence of legislative authority to do so. There is a need for greater clarity in the role of grants between CSCD and GPEB. Where the gaming grant "policy" that CSCD is responsible for ends and the administration of the grant that GPEB is responsible for is not clear. Currently GPEB's Grant Analyst positions make subjective decisions for grant amounts from year to year due to a lack of controls over this process.

MINISTRY OF FINANCE

Four main GPEB issues were heard from executives within the Ministry of Finance: lack of human resources capacity, lack of policy capacity, centralization of risk management, and the lack of professionalism displayed by the Executive Director, Corporate Services. The human resources concern is related to the Executive Director, Corporate Services' involvement in confidential matters that are outside of this position's responsibilities. There is a concern that the ADM, GPEB is receiving inaccurate advice in this area and is not as connected to the Ministry of Finance in this area which impacts his credibility. The policy capacity concerns were most prevalent during the ministry's preparation of the Minister's Estimates briefing binder. The Executive Director, Corporate Services informed the Deputy Minister's Office and the Executive Director, PMCP that GPEB's contribution to the binder would come two days after the Minister was scheduled to be briefed as she would not be briefing the ADM, GPEB until then. The main concern regarding the Executive Director, Corporate Services is that her behaviour is unprofessional, often abrasive, and over time is building an unfavourable reputation for GPEB (including the ADM) with the ministry.

CURRENT STATE SUMMARY

The findings of the executive interviews summarized above were then used to generate follow up questions for each Executive Director at GPEB. Robin Jomha, Corporate Registration Director, was also interviewed in order to provide a history of GPEB.

In summary, the current state phase generated a comprehensive, 360 degree snapshot of GPEB. Information gathered confirms the anecdotal comments and evidence presented to the ADM, GPEB over the past year about why a review would be necessary and timely. The Registration and Certification Division and the Responsible and Problem Gambling Division are currently the high performing units of GPEB. The Investigations and Regional Operations Division is of greatest concern given allegations made by several stakeholders which puts GPEB's credibility and integrity at risk. The overall findings from the current state phase of the project highlight an organization that is performing work satisfactorily for the most part, with opportunities to work towards becoming a high performing organization that excels at delivering its business objectives and goals.

PHASE II: FUTURE STATE

Exactly what GPEB needs to do to become a high performing organization was the focus of the second phase of the GPEB Review. The current state session answered the question, “where is the organization now?” while the second phase of the project answered, “where do we need to be?” Establishing the future state of GPEB including its vision, mission, values, desired culture, and business goals was an opportunity for the Executive Team to align and integrate work that had, in the past, been separated by divisions. Setting strategic direction for the organization is an Executive Team responsibility (unlike Phase I which gathered info on the current state from employees and external stakeholders). As such, it was possible for the future state planning executive sessions to take place at the same time the current state sessions were being held with staff.

METHODOLOGY: ORGANIZATION ALIGNMENT MODEL

In order to design the aspects of GPEB’s future state, Tosti’s Organization Alignment model was used as a framework for guiding the broad questions and range of discussion that naturally occurs when envisioning possibilities and priorities for GPEB’s future. See Appendix H for information on the model.

The model was selected for the GPEB Review by the Strategic HR Branch because unlike other strategic planning models that only focus on development of business objectives, goals and strategies, the Organizational Alignment Model places equal emphasis on the cultural aspects (values, behaviours and actions) of the organization, which are equally key to achieving desired results and the vision. The third focus of the model is developing the organizational structure, systems, processes, policies, and programs required to focus the business goals and culture.

Three full-day strategic and future state planning sessions were held in Victoria with the Executive Team, beginning on May 7, 2014. The first session focused on the highest level of strategic visioning in the literal sense, creating a new vision for GPEB. A revised mission statement, new values and the desired future culture of GPEB were also discussed at this session. The day ended with the question, “what must change in order for GPEB to be successful?” posed to the team. Typical responses included comments about the need to overhaul the organization, including reshaping and refocusing GPEB from the ground up and ignoring the constraints of current organizational structure. The second Executive Team planning session saw the development of GPEB’s new priorities and focus, including drafting key goals and actions. It was agreed that creating new business goals and priorities was required, which would also require the development of new outcomes-based performance measures for the new goals. Enhancing relationships with key stakeholders (primarily BCLC and MLAs in the areas of grants), engagement of staff and succession planning emerged as significant priorities. The third session involved each Executive Director presenting his or her opinions on the highest risk areas and key priorities that must continue,

increase, or start. Over 60 priorities were brought to the Executive Table, indications of the diversity and volume of activities undertaken, as well as the leadership team not having consensus on the key priorities.

BUSINESS GOALS

Inspired by the Executive Team’s strategic planning sessions, a new Business Plan for GPEB has been drafted and includes goals that will help GPEB achieve its desired future culture and focus of work. The following are key highlights of the Business Plan.

GPEB VISION: THE PUBLIC HAS CONFIDENCE IN B.C.’S GAMBLING INDUSTRY

The Executive Team developed a new vision for the branch. The Team intentionally created the vision to be an inspiring goal, one that articulates a future state of dedicated professionals committed to providing excellence in all that GPEB does. Inherent in the vision development was the concept of serving the public interest first. The Executive Team felt the vision would be achieved if GPEB served the public interest first and ensured gambling integrity in the province. The phrase, “public interest first,” was repeated several times throughout the executive team planning sessions, which led to the finalizing of the new vision statement.

GPEB MISSION: GAMBLING IS CONDUCTED RESPONSIBLY AND WITH INTEGRITY FOR THE BENEFIT OF BRITISH COLUMBIANS

GPEB’s former vision statement is now its mission statement. The Executive Team made this change as it was felt that the statement better reflects GPEB’s purpose (i.e. what it is in business to do). The mission statement guides GPEB’s actions by providing the framework or context within which GPEB’s business goals are formulated.

GPEB’s vision and mission are the foundation for GPEB’s future state, and the basis for GPEB’s culture. Organizational culture includes the values and behaviours that contribute to the social and psychological environment of an organization. GPEB’s culture is formed by the expectations, experiences, philosophies, and values of its leadership and people. The GPEB Review presents an opportunity to revisit the values and expectations it has of itself as BC’s gambling regulator.

The Executive Team affirmed that many values and attributes that make up GPEB’s current culture need to remain as the foundation for GPEB’s future culture, including:

- BC Public Service values
- Integrity. Of particular meaning to GPEB is integrity. The term is inherent in its legislation, and the phrase, “integrity in gaming,” is embedded in the culture.
- Resilience. GPEB can sustain change.

In the future, the following are indicators of GPEB successfully achieving its desired future culture:

- Putting Our People First: engaged employees are key to a satisfied, high performing organization. We expect leadership excellence, respect and honesty in every workplace, diversity in ideas, and work-life balance.
- Innovation: we are modern regulators, taking innovation to the next level, ensuring our legislation, regulations, structure, systems, and resources support us to proactively respond to issues with innovative solutions.
- Excellence: we encourage being the best in all of our actions and work, and rewarding excellence throughout the branch.
- Alignment and integration: GPEB staff are “one winning team” in meeting our annual objectives and goals, realizing that all our work is important. The entire organization is informed and connected to all parts of the branch, ensuring the public, service providers, and other stakeholders receive consistent information and service

At the foundation of the business goals, values, mission and vision for GPEB are people and tools. The Executive Team strongly supports putting “Our People” first, and ensuring training and development, engagement, and investment in staff as a foundational element of GPEB’s business. The Executive Team also believes strongly that technology tools, and in particular, the IT systems that support GPEB’s business, are paramount to GPEB achieving its desired future state. In subsequent sections of this report, staff development and IT systems issues and recommendations support the Executive Team’s direction.

PHASE III: ANALYSIS

The gap between GPEB's current state and desired future state is where all opportunities to align and integrate GPEB programs and people exist. This is the key phase of the review that identifies the main issues and mitigating solutions recommended to move GPEB to its future state. The recommendations in this section of the report are based on a critical legal decision in Canada (Ling and Jarvis cases), and information gathered from staff and stakeholders in the current and future state phases of the project.

LING AND JARVIS ANALYSIS

Note: This section has been prepared and drafted by Tom Steenvoorden

In conducting the GPEB Branch review the question of combining investigator / inspector job descriptions was posed. Reportedly, the concept of investigator and inspectors working within a team environment or at least supporting each other appears to work well within GPEB regional offices.

Recently the Government of British Columbia conducted an inquiry into the WorkSafeBC regulatory investigation of the 2012 Babine mill fire. The Babine mill fire report was followed by the WorkSafeBC "Review and Action Plan" which was issued in July 2014. While the recommendations contained within these reports are directed towards WorkSafeBC a number of the recommendations may have an effect on other regulatory compliance and enforcement units. The most notable recommendations for compliance and enforcement units involve the Supreme Court of Canada decisions Ling and Jarvis.

Ling and Jarvis are the two leading cases from the Supreme Court of Canada regarding the admissibility of evidence in a prosecution that had been gathered by the use of legislative powers of compulsion. Both cases arose under the Income Tax Act of Canada. The Canada Customs and Revenue Agency (CCRA) had both audit and investigation divisions. The audit division conducted audits for the purposes of ensuring compliance, while the investigation division was responsible for conducting investigations for the purposes of prosecutions under the *Income Tax Act*. In both Ling and Jarvis, an auditor, while conducting a compliance audit, had compelled answers and records using powers granted under the *Income Tax Act*. At some point during the process, the auditors concluded that an offence might have been committed and referred the files to the investigation division of CCRA. Further investigations were conducted and the defendants charged. In both cases, the defendants argued that the information obtained by the auditors was not admissible in the prosecutions on the grounds that it had been obtained in violation of their charter rights under sections 7 & 8 of the *Charter of Rights and Freedoms*.

The court concluded that there was a difference between audit and investigation activities. They stated that, where the predominant purpose of an inquiry is the determination of penal liability, CCRA officials must relinquish the authority to use their inspection and requirement powers. Officials "cross the Rubicon" or the "bright line"

when the inquiry engages the adversarial relationship between the taxpayer and the state. The court also stated that the factors could have application to other provincial or federal government departments or agencies; however, in applying these factors, the particular structure, function, and organization of the agency must be taken into account¹.

LING AND JARVIS IMPACTS ON GPEB COMPLIANCE UNITS

Powers

While GPEB has a number of units whose mandate includes ensuring compliance of the *Gaming Control Act* (GCA) it is the inspectors and investigators as defined by the *Act* and the General Manager whose powers can result in the need for Ling and Jarvis considerations. Audit, inspections and investigation authorities within the *Gaming Control Act* are found within Part 9 – Compliance.

GPEB inspectors may conduct inspections and audits for the purposes of; (a) assessing licences, grants under Part 6 of the *Act*, or registration; (b) monitoring compliance of licensees, eligible organizations and registrants with the *Act*; and, (c) monitoring compliance of the lottery corporation with the *Act* and regulations.

Inspection and audit powers found within s. 79 *GCA* allow the inspector to enter and inspect or audit various types of gaming facilities and ancillary operations. Further, the inspector is authorized to make inquiries and require the production of records or things for the purpose of inspecting or auditing. The inspector may remove these records or things. The person in custody of the records or things is obligated to produce all the records or things that the inspector requires.

The investigative authority of the GPEB investigators found within the *Act* is simply the enforcement of the *Act*. Currently GPEB investigators also hold the appointment of Special Provincial Constable pursuant to the *Police Act*. The GPEB Special Provincial Constable appointment provides authority for the appointee to enforce the *Criminal Code of Canada* and Provincial Statutes of British Columbia to the extent necessary.

In conducting *GCA* investigations, Investigators' powers and duties are the same as the inspector as per s. 79 *GCA*.

Section 86 *GCA* also provides authority to the general manager (GPEB) to obtain information, records or things on demand for the purposes of an investigation or an investigative audit from the lottery corporation, a registrant, a licensee and an eligible organization.

It is the use of information, records or things which have been obtained by way of demand that becomes the challenge when a GPEB inquiry or investigation moves into an investigation whose purpose is to seek prosecution under the *GCA*.

¹ WorkSafeBC Review and Action Plan page 42 & 43

In reviewing available literature exploring the Ling and Jarvis decision in the context of regulatory investigations, most of the analysis has been done within the Ontario Securities context. In their paper titled, “Regulatory Investigations: Applying Jarvis in the Securities Context” Glen Jennings and Catherine Weiler explore factors that are relevant when determining whether the purpose of an inquiry has become penal liability. Of notable interest to the GPEB review is the analysis of “challenges for applying Jarvis from the perspective of Enforcement Staff [which] are: (1) the fact that the same conduct may give rise to administrative and quasi-criminal penalties; and (2) the fact that [like GPEB] in securities Enforcement Divisions, regulatory officials often work both sides of the Rubicon.” The document then provides suggested protocols in the case of single team and parallel team investigations.

Within the WorkSafeBC context investigators obtained evidence that would support the laying of charges under their legislation utilizing information/evidence which had been obtained by way of demand. While the use of this information was questioned, it was the lack of use of search warrants and the affording of rights to individuals in jeopardy once the investigators had reasonable grounds to believe that an offence under their legislation may have been committed.

Any recommendations for change to GPEB’s current compliance and enforcement organizational structure and operating procedures will need to be examined in the light of the Ling and Jarvis decision. The organizational structure options that follow the next section of the report have been designed for the ADM’s consideration having ensured they meet the Ling and Jarvis test.

The next section of the report identifies all of the key issues emerging from the GPEB Review. These issues and their corresponding recommendations support a decision to restructure GPEB to more effectively address the issues and recommendations.

PHASE III: KEY ISSUES AND RECOMMENDATIONS

The matrix below lists the key issues and themes emerging from the GPEB Review into one of 4 categories. The Performance Matrix is part of the Performance Improvement Model (see Appendix K) which provides a systematic process for identifying issues resulting from a gap between the current state of an organization and its desired future state. Through the review, 20 main themes and issues were identified, and are categorized into four areas:

- maintain
- improve
- establish
- extinguish

The maintain quadrant identifies key themes emerging from the review that are not deemed as “issues” or significant concerns for GPEB. It is recommended that GPEB continue providing these programs and services at their current level as much as possible.

The improve quadrant identifies those programs, services and/or issues that currently exist within GPEB, but require enhancing in the area of quality of delivery, quantity, timeliness or costs.

The establish quadrant identifies issues for GPEB where nothing is being done, and actions or strategies need to be put in place.

The extinguish quadrant identifies those issues that GPEB must stop.

<p style="text-align: center;">Maintain performance</p> <ol style="list-style-type: none"> 1. Responsible and Program Gambling program 2. Personnel Registration program 3. Certification program 4. Regionalized service delivery structure 5. Horse Racing program 	<p style="text-align: center;">Establish performance</p> <ol style="list-style-type: none"> 16. Operationalize Enterprise Risk Management and Quality Assurance within divisions 17. Clarity of Community Gaming Grants program roles between GPEB and CSCD 18. ADM’s Office resources 19. <i>Gaming Control Act</i> and Regulations review 20. Modernization of organization name
<p style="text-align: center;">Improve performance</p> <ol style="list-style-type: none"> 6. Strategic policy competence and capacity 7. Quality of work, competence of staff, leadership capacity, and relationship with BCLC at Investigations and Regional Operations Division 8. Decrease adversity and manage political relationships throughout GPEB (BCLC, Ministry of Finance, MLAs) 9. Resourcing for public facing and administrative support services 10. Technology systems 11. Corporate registration program 12. Audit and Compliance Division leadership, staff competence, and relationship with BCLC 	<p style="text-align: center;">Extinguish performance</p> <ol style="list-style-type: none"> 13. Focus on lottery compliance 14. Paid parking and mileage 15. Working group structure for key strategic priorities and risks

Each of these themes, along with their recommended actions, is explored in more detail within the next four sections of the report.

MAINTAIN PERFORMANCE

In the Performance Matrix, the first quadrant lists areas that need to continue in their current state with no changes. These are the main themes that are currently working well, and it is recommended that they remain intact in the future state of GPEB. Unlike the other three quadrants of the matrix, the items listed below are not categorized as “issues,” but instead are activities or programs that through the review have consistently come up as the strengths of the organization. Keeping these intact will help provide some continuity and a foundation for the organization as it undergoes change resulting from the review.

1-RESPONSIBLE AND PROGRAM GAMBLING (RPG) PROGRAM

The information gathered from all sources within GPEB and with BCLC executives (noted in previous sections of this report) consistently highlighted the RPG Program’s effective administration and leadership. The Provincial Health Officer’s report on the program has provided a recent analysis on the state of the program, and GPEB’s response to the recommendations is still underway. The RPG program is taking appropriate measures to implement the recommendations and is working innovatively within the budget constraints of the program to ensure that the needs of various high-risk communities are being met. The relationship between BCLC and this division of GPEB in co-managing the GameSense program is also working well, largely due to the fact that the Director has created effective relationships with key BCLC executives and has demonstrated a strategic and collaborative approach to responsible gambling program delivery. While BCLC has expressed an interest in managing the GameSense program in its entirety, it is not a feasible consideration at this time and is outside the scope of the GPEB Review. This is because the Crown Corporation’s mandate of revenue generation inherently conflicts with a prevention program aimed at restricting gambling for at-risk citizens. It is in the best interests of citizens to have GPEB continue its joint accountability in supporting GameSense. Also, executive leadership within the ministry is not in a position to approve the permanent transfer of funding for the GameSense Advisor positions (which continues to be sourced from GPEB).

Recommendation

It is recommended the strategic direction of the RPG Program be maintained to continue provision of services to citizens in both proactive (i.e. responsible gambling) and clinical (i.e. problem gambling) programs. The direct reporting relationship to the ADM of GPEB escalates the profile of the program to an appropriate level where the social impacts of gambling need to be in order for RPG to effect real change in the province. Effective partnering with BCLC in the area of social responsibility (i.e. the GameSense program) should continue. While there are some

administrative aspects of the program management that require change (such as the need for an effective information system to record and report out on program performance and executive support for program education and awareness campaigns) the overall program is operating as effectively as it ever has been in its history with the branch.

2-PERSONNEL REGISTRATION

The registration of gaming workers for the province is often referred to as the “gatekeeper” function that is the critical first step in ensuring gambling integrity in BC. While the actions carried out in personnel registration are largely administrative and repetitive, without it the risk of introducing organized crime into legalized gambling activities is high. The current state sessions and information gathered from BCLC and internal GPEB staff consistently highlighted the importance of maintaining this program and, if anything, increasing administrative resources to this area in order to approve gaming workers and issue gaming worker tags.

Recommendation

It is recommended that this program continue; the executive leadership has developed a highly effective working relationship with BCLC and the program operates efficiently. There are opportunities for this work unit to undergo a lean exercise in order to seek opportunities for streamlining administrative processes. The Language of Work current state session with the work unit raised a number of purely administrative inefficiencies that merit further examination. Cross-training for administrative positions and adding resources to support the high volume of transactions will be required in the future.

3-CERTIFICATION

Certification, along with Personnel Registration, is one of GPEB’s compliance and enforcement programs that are perceived as an enabler of BCLC’s business. Without the certification of casino equipment, lottery tickets, or software for PlayNow.com, BCLC would not be able to offer the variety of gambling products it currently does to BC citizens. Thus, the relationship between BCLC and GPEB’s Certification unit is naturally helped along. The current incumbent of the Director, Certification position at GPEB has taken this natural advantage and added great value through his specialized knowledge and consistently responsive and fair assessments. This has resulted in a relationship built on trust and respect with BCLC, where BCLC executives’ perception is that the certification process is tough yet fair. This is one area of GPEB where there are great opportunities to demonstrate that the regulator is responsive to the revenue generator’s needs, and that GPEB is a trusted and competent regulator of BCLC’s activities. The only issue with Certification is the fact that this work unit has a large and complex mandate certifying gaming locations as well as the growing online gambling software. The director plus one Investigator form this unit and require additional resources to sustain this level of volume and service.

Recommendation

There are other compliance and enforcement areas of GPEB that do not have a transparent and trusting relationship with BCLC, which is why it is crucial for GPEB to ensure Certification continues to provide excellent service. Certification opens doors for other compliance and enforcement areas of GPEB to begin to build or repair relationships with BCLC. There is currently no succession plan for the Director, Certification which is a critical position for GPEB. Resources in the Certification work unit are low and place the organization at risk should the Director or his one staff leave. Additional resources for this work unit are a priority for GPEB.

4-REGIONALIZED STRUCTURE

The GPEB Review examined the effectiveness and efficiency of GPEB's regional model of service delivery. Currently all divisions are headquartered in Victoria, with the exception of Investigations and Regional Operations Division and Audit and Compliance Division headquartered in Burnaby. Staff in the two Burnaby HQ divisions is also located in Victoria, Prince George and Kelowna. Staff in Prince George and Kelowna spends the most amount of time on the road traveling to conduct audits, inspections and/or investigations into allegations of wrongdoing, and as such their file count is lower than their Burnaby colleagues. Regionalized service delivery models in general present the advantages of being close to clients and therefore building relationships that can lead to more effective outcomes, reduced cost of travel to regions, and building expertise around the region's activities which also supports better outcomes. Generally regionalized structures present the disadvantage of being disconnected from their headquarters and therefore not being as up to date or included, having less "face time" with their supervisors or Executive Director, and having a hyper focus on the region's clientele/service providers which can create biases. However, for GPEB the advantages outweigh the disadvantages. The nature of compliance and enforcement work at GPEB supports staff permanently working in regional areas. Staff at GPEB who work together in regional offices have developed relationships with each other that span divisional 'boundaries' and have created opportunities for collaboration that their counterparts headquartered (yet isolated from each other) in Burnaby have not. Staff in the regions has done a good job at providing a "one window service" to service providers and communities and citizens. The caveat with this level of collaboration is ensuring there are clear boundaries on what staff can and cannot share with each other. Information sharing between auditors and investigators must be done with appropriate safeguards in place. The investigator must gather evidence to support his or her file through appropriate legal channels that will not compromise the ability of the investigations file to proceed to laying charges under the Gaming Control Act or Criminal Code. The section written by Tom Steenvoorden in this report regarding the Ling and Jarvis cases provides detail for this example. Overall, with clear lines of separation articulated between audits and investigations, this risk can be mitigated. The other concern raised through this review about the effectiveness of the regionalized delivery model was that staff in the regions work so independently that they have created their own processes, culture and way of doing things that may have

strayed from the HQ's direction. With very little exposure to the ADM and Executive Team members, regional staff may have developed practices that are inconsistent which may be a detriment to citizens and communities as they come to expect a different level or type of service provided than what is expected by GPEB HQ. This is primarily a performance issue that leadership of the regionalized staff are responsible for managing. This is also a risk that comes with any regionalized model, and GPEB is no exception. With strong leadership in place over regionalized work units that outlines clear expectations and models the desired culture for the region, this can be overcome. The review has not uncovered any finding other than what is typical of the issues and benefits found in a regionalized model.

The government's shift towards Leading Workplace Strategies (LWS) also corporately supports a regionalized structure. The focus is on the work itself, not on where work is conducted or completed. Staff located outside of Victoria or the Lower Mainland should be able to work remotely or in a regional office if their work allows them to be mobile and they meet other performance requirements. The nature of investigations, inspections, and audits lends itself to a high amount of field work, and thus a highly mobile worker located virtually anywhere in the province.

The decision to headquarter the audit and compliance division and the investigations and regional operations Division in the Lower Mainland was also reviewed as part of the GPEB Review. There is a clear disadvantage for the Burnaby-based Executive Director roles reporting to the ADM; the communication is more formal and less frequent than with the Executive Directors located in Victoria. The relationship between the ADM and the Executive Directors headquartered in Burnaby is not as strong and there are two-way trust issues evident. It has been noted that the Executive Directors are creating separate "empires" or running "different ships" than the ADM as they are left to create their own culture in the absence of the rest of GPEB. The distance between the ADM and his direct reports helps create the disadvantage, but cannot be provided as the single reason the relationship is not as effective as it could be. The nature of the work conducted by Burnaby-based divisions also lends itself to some confidentiality and secrecy. The personalities of the Executive Directors also contribute to the lack of trust and communication with the ADM. The quality of the work produced in the units (i.e. what staff are focusing on as well as ignoring) has been questioned by the ADM and adds strain to the relationship. There has been feedback provided by several executives and staff that these roles should be based in Victoria and all Executive Team roles are to be headquartered there. If this were to happen, the advantages would be enjoyed primarily at the executive level, but at the expense of staff that remain in the lower mainland offices who would need to adjust to having no Executive Director-level presence. This would essentially push the existing problem to the next layer down in GPEB's organization. Centralizing all Executive Director positions is a decision that is contingent on a number of factors that extend beyond geographical location.

Recommendation

It is recommended that GPEB maintain a presence in regions across BC. Tom Steenvoorden's independent report on the compliance areas of GPEB also strongly supports the maintenance of a regional structure. Currently the audit and investigative roles are regionalized, but there are opportunities to expand the regionalized structure to other GPEB roles that can be deemed externally mobile. The amount of field work required of auditors and investigators is high (these roles spend a lot of time outside their permanent office), and the costs would rise significantly if all roles were to be centralized in Victoria and/or the Lower Mainland. It is recommended to defer the decision on centralizing all Executive Director positions to Victoria until the finalized GPEB organizational structure is determined. One of the new structure options involves consolidating existing Burnaby-based divisions with Victoria divisions, which would resolve the issue automatically, or may present other options in how to geographically manage leadership and staff positions.

5-HORSE RACING

The BC Horse Racing Industry Management Committee agreed that Horse Racing in BC will continue until 2016 with fewer race dates each year. The ADM is not involved in the Industry Management Committee and does not have an influential role in determining the future direction and duration of racing in BC. External conditions outside of GPEB's control are driving horse racing, and GPEB has already taken several measures this year to align itself with an industry that is in decline. The division is currently lean in structure and works efficiently to ensure that all stakeholders comply with the rules of horse racing. This is one of the most unique areas of GPEB, where highly specialized knowledge is required to steward and judge the races. This includes a specialized skill set of the Director, Horse Racing position, who often is required to step in and judge or steward races depending on staff availability.

Recommendation

It is recommended that the functions carried out by GPEB's Racing Division continue with minimal or no changes, as staff are currently streamlined and innovatively delivering core responsibilities. If the industry continues and internal staff can no longer carry out this function, an outsourcing/contracting model will need to be explored. It is not recommended to replace any vacancies with permanent, full-time staff in this work unit given the industry will dictate the declining number of race dates over the next few years. The Director, Horse Racing currently reports to the ADM. This is not a necessity; Racing is primarily a technical compliance operation that could be encompassed within another compliance and enforcement-oriented division.

IMPROVE PERFORMANCE

This quadrant of the Performance Matrix addresses programs and practices that currently exist, but not in an optimal state. The issues listed below have been identified through the GPEB Review’s current state phase, and require improvement.

6-ENHANCE STRATEGIC POLICY COMPETENCE AND CAPACITY

One of the main themes arising from the GPEB Executive Team’s future state planning sessions and BCLC executive interviews was the lack of policy capacity that currently exists at GPEB. Policy includes the regulatory framework for gambling in BC (including legislation, regulations, policies, roles and responsibilities, issues management, briefings and papers, and formal advice). It encompasses both strategic policy (the proactive research and identification of emerging gambling policy issues and corporate-wide policy) and operational policy (day to day issues and divisional-level policy). Capacity means different things at GPEB than it does to BCLC. The phrase, “increase policy capacity,” at GPEB was focused around the idea that it’s a resource capacity issue and that the volume of demand for policy work exceeded the number of resources available. At GPEB, it meant, “increase positions in the Corporate Services Division policy unit.” At BCLC, it meant, “increase competence in the Corporate Services Division policy unit.” In BCLC’s experience, the information they provided to policy staff at GPEB to support Minister briefings or other policy needs was often misconstrued or incorrect in the final document. There is a fear at BCLC that staff at GPEB do not understand the gambling business at a level of depth required to be proficient in developing regulatory policy. As BCLC forges ahead in its pursuit of new revenue streams, such as novelty betting and other PlayNow.com opportunities, it is clear that GPEB is behind in its understanding of the industry as well as the policy implications. There have been some instances where the ADM, GPEB has been placed ‘on the spot’ when asked for his opinion on emerging policy issues.

Recommendation

If GPEB is to be successful in proactively identifying and then managing policy issues, it needs to invest in building policy competence in its existing staff, and consider dedicating resources to additional positions in the corporate policy work unit focused on strategic foresight and research. It is also recommended that GPEB look for opportunities to embed issues identification and management within the divisions, using divisional level support to manage policy. This is where information regarding a potential issue is typically gathered first. As policy staff usually is not in the field experiencing issues as they arise, they are not the first to know, and this creates a delay in managing the issues by nature of the structure of how policy is managed at GPEB. This recommendation does not necessarily mean creating dedicated policy resources within each division, but rather developing a culture and formalized system of information sharing, and a staff competency of strategic orientation to understand how emerging issues can become corporate or strategic policy priorities.

7- INVESTIGATIONS LEADERSHIP, PRIORITIES, QUALITY OF FILES AND STAFF COMPETENCE

One of the most concerning findings in the GPEB Review was the undertakings of the Investigations and Regional Operations Division. Interviews with GPEB staff, the Executive Director of Investigations and Regional Operations, and BCLC executives raise several concerns around the leadership, current priorities and actions, quality of work, and staff competence. A deeply rooted culture exists within the division that drives many of the actions of staff and leadership. As all staff with the exception of administrative support are from various police jurisdictions across the country, the division's programs and services are carried out in a near-identical manner to a police department or detachment. The Executive Director and Senior Director of the division are central to the culture that exists within the division that spans geographical offices. Respect for authority and positional rank is central to the culture; staff do not voice opinions or ideas that are contrary to those of the Senior Director or Executive Director. While the performance of individuals was not within the scope of the GPEB Review, the Review has raised significant concern over the two senior employees and their ability to effectively lead an important function within the branch.

Current priorities for the division are developed based on traditional investigative practices that are becoming outdated, especially as gambling platforms move to online applications. It is questionable as to whether the division is dedicating too much of its time and resources pursuing low risk files when considering GPEB's overall mandate of ensuring gambling integrity in the province. A possible reason for a focus on lower level criminal matters dates back to the creation and operation of IIGET (a joint division and RCMP team) during which time

Solicitor-client privilege

Currently, one of the main areas of focus for Investigations is addressing the high percentage of sales of lottery tickets to minors. At the same time, a number of fraud complaints received by BCLC through its PlayNow.com platform were sent to Investigations, which opened and closed a file on each allegation before an investigation was conducted.

The skill sets and experience of staff within the division, including leadership, are in investigating traditional allegations of wrongdoing (such as theft of physical property). Staff in the division raised the issue of a lack of corporate support and resources for training and development in the area of eGaming; however, they have declined BCLC's offer to provide full day sessions exclusively to investigations staff on PlayNow.com's platform and illegal gambling sites. BCLC executives provided the example of one investigative file for fraud through PlayNow.com where the Report to Crown Counsel (RTCC) took 18 months to be developed, and was of such poor quality, Crown asked BCLC's investigative work unit to re-write it. In this case, BCLC had paid out over \$100,000 in winnings to an identity thief but was not listed as a victim in the original RTCC. Throughout the 18 months BCLC was advised not to pursue this from their end, as GPEB was managing the file, and had an understanding that GPEB was pursuing charges on their behalf. GPEB Investigators provided a court date to BCLC and several staff attended;

when they arrived the defendant was not in court and they learned from the New Westminster Police Department (NWPD) that charges had never been laid by GPEB; the charges GPEB Investigations had advised them were being recommended turned out to be the NWPD's charges through their own Criminal Code investigation into identity theft which was separate from GPEB's investigation into PlayNow.com fraud. It appears that in GPEB's 2012-13 Annual Report, Investigations had included these NWPD charges in GPEB's data. In another fraud investigation, a GPEB Investigator opened the file upon receiving BCLC's report of credit card fraud, and waited over 30 days to begin the investigation, which exceeded the maximum number of days a financial institution provides for reporting credit card charges that are fraudulent and the file was subsequently closed with no further action.

Recommendation

Information gathered from GPEB Investigators as well as BCLC revealed a relationship so adversarial it has resulted in dysfunction in several layers within the division and BCLC. There are several work units in GPEB that also have weak alliances and relationships with BCLC (note: more detail is provided on stakeholder relationships section below); however, none present the same level of risk to GPEB as this one. The allegations made by BCLC executives in the areas of misreporting investigations data in the annual report and investigations mishandled to the point where charges could not be laid are very serious. It is recognized that this information is sourced from one stakeholder, however. It is recommended that GPEB undertake a review of this division's priorities, leadership practices, quality of files, and organizational culture to confirm the allegations. The supplementary report, by Tom Steenvoorden, provides a background and rationale that further supports this recommendation. A new investigations program is recommended for GPEB, built on evidence generated from a review of the area's current actions. This division is a critical component of GPEB's mandate, and the organization cannot risk its credibility or the integrity of gambling in the province by continuing investigations operations in this manner. One of the outcomes of an investigations review is the messaging it sends to staff, the GPEB and the ADM, GPEB are interested in developing an accountable and transparent organization.

8 – ENHANCE RELATIONSHIPS WITH KEY STAKEHOLDERS

Key stakeholders include BCLC executives and staff, MLAs (with respect to the Grants program), and the Ministry of Finance (specifically, the Associate Deputy Minister and the executives within Corporate Services Division). The GPEB executive team identified building relationships as a key business priority going forward, and this has been included in GPEB's new business plan as an element of GPEB's core, ongoing business. Information gained from Ministry of Finance Corporate Services Division (CSD) executives and BCLC executives confirms this is one of the key issues for GPEB at the time of this Review.

One of the drivers for enhancing relationships with BCLC at this time is the acknowledged adversity between Investigations and BCLC's security and compliance program, described in the section above. Adversity also exists between Audit and Compliance Division and BCLC, as noted in this report as well as the supplementary report by Tom Steenvoorden. It was also noted that the relationship between BCLC's Vice President, Social Responsibility and Communications and GPEB's Executive Director, Corporate Services, is dysfunctional to the point where both executives delegate policy and communications issues to their respective staff so that contact between them is minimized. There is no single incident to prompt the decline of the relationship; it is the culmination of the following:

- meetings between executives where an unwillingness to build consensus was intentionally or inadvertently communicated,
- unclear roles and responsibilities between the two organizations (i.e. duplication of effort and 'scope creep'),
- personalities of the executives, and
- the inherent conflict that exists between the regulator and the crown corporation by nature of the two mandates.

While GPEB cannot control this last factor, it can influence and proactively engage BCLC on the other three. Trust not only does not exist between BCLC and GPEB's Audit and Compliance, Investigations, and the Corporate Services Divisions—it has been broken. Operating in a broken trust environment has resulted in unsatisfactory handling of investigations files (as described in the previous section), duplication of work (such as BCLC investigators re-writing RTCCs drafted by GPEB investigators, or auditors at BCLC, KPMG and GPEB conducting the same audit), and withholding of information due to suspicion over the reason for it being requested. Strong resentment and disregard for professional competence and integrity exists between BCLC and GPEB in all of these divisions. Overall, this results in an increase in time spent on regulatory and policy issues, and this time could be used much more productively. If the relationship continues with no change, GPEB will always be reactive in its policy and issues management, and will continue to stale date as a regulator in a dynamic industry. The entire system of how gambling is regulated in the province could be made more efficient with a focus on mending the broken relationship with BCLC.

The relationship between the Ministry of Finance executive and GPEB is also an issue. The Deputy Minister's Office (DMO) and Office of the Associate Deputy Minister need to be key relationship priorities for GPEB, yet currently what appears to exist is minimal communication, support, and service. Several examples were provided by Ministry of Finance representatives as part of this review highlighting occasions where GPEB staff demonstrated an unwillingness to support the ministry's corporate or political priorities. For example, two weeks after being provided with an Estimates revisions deadline from the DMO, a Director in GPEB's Corporate Services Division informed the DMO that GPEB could not meet the deadline as staff would not have had time to brief the ADM of

GPEB prior to this deadline. The relationship is strained between the ministry and GPEB, and is likely due in part to GPEB's history with so many ministries in the past five years. It is also partly due to the condoning of resistance to the ministry from senior positions within GPEB; staff see their leadership's actions and sentiments and that behaviour is being modelled (perhaps unintentionally) to other levels in the organization. The default currently at GPEB is to push back and resist requests from Finance's corporate services or executive offices (not always through explicit actions, sometimes internally only), or produce the minimum level of participation required to be compliant. These types of experiences with GPEB send the ministry messages that GPEB is not interested in corporate priorities outside of its own, and lacks an understanding of the strategic importance and context of some of the requests. There is potential to ally with the ministry and take advantage of the skills, expertise, and availability of resources; currently this is a missed opportunity.

The relationship with politicians and GPEB's Grants program was another area of concern. MLAs often contact the Executive Director, Licensing and Grants to exert influence over some outcomes of the grants approval process. The program-related risk to this is described in another section of this report; this section focuses primarily on the relationship aspects with MLAs and grants. Currently the Executive Director is the only position within GPEB that manages this delicate relationship; while it is not generating media, ministry, or political attention, there is a high risk that this has been built around one GPEB employee, and that MLA's expectations of the grants process and outcomes are unrealistic and not sustainable in future.

Recommendation

It is recommended that GPEB develop a strategy dedicated to repairing the broken trust and ending the dysfunction that exists in its relationship with BCLC. The strategy should also include performance expectations and measures for each GPEB Executive Team member to ensure accountability is in each division. Once an approach has been developed, it is recommended GPEB proactively address its interest in building effective relationships with BCLC. The relationship is so central to GPEB's success that it is recommended this action item be placed as one of GPEB's immediate priorities.

To improve the relationship with the Ministry of Finance, it is recommended the ADM of GPEB establish clear expectations and communicate them to all staff on the importance of working effectively with the ministry to support corporate initiatives and outcomes. Executives within GPEB need to model professionalism and demonstrate the need to invest in stronger relationships with Finance. While this would benefit the entire organization, it is the Corporate Services Division of GPEB in particular that needs to be provided with performance expectations in this area.

With regards to the relationship with MLAs through the grants program, it is recommended that GPEB continue to utilize the specialized skillset of the current Executive Director, Licensing and Grants in managing the relationship

in the immediate term. It will be a priority for GPEB to develop a sustainable, long term grants program strategy that includes a transition plan to CSCD for MLA relationship maintenance. This recommendation is in conjunction with issue 17 (increasing clarity for the grants program between GPEB and CSCD).

9 – ADMINISTRATIVE SUPPORT CONSOLIDATION AND STREAMLINING

Within several GPEB current state sessions with staff, the issue of administrative support capacity was raised. The stress levels of administrative staff at GPEB have reached critical levels in some areas, and the general sentiment is that staff are drowning in volume of work. The staff in Registration and Certification Division, Licensing and Grants Division, and Corporate Services Division are of particular concern. Engagement of administrative support staff is suffering, with comments from all divisions such as, “I work every day of my vacation for fear of what is waiting for me when I return,” and, “I have never seen this amount of volume and worked this hard in any other job in my career.” The Review has revealed several contributing factors to administrative support resource concerns:

- The current hiring environment within the BC Public Service where administrative support positions are rarely brought forward to the ministry’s ADM Hiring Committee as critical.
- The specialized structure of the administrative support roles: the roles are dedicated to a single executive or function within a division. The pros of this are that specialists have in-depth knowledge and can typically then provide more comprehensive and expedient responses to the public/GPEB staff/stakeholders. The cons are that there are no contingency plans for a position if the incumbent is away or leaves. Cover-off is not the same level of service and support. Therefore, a backlog is created and service times, which are critical for items such as issuing gaming worker tags or processing a license application, are not met. Staff are often disengaged more quickly as their work lacks variety and it is difficult to find added support during peak volume times
- individual performance: many administrative staff within GPEB have been with the organization since its previous iterations and are extremely loyal, despite their high stress and workload. To borrow Work Environment Survey terminology, they are unhappily engaged. They continue to dedicate themselves to GPEB and make choices to voluntarily work overtime or during vacation or sick leave.
- regulated or committed timeframes for administrative services to be completed: the licensing work unit has a 3-day turnaround time for issuing most licenses. This timeframe was developed years ago when there was 1/3 the number of license applications received by the branch. The gaming grant application deadlines are staggered throughout the year for various charitable sectors, but the majority of applications are received in the last 2 days preceding the charity’s respective deadline. This causes system crashes, lost applications, increased switchboard activity and foot traffic, which eventually leads to a six week backlog of administrative work. The issuance of gaming worker tags and lottery registration

certificates is a critical enabler of BCLC's and service providers' business, and the volume of work required to efficiently register individuals and retailers is very high year-round. The finance and administration coordination services provided by two staff within the Corporate Services Division is also at a critical level; the CFFS Branch within Finance's Corporate Services Division is currently providing resources to support GPEB's financial administration requirements, which is not a sustainable long term strategy.

Recommendation

There is an opportunity to redesign and integrate administrative roles together, moving towards a generalist administrative support model. Positions would be expected to support more than one program area or "division." Staff would be trained in all aspects of their division's program areas, such as licensing, grants, and registration. This would allow management to direct resources on one project or program area during a time of critical volume, and then move those same resources to another priority area at a later time. It is recommended that GPEB expand administrative support roles, update job profiles, and develop a training and development strategy for administrative staff. It is also recommended that GPEB invest in developing and facilitating a forum for all administrative support across GPEB to come together and discuss common issues, and solutions to working together effectively across the organization.

10 – ENHANCE GOS AND TECHNOLOGY SYSTEMS

In their respective work unit's current state session staff raised concerns regarding the capability of the Gaming Online System (GOS) in every division where GOS is used. In those divisions where GOS is not used (Responsible and Problem Gambling and Audit and Compliance), the lack of an appropriate IT system that meets the program's records, file management, and reporting needs was raised. In general, GPEB has an IT system crisis that has been mounting since GOS' inception. In the Licensing and Grants Division, workarounds have been developed in the application approval processes for both grants and licensing to accommodate GOS' shortcomings. GOS crashes and loses grant applications on high volume days (such as application deadline dates), which results in the administrative support team manually inputting broken online applications for six weeks following the deadline for applications. The letters that grants and licensing issue to recipients were intended to be automatically generated in GOS but require heavy manual editing as a result of system deficiencies. Several divisions have commented that GOS is not a value added step in their business processes; they are required to maintain records in GOS but this is a duplicated step as they maintain this data in a more efficient manner or system outside of GOS to ensure reliability.

The variety of issues with GOS and system capability is broad, however the common frustration is that while solutions have been identified and requested, there appears to be no ability to develop and implement them. The IT unit within Corporate Services Division indicates it has made progress in developing a base code for GOS that

now allows them to make some changes to enhance the system experience and capability for some of GPEB division's users; for the first time since contracted vendors built GOS, there is in-house capacity to make changes, some of which were requested over 4 years ago. However, it appears this is not entirely a solution; a Director within the Registration and Certification Division commented recently that new glitches had been discovered when the 4-year-old request went into production using the new baseline code, and has resulted in more issues. Many of the system issues point to a solution that will require capital funding, and Corporate Services maintains that it is a decision the Ministry of Finance has made to place GPEB as a low priority in relation to the other IT priorities the ministry has in its queue. When asked if Michael Carpenter, the CIO of the Ministry of Finance, was aware of these issues, the IT Manager at GPEB responded, "Who is Michael Carpenter?" There appears to be a disconnect between GPEB's IT unit and the ministry's Information Management Branch (IMB). A Director within the Information Management Branch (IMB) in the Ministry of Finance indicated that her staff were able and willing to discuss options for system enhancement projects but was not aware of the GOS issue. She noted that the only way the profile for GOS could be raised within the ministry was to work collaboratively with IMB staff. It is understood that GPEB staff have been developing a proposal for the ministry at this time. If GPEB cannot secure capital funding for GOS enhancements, it may need to consider abandoning GOS and beginning with a new, more sustainable system.

The Responsible and Problem Gambling Program's (RPG's) system needs are also at a crisis level. RPG's former system, REGIS, is no longer used to collect and manage information. The program is currently using an extensive MS Excel spreadsheet to track all program data, including billable hours from contracted staff. The spreadsheet is accessed through an external, password protected website. The risks of maintaining this scope of data and the confidentiality of patient data on a spreadsheet are high. The labour intensity of manually inputting billable hours from up to 60 staff every month into the spreadsheet is also high. It is not a sustainable practice, and the RPG Program has been requesting support to develop a more secure, efficient way to maintain its data. RPG staff are learning to build a SharePoint site by watching YouTube videos to replace the spreadsheet, after having requested the IT unit's support and being denied. The IT unit does not have the time or the knowledge to build a system that is required by RPG. Contracted vendors are required, and there is no funding to outsource the building of this system. The Ministry of Finance's IMB staff have offered to review the request and develop requirements for the project; however, it is unclear which organization (GPEB or Finance) should be supporting the project.

Recommendation

It is well known within GPEB at all levels of the organization that "fixing GOS" is a priority because it does not meet any program area's needs. It is recommended that the information gathered from staff representing all work units that use GOS as part of this Review be used in support of building a strong business case to enhance the system. This is the first time that first-hand information from users in every area of GOS has been collected at one time, and the opportunity to highlight the true consequences of having an ineffective system continue for GPEB could be

the strongest now. It is recommended that the Ministry of Finance's IMB leadership be made aware of the system's issues and needs shortly following this Review. If it will take years to obtain capital funding through the ministry, it is recommended that GPEB invest in the resources required to develop options for the system (i.e. whether a new system is the best long term solution or if GPEB can dedicate resources to upgrading GOS in-house without the ministry's support).

11 – CORPORATE REGISTRATION

BCLC executives highlighted an area of concern that has started since PlayNow.com was launched with GPEB's Corporate Registration (CREG) program. The extensive process to register an organization has become cumbersome for organizations providing software, security or online financial transaction services for BCLC's PlayNow.com website. These organizations often have complex structures and multiple parent companies that need to be assessed as part of the registration process. The very thorough—and often personally intrusive—CREG process involves reviewing personal financial statements of a corporation's officers and senior executives; BCLC has received several complaints from legal counsel for parent company executives on other continents unaware that one of their firms is attempting to do business with BCLC. For BCLC, the concern is that the CREG process is going too far, and it is ultimately impacting its ability to generate revenue. For large, complex organizations, the fee for registering in BC is nominal. For local, homegrown talent, which often presents the most innovative applications for PlayNow.com, the fee is prohibitive. This forces BCLC to work only with larger, international firms, and the concern is that innovation in Canada is being overlooked. The Director, CREG is aware of BCLC's concerns, but the decision to make changes is not within the scope of the GPEB Review as it cannot be made by the ADM, GPEB in isolation.

Recommendation

While the GPEB Review cannot recommend a specific course of action in the area of changing CREG fee structures, it is recommended that GPEB continue to invest in training and development for investigative staff in CREG to ensure their knowledge of technology firms, complex organizational structures, and other industry developments is current. It is also recommended that the ADM, GPEB, obtain research and advocate options for alternative fee schedules in corporate registration, such as multiple registration rate depending on size or other criteria of the organization. Of all the issues stemming from the GPEB Review, CREG is considered low priority.

12 – AUDIT AND COMPLIANCE DIVISION LEADERSHIP, PRIORITIES, AND RELATIONSHIP WITH BCLC

Audit and Compliance Division (ACD) is experiencing issues similar to issue 7 regarding the Investigations and Regional Operations Division, but on a less severe level. It is also recognized that the nature of audits lends itself

towards an adversarial relationship (i.e. audits are invasive exercises) which has contributed to the current state of GPEB's relationship with BCLC auditors. However, it is clear that a dysfunctional relationship and lack of trust pervades both organizations' audit teams. Tom Steenvoorden's report also provides a consistent analysis and recommendation for ACD. (Note: The issues between BCLC and ACD noted below and in Tom Steenvoorden's report primarily relate to the commercial audit work units and exclude the charitable audit team.)

At BCLC, staff do not willingly share information with ACD auditors when it is requested. BCLC executives also acknowledged that their own team has not been forthcoming in sharing information with GPEB and that they could improve this on their end. BCLC's perception of ACD auditors is that they run a stale-dated audit operation focused on identifying minute, low-risk deficiencies that have little or no impact on gambling integrity for the province. Audits are not seen as value added as often they are duplications of BCLC's audit work or their contracted auditors, KPMG. The same organizations that have been found to be compliant for consecutive years in the past (and are therefore deemed as low risk) continue to be audited in the following years, which raises the question of whether ACD has prioritized its audits appropriately and if it is utilizing its resources appropriately. The attitude of ACD auditors when at a casino, BCLC offices, or lottery retailer has also been perceived as overly authoritative and judgemental. The reports produced by auditors on the same organizations are often almost verbatim from the year before; BCLC regards these as a misuse of ACD's resources, while ACD maintains that a verbatim report should demonstrate to a service provider that they continue to have the exact same deficiencies year after year which are not being addressed. BCLC also had a concern regarding the concluding statements and executive summaries accompanying some of ACD's final reports. Some of the conclusions drawn by auditors about BCLC include sweeping statements that do not appear to be founded in any sections of the audit report, and, because they are published, had the potential to impact BCLC's reputation. It is acknowledged that the Executive Director, ACD has demonstrated flexibility in working with BCLC executives to address reputational concerns and quality of audit reports.

There are some staff within ACD that believe the number of deficiencies identified through an audit constitutes quality, and thus the culture of "nitpicking" deficiencies appears to have manifested within the division. A quality audit at ACD is sometimes equated to quantity. In one example provided by an ACD staff member, the Director of the work unit encouraged the auditor to add more deficiencies to the report as it did not appear that the audit had been thorough enough. BCLC provided the statistic that last year, GPEB audits found 55% more deficiencies on average than BCLC's in-house auditors reported on identical audits. Another ACD auditor commented that he believed BCLC's audit department was mandated to sweep concerns under the rug to maintain its reputation, and that it was GPEB's role to expose them. All of these actions at BCLC and GPEB highlight the low level of trust between the organizations. The trust has not been broken (as it has been with the Investigations Division) with BCLC; however, the dysfunctional relationship has resulted in inefficient use of GPEB's resources.

The Review also raised a concern over the style of management within ACD, which has not changed since GPEB's inception. The Review found that the leadership team spoke of a willingness to explore the current risk tolerance levels for audits, seek opportunities to be innovative and "Lean" the division. When pressed for examples of innovation within the division, TA cover-offs and cross-training were provided as examples.

Lastly, the decision to specialize 19 auditors into three teams (charitable, lotteries and casino) has created three mini-divisions within the division, with directors leading each team. Specialization creates challenges such as lack of cover-off and ability to support other auditors when workload or other pressures increase, staff complacency as they become used to the same service providers and clients (which can risk them making assumptions in an audit based on prior relationships or experiences and miss deficiencies), and in general does not help integrate and align the work within the division.

Recommendation

What is clear from interviews with BCLC executives and ACD's leadership team is that a refresh of the audit and compliance function within GPEB is required. Developing a new perspective and strategy on how to collaborate with BCLC and KPMG to ensure a comprehensive audit program for the province is a recommended priority. A strategy is needed to ensure value-added audit and inspections work is conducted between the three audit organizations, and GPEB's role as auditor, inspector, and monitor or the other organizations' audit work. It is recommended that the performance and ability of the current ACD leadership team be reviewed to assess its "fit" within GPEB. The GPEB Review's scope did not cover an assessment of individual employee performance, however, the Review did raise concerns that the management team in place today is not demonstrating competencies needed to innovatively redesign and lead the audit and compliance roles within GPEB in the future.

The charitable audit team within ACD has raised no major concerns as part of the Review. It is not the focus of the recommendations for ACD. However, if a new strategy for conducting audit and compliance work within GPEB is developed, and the principle of generalizing the audit role is included, the charitable auditing program will need to be amalgamated.

EXTINGUISH PERFORMANCE

In this quadrant of the performance matrix, there are activities that are currently performed within GPEB that are recommended to stop. If the areas below are continued, it is unlikely that GPEB will achieve its vision.

13 – DECREASE FOCUS ON LOTTERY COMPLIANCE

The lottery retailer scandal in 2007 which prompted the Ombudsman review and report resulted in GPEB increasing its resources dedicated to regulating lottery activities in the province. The *Gaming Control Act* was

modified to include lottery retailers as a class of registrant, and the lottery registration program began within the Registration and Certification Division. Audit and Compliance Division created a lottery audit program and team to monitor compliance of lottery retailers. Approximately 25% of GPEB's auditors and investigations staff are committed to this aspect of gambling regulation and it calls into question, "is it necessary to continue this level of resourcing? Have the issues found by the Ombudsman been addressed and is compliance an ongoing problem?" The GPEB Review raised several questions from BCLC as well as internal staff on the value-add of registering lottery retailers and having a very robust auditing and inspections program. It is the view of many within both organizations that if the overall mandate of GPEB is to maintain integrity in gambling, a hyper focus on lotteries is not supporting this mandate. There are other priority areas where the resources currently used towards registering and monitoring lottery activities could be reallocated.

The Lottery Registration program must register one employee from each retailer; how this ensures compliance at that retail outlet is questionable. Every three years, a retail outlet must undergo the registration process again and be reissued a certificate. This is highly administrative work where, in the context of gambling integrity for the province, the value-add is in question. Staff also noted that a lot of the volume surrounding the issuing of certificates comes from lottery retailers losing their paper certificate and requesting a replacement, which must be displayed prominently for customers to view. As lottery products sold by retailers are typically \$10 or less, the question is also raised as to whether consumers need assurance via viewing a lottery certificate that they purchased an authentic product. The main restriction to making changes to lottery registration is that the current legislation requires GPEB to register lottery retailers. Until this legislation is changed, GPEB must continue this program in some capacity.

GPEB's Audit and Compliance Division currently includes a lottery audit team dedicated to auditing lottery retailers as well as BCLC. As noted in an earlier section, BCLC and ACD do not have a positive relationship, the lottery audit team included. There is a high level of duplication between GPEB's lottery audits and BCLC's inspections. BCLC's staff inspect and review activities of every lottery retailer every 8 weeks at a minimum. Many of the same items on BCLC's inspection checklist are found on GPEB's audit inspections checklist. It is understood that GPEB's audit function is compliance-focused, whereas the BCLC inspection is primarily focused on the retailer achieving revenue targets. The lottery audit reports from GPEB often contain a high number of deficiencies, with a number of the deficiencies considered by BCLC and some GPEB staff to be trivial (for example, a lottery certificate not displayed prominently, or using the wrong postal code on the envelope addressed to a lottery winner). It is not an effective use of GPEB's resources to be using professional accountants in excluded positions to inspect lottery retailer locations, running sales representatives and cashiers through an extensive questionnaire to test their procedural knowledge. This is essentially administrative-level inspection work. Accountants with professional designations could be used more effectively in other areas of GPEB's compliance programs.

Recommendation

It is recommended that the annual volume of lottery audits GPEB conducts be reduced and limited to the highest risk retailers (i.e. retailers with repeat non-compliance), and that resources be reallocated to generalist auditor and inspector roles. There is an opportunity to amalgamate auditor roles in GPEB to include charitable, casino and lottery into one generalist position. There does not appear to be any rationale for specializing auditors, and a generalist auditor role would be beneficial in the regional offices of GPEB as well, where resources are scarce. The current classification of specialist positions has charitable auditors as included positions and commercial auditors (casino and lottery) as excluded. It is recommended that the generalist role be created and submitted for exclusion. In a previous section on ACD, it was recommended that a strategy for the audit function between GPEB, BCLC and KPMG be developed as collaboratively as possible between all three organizations. If this recommendation is accepted, this review and subsequent audit program strategy will include direction on how lottery retailers will be monitored for compliance.

The Lottery Registration program must continue as the legislation identifies this as a requirement for GPEB. It is recommended that the ADM, GPEB seek ways to continue the program at a minimum level of compliance with the *Act* with the goal of phasing this program out. In the future, when executive support for a legislative review is granted, it is highly recommended that the *Act* be reviewed in this area with the goal of eliminating it.

14 – ELIMINATE PARKING AND MILEAGE EXPENSES

Earlier this year, a review of parking and mileage expenses was conducted throughout GPEB and it was determined that GPEB's practice of providing parking stalls and reimbursing staff for mileage to and from work and home was against Core Policy. It had previously been argued and approved under different ADM leadership that it was necessary for compliance and enforcement staff to conduct field work directly from their homes on most days, thereby having the ability to claim mileage. It was also advocated that Investigators and staff in other divisions may need to use their personal vehicles to attend the scene of an incident immediately from their office location, thereby justifying the cost of a parking stall. The Ministry of Finance's Director, Facilities provided an analysis and information to GPEB staff earlier this year indicating that GPEB's practices and rationale were not supported by Core Policy or the ministry's existing practices for parking stalls and mileage. The Registration and Certification Division and Audit and Compliance Division complied and removed these privileges from their staff. The Investigations Division headquarters in Burnaby has not yet complied. The Executive Director and Senior Director strongly believe they and their staff are entitled to claiming mileage to and from work as investigators stop every morning on their way to the office at their designated casino or client to gather information on events occurring on the evening and night shifts. The practice of being assigned a casino and visiting it every week day on the same shift is questionable in itself. The Director, Facilities, the ADM, GPEB and the Associate Deputy Minister all agree that this is not mandatory, and for this reason mileage should be stopped. It is also agreed that staff rarely need to leave the office in their own vehicles to attend urgent matters, despite this being the rationale provided to the

Director, Facilities and former ADM, GPEB. Thus, the parking stalls are no longer required. The other divisions of GPEB that gave up their parking and mileage privileges months ago are infuriated that the Investigations staff in Burnaby have been continuing this practice, and cite this as another example of inconsistent enforcement of action between divisions, and lack of regard for corporate policy at Investigations Division. It should also be noted that Investigators are assigned casinos to visit on a daily basis but do not visit bingo halls and community gaming centers in the same way. This is only the practice for Burnaby headquarters staff; in the regional offices, Directors and investigators take a generalized approach and are not assigned a casino.

Recommendation

It is recommended that the ADM, GPEB remove the practice of reimbursing staff for mileage to and from work, as well as financing Investigations staff parking immediately. If this is not a consistent practice across the organization, the credibility of the ADM and staff within the Investigations Division will be compromised throughout GPEB.

15 – ELIMINATE A VOLUNTEER WORKING GROUP APPROACH TO MANAGING KEY STRATEGIC RISKS AND PROJECTS, INCLUDING E-GAMING

There are several issues and priorities in GPEB that have been identified as key risks on the ministry's risk register, and key priorities in GPEB's Business Plan. There has been agreement among the Executive Team and staff in all divisions for several years that eGaming is a business priority as well as a high risk for GPEB. There was also a push by the Investigations and Regional Operations Division and others in the organization to elevate the profile and activities in the area of Anti-Money Laundering (AML) (although it is noted that some staff disagree that this is truly a priority for GPEB). AML and eGaming working group committees were struck to develop strategies and actions for GPEB. Representatives from various divisions throughout GPEB came together and were led by the Executive Director, Risk Management and Internal Compliance. To date, the working groups have made some progress on identifying issues and opportunities, but the momentum is lacking. This is primarily due to the nature of a volunteer working group membership, where staff maintain their positions and come together for a limited time each month. Members' commitments to their jobs will typically override the commitment to the working group. The GPEB Executive Team acknowledged that GPEB had not yet landed on a strategy for eGaming or AML, and that in GPEB's future state, there would need to be clarity on how and whether to move forward in this area. There is also the concern that there may be other priorities and risks to which GPEB should be dedicating resources in addition to eGaming and AML.

Recommendation

A working group approach to eGaming or any high priority or risk needs to be phased out. In its place, positions that are accountable for researching and developing strategies, policy, and actions should be created. A complex issue such as eGaming requires a comprehensive, multidisciplinary approach, which the working group provided in principle. However, until full-time resources dedicated to the strategic priority are created, GPEB risks never successfully developing and implementing strategies. It is recommended that a temporary project team of full-time resources reporting directly to the ADM develop and finalize the organization's strategy for eGaming. The same project team structure and approach can be used to address other strategic priorities for the branch. Team members for eGaming may include but are not limited to policy, audit, investigations, and problem gambling staff. The project could be reviewed after one year to determine if an extension would be required.

ESTABLISH PERFORMANCE

This quadrant identifies areas of GPEB where opportunities exist to create new roles, systems, work, and culture that will support the future success of the organization. The recommendations below identify actions that have not previously been considered or taken.

16-OPERATIONALIZE ENTERPRISE RISK MANAGEMENT AND QUALITY ASSURANCE

Centralizing risk management within GPEB occurred in 2007 after a Deloitte report recommended a strategic level position manage internal compliance and risk for GPEB. The GPEB Review found this centralized model to be ineffective. The centralized model creates a disconnect with the operational divisions, which is where risks and issues are typically first identified. The centralized model relies on the Executive Director to receive information second hand from the division about anticipated or real risks, and run these through a corporate risk register (developed by Ministry of Finance as well as a risk assessment developed by GPEB several years ago). The centralized structure for risk management means the Executive Director must seek information from the operational divisions reactively (i.e. after an issue has occurred and a risk has been identified). This adds no value for those on the "front line;" it is perceived as a nuisance to undergo risk assessments and complete risk register activities. As risk management is a constantly moving target, the practice of assessing risk at a corporate level every quarter or annually is ineffective—it's not real-time and therefore not dynamic enough to be of value to GPEB. As a result, the current risk management and internal compliance Executive Director position lacks credibility and support from divisions. Risk management is viewed as a compliance requirement, and has not been integrated into the daily activities and culture of operational divisions.

Recommendation

It is recommended that the identification and management of risk become a part of each GPEB work unit's culture; it is a responsibility of all divisions to incorporate risk management and internal compliance measures into planning and program delivery, and respond real-time to the data. Each member of the Executive Team should be accountable for integration of risk management in the new GPEB organization. While a Strategic Leadership position dedicated to risk management and internal compliance is not required, the value-add for maintaining a centralized, corporate risk management position remains. There is still a need to roll up risk management data and intelligence from the divisions, and liaise with the Ministry of Finance Risk Management Branch and Corporate Services Division in the area of Enterprise Risk Management. This position would not necessarily be dedicated full time to risk management; it can be incorporated as a responsibility in an existing position within the ADM's Office or the Corporate Services Division.

17 – CLARIFY ROLE OF COMMUNITY GAMING GRANTS BETWEEN CSCD AND GPEB

The Community Gaming Grant program has been reviewed prior to the GPEB Review including the 2011 Community Gaming Grant Review appointed by Premier Clark and the Minister of Community, Sport and Cultural Development (CSCD)². GPEB's role is to administer and distribute the grants, which includes assessing eligibility of organizations, grant amounts, and payment to approved applicants. All other aspects of the grant program are the responsibility of CSCD, which includes program policy. The division of responsibilities in the Community Gaming Grant program between GPEB and CSCD has created confusion between both organizations as well as other stakeholders (such as MLAs and applicants). Some of the policy and program management responsibilities of the grants program that should rest with CSCD have been undertaken at GPEB, which contributes to the confusion. In particular, the ability to reconsider denied applications and issue special one-time grants is of concern. The Executive Director of Licensing and Grants, who is responsible for all approved and denied grant applications, currently reviews denied applications at the request of the applicant or their MLA. This reconsideration often results in the development of creative solutions that yield the desired outcome (i.e. funding for the charity) through the Community Gaming Grant or through the issuance of a special one-time grant. Currently there is no legislation or policy to support the reconsideration process or decision by the Executive Director, which presents a major risk for the grants program for CSCD and GPEB. Despite this risk, these reconsiderations continue to be made at GPEB, and are positively reinforced for the Executive Director as she receives recognition from CSCD and MLAs for her unique skill set and ability to diffuse politically sensitive situations.

Recommendation

² Source of 2011 Community Gaming Grant Review information: <https://www.gaming.gov.bc.ca/reports/docs/rpt-gaming-grant-review.pdf>

It is recommended that CSCD and GPEB continue to meet to develop Community Gaming Grant program role clarity between the two organizations, and develop a roles and responsibilities document that clearly outlines where GPEB's role begins and ends. A strategy for transitioning all non-administrative aspects of this program exclusively to CSCD should also be developed in collaboration with CSCD. It is recommended that this strategy include a transition plan for the Executive Director's knowledge of and critical contribution to the political navigation through the grants program. This is a valued skill set that should not be lost through the role clarity discussions with CSCD. While the Executive Director's role needs to continue in some capacity, it is recommended that this role is not sustainable to be based in GPEB. There is a need to revisit the legislation and policy for the program to ensure that special one-time grants and other reconsideration solutions for denied Community Gaming Grant applications are carried out in a sustainable and legally defensible manner. It is acknowledged that the scope of the GPEB Review is limited in this area, and that a Deputy Minister agreement will need to be in place before a final decision can be made on the permanent future of grants' role at GPEB.

18 – ADM OFFICE RESOURCES

The GPEB Review identified the lack of resources dedicated to supporting the ADM, GPEB and the absence of an ADM's Office (ADMO). Prior to the current ADM joining GPEB, a decision was made to reallocate ADMO positions to other priority areas of GPEB. Currently, the ADM shares an Executive Administrative Assistant with two other Executive Director positions. A Manager, Strategic Initiatives position was filled around the same time the current ADM joined GPEB, with a dual reporting relationship to the ADM and the Executive Director, Corporate Services Division. The Manager position primarily provides support within the Corporate Services Division which leaves the ADM with limited or no executive coordination support. The Manager position is classified as Applied Leadership, which does not provide the level of support required to the ADM to identify and manage strategic issues. The critical function of issues identification and management is generally missing from the ADMO, which does not position the ADM well for making knowledge-based, efficient policy decisions. Where this has been most evident is with BCLC executive meetings where various business development ideas are tabled and the ADM would have benefitted from a briefing from GPEB staff in advance in order to provide an informed response.

Recommendation

It is recommended that an executive coordinator role reporting to the ADM be created (or brought back) to proactively identify emerging issues, manage strategic issues and risk for the ADM, and communicate the ADM's priorities and expectations to the Executive Team and staff. The role would also serve as a liaison with the Ministry of Finance, BCLC, and other key stakeholders. While the classification of the position cannot be confirmed at this time, it is recommended that a Business Leadership level be targeted to ensure the complexity and scope of the work required to support the ADM on strategic policy, research, and issues management can be successfully

managed in this position. It is recommended that the ADM also review the Executive Administrative Assistant position and confirm whether a shared resource with other executives within GPEB is sustainable in the new GPEB organizational structure. At this time, the Review cannot presuppose outcomes for organizational structure, and for this reason, there are no recommendations that explicitly indicate the need to dedicate an administrative support resource to the ADM.

19 – GAMING CONTROL ACT AND REGULATORY REVIEW

One of the most significant issues raised through the Review by staff, BCLC executives, and GPEB Executive Team is the poor legislative and regulatory framework under which gambling in BC operates. It is a well-known sentiment among almost all in the industry that the *Gaming Control Act* does not meet the needs of the regulator. The organizations that came together to form GPEB brought their respective legislation, regulations, and policy and pasted together an Act without much strategic consideration for the future implications of gambling in the province. It is also a common sentiment heard throughout GPEB that the Act does not provide a modern framework that is flexible and adaptable to the needs of the regulator, BCLC, service providers, and other key stakeholders in the industry. The Act also did not take into consideration the differences in regulating technology-based business such as eGaming and electronic 50/50 fundraising events. In general, the Act is not an enabler of GPEB's mandate; it is inconsistent between its sections, requires GPEB to continue regulatory actions and programs that were once a priority but are now deemed low risk, and is out of date in terms of providing a modern compliance and enforcement direction that supports the desired future state of GPEB. The Act is built in sections based on the current GPEB structure, and if the future organizational design of GPEB includes consolidation of divisions and program areas, there is an additional urgency to revising and updating it.

Recommendation

It is recommended that after a decision has been made on the new organizational structure of GPEB, the ADM and Executive Team build a compelling business case for the Associate Deputy Minister and other key stakeholders, demonstrating the urgent need to conduct a comprehensive legislation and regulatory review. The GPEB Review's scope does not include the recommendation to update the legislation and regulations, as this is a decision that will require support from outside GPEB's organization. However, this is not an acceptable rationale for doing nothing; this issue is of critical, central importance to ensuring GPEB has a successful future.

20 – GPEB NAME CHANGE

The Executive Team of GPEB strongly advocates, as part of the required modernization of the organization and to help it move to its desired future state, to consider a name change from the Gaming Policy and Enforcement

Branch to the Gambling Policy and Enforcement Branch. Gaming and gambling are no longer synonymous. Those within the gambling industry define gaming as the act of playing a game, such as video games, table top games, or role playing games. Gambling is known as the wagering of money on an uncertain event with the primary intent of winning additional money. As the gaming industry grows, there is a distinct difference between the two terms. GPEB staff believe that the first step towards modernizing the organization is in the organization's name. It promotes change and more accurately reflects the industry. It is noted that in all other Canadian jurisdictions, "gaming" is still the terminology that is used in each province's gaming commission or authority. In addition to the gaming versus gambling terms, the use of the word "branch" to describe the organization's level is not consistent with the terminology used in other similarly sized and structured organizational units within the government. "Division" is more appropriate as the scope of GPEB would be more easily recognizable to other work units within the BC Public Service. Consistency in the use of organizational names is important as cross-government research and comparisons are often made to determine averages in compensation, classification, and span of control from an organizational design perspective. Lastly, GPEB's social programs that provide a citizen and community benefit (i.e. Responsible and Problem Gambling program and the grants program) are not reflected in GPEB's current name.

Recommendation

It is recommended that as part of the legislative and regulatory review recommendations found in Issue 19 in the section above, the ADM review GPEB's name and build a rationale for maintaining or changing it. This is not one of the most critical issues at GPEB; it represents a shift towards modernization that has some strategic importance but is not central to this Review. However, given the strong sentiment among staff at GPEB towards the terminology and the interest in updating GPEB's name, it is recommended the ADM provide closure to this issue, providing staff with a response and rationale they find comprehensive and satisfactory.

SUMMARY OF GPEB REVIEW ANALYSIS

The recommendations presented for the ADM's consideration and decision in this section can be accepted in their entirety or individually. Not every issue or theme arising from the Review's analysis is of equal scope, urgency, or importance. To support the recommendations resulting from the GPEB Review, it is recommended that GPEB align its business in a more streamlined and integrated way. The following section outlines two main options for GPEB's future organizational structure plus the option to maintain the status quo; these options complement and are consistent with all of the recommendations provided as part of the Review.

ORGANIZATIONAL STRUCTURE OPTIONS

In designing and selecting a sustainable organizational structure for GPEB, it is recommended that these key principles of organizational design are taken into consideration:

- the driver of the structure is the work required of individuals in the organization, not the performance of individuals
- span of control is maximized. Span of control refers to the scope of accountability within each reporting layer of the organization. Organizations structured with many reporting levels and low supervisor to staff ratios (for example a 1:1 or 1:2 supervisor:staff ratio) indicate a low span of control. Organizations structured with minimal reporting levels and higher supervisor to staff ratios (for example, a 1:4 or greater supervisor:staff ratio) indicate a flatter organization where the freedom to act and accountability of each position is greater. The rationale for increasing span of control in an organization is to empower positions at all levels.
- designing, through the organizational structure, accountability in front line (public facing and administrative support) roles. Further to the span of control comments noted above, it is in the organization's best interests to have a structure that enables staff to make decisions as autonomously as possible. This increases the speed of decision-making and enables GPEB to deliver its core business more effectively.
- maximizing opportunities to create generalist (versus specialist) roles. Specialization in some areas of GPEB is required (such as Certification); however GPEB has defaulted to creating narrow roles in its current structure. For example, within the auditor role, there are lotteries, casinos and charitable auditors. Investigators are assigned one casino or client. Administrative support roles are dedicated to issuing gaming worker tags or inputting licensing and grant applications. It is recommended that GPEB consider the principle of generalist roles in its future structure, which will allow it to be more flexible, adaptable and nimble, and responsive to changing internal and external priorities.

The following factors or constraints should not be the main drivers in designing GPEB's organization:

- costs savings. STOB 50 costs are a condition of the new structure, but the goal of achieving savings by eliminating positions is not the intent of the GPEB Review.
- performance of existing GPEB staff. While the GPEB Review raised concerns regarding the performance of some GPEB employees, the resolution of these issues is through a human resources and performance management strategy, not organizational design.

The options outlined below design the organizational structure to a level that is two reporting relationships away from the ADM (i.e. the director level and executive director levels only). Once a decision on organizational structure and recommendations are accepted, the new GPEB Executive Team will be accountable to the ADM for designing the remaining layers of the organizational structure with support from Strategic Human Resources.

Three options are presented for consideration:

- maintain the status quo of 8 divisions (i.e. make no changes),
- streamline the organization to 3 divisions, or
- streamline the organization to 4 divisions.

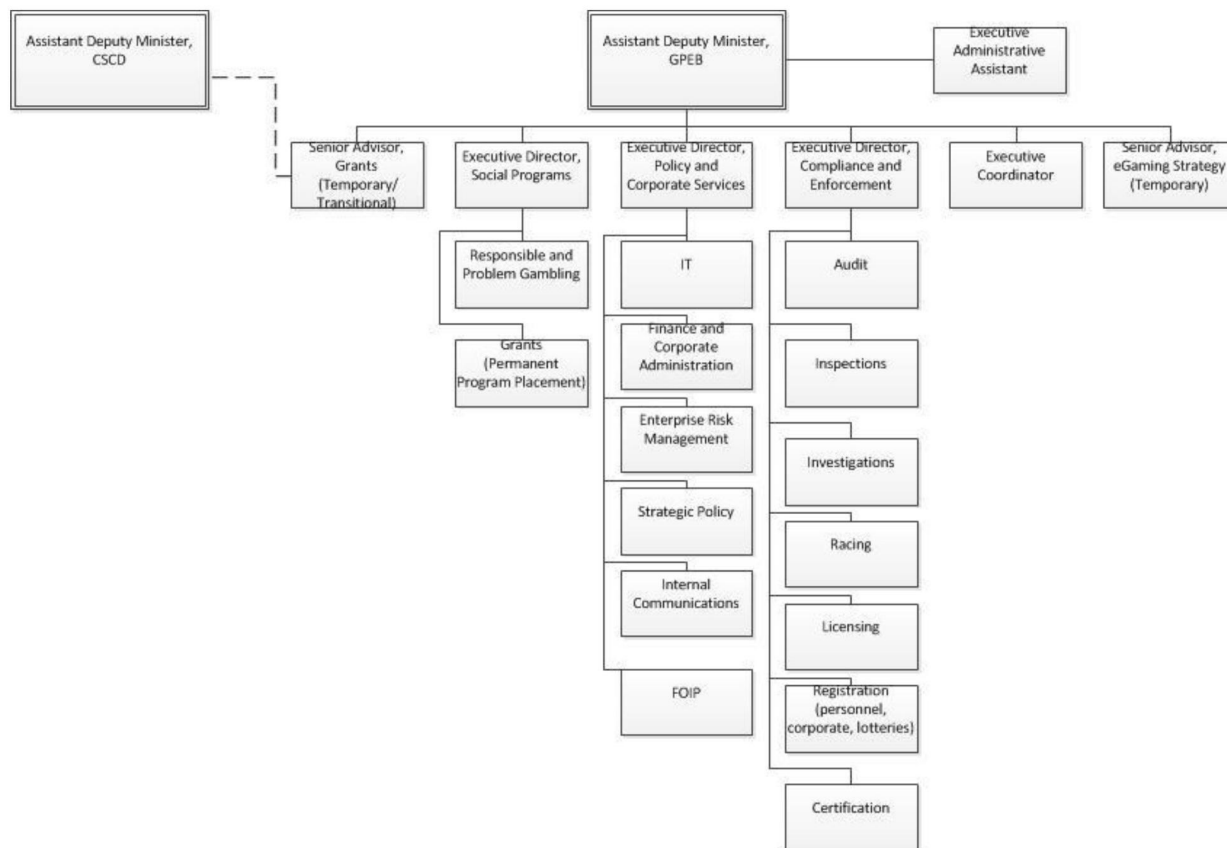
STATUS QUO

The option to maintain status quo and make no changes to GPEB's organizational structure was considered a plausible outcome from the outset of the GPEB Review. There was no assumption that the Review would result in an organizational restructuring; research into the current state and the Executive Team's vision for the future state was required before determining whether GPEB's structure should remain the same or change.

Based on the information gathered from GPEB staff, the Executive Team, and stakeholder interviews, it is clear that making no change to the current GPEB structure is not a viable option. The current design of the organization has programs and services divided into 8 divisions. Before the Review commenced, it was already known that GPEB's business had been narrowly divided. It was also known that the large, 9-member Executive Team (including the ADM) was not cohesive in working towards common objectives and resolving issues.

Maintaining the existing structure would be a welcomed option to some staff that fear the impacts of the GPEB Review and prefer minimal disruption. However, if GPEB is to successfully achieve its new vision and mission, significant structural change is required. Maintaining status quo would equate to the message that GPEB is complacent with its current approach to delivering its mandate despite the feedback received through the Review. Structural change is therefore a necessary outcome of the Review.

OPTION 1: THREE-DIVISION STRUCTURE



Note: For a larger image of this structure, see Appendix L.

A division comprised of three main divisions (Compliance and Enforcement; Responsible and Problem Gambling and Grants; and Policy and Corporate Services) is a viable option for GPEB's future structure. In this structure, all regulatory programs, services, and functions combine to form one division. Program areas within the Compliance and Enforcement Division include horse racing, audit, inspections, investigations, personnel, corporate and lottery registration, certification, and licensing. It should be noted that within the Corporate Registration program, Investigators may have the skill sets and experience to conduct modern compliance investigations that existing Investigators within the current Investigations and Regional Operations Division do not. As such, Investigators with CREG may be able to conduct investigations depending on GPEB's need for resources. The Investigations "box" on the organizational chart above therefore includes a possibility of amalgamating CREG investigators in whole or part to this area. Overall, approximately two-thirds of GPEB's current staff resources would comprise this division.

The Policy and Corporate Services Division primarily continues its current state functions, and has the added emphasis on strategic policy as well as responsibility of enterprise risk management (ERM). As noted in the

recommendations in earlier sections, it is recommended that ERM be maintained centrally, while risk management responsibility at an operational or program level is emphasized within the program divisions.

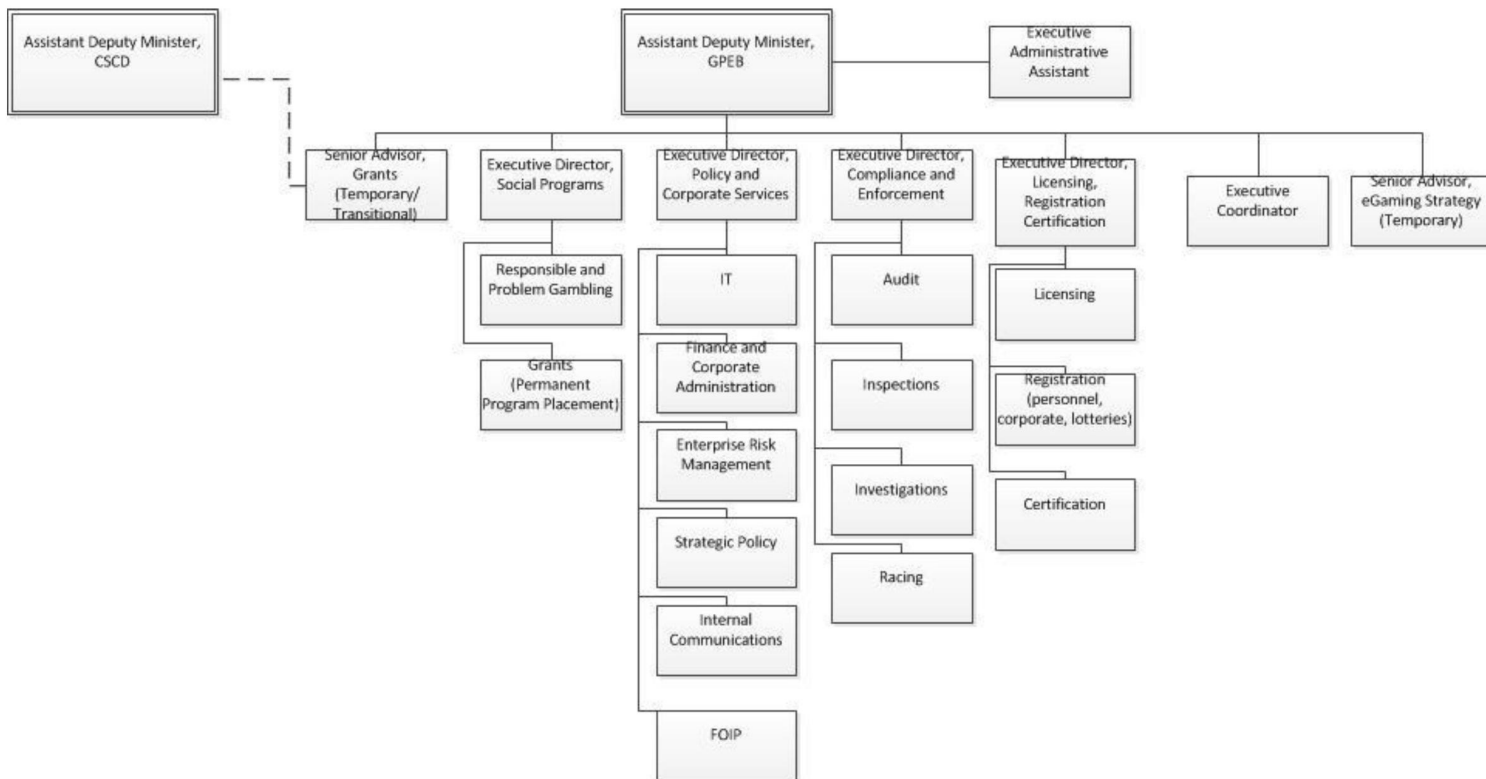
The Responsible and Problem Gambling (RPG) program and the grants administration work unit represent the social services and benefits provided to citizens and community groups as a result of gambling in BC. The grants function does have some unique political and stakeholder management elements to it, and as such, special attention needs to be paid into the transition of this program to another division. For this reason, it is recommended that the ADM retain the senior knowledge and expertise held by the Executive Director, Licensing and Grants in a temporary capacity to ensure appropriate knowledge transfer occurs and that all aspects of the Community Gaming Grant program that should be managed within the Ministry of CSCD are considered. The organizational structure thus includes a Senior Advisor, Grants position that is not intended to remain permanently with GPEB.

A second temporary, senior position has been included in this structure to oversee the development of a comprehensive eGaming strategy for GPEB. The working group model that is currently used by GPEB to address eGaming and other high risk or key priority areas is not recommended, as noted in the analysis and recommendation section earlier in this report. This senior position will be accountable for delivery of an approach to eGaming, leading a project team of professionals representing various areas of the organization for a one to two year time period. At that time it is recommended the position and the project team's future be assessed. As eGaming is a high priority for GPEB, the senior position is recommended to report directly to the ADM.

To ensure GPEB's emerging issues, priorities, and risks are managed effectively and to support the ADM's needs for issues management and coordination, it is recommended that an Executive Coordinator position be created, reporting exclusively to the ADM.

The benefits of a three-division organizational structure are that it provides the much-needed alignment for compliance and enforcement functions in the branch. The Ling and Jarvis legal considerations can be accommodated in this structure as the Executive Director serves as the "Gatekeeper" between auditing/inspections work and investigations. The structure streamlines the Executive Team and ensures tighter, more cohesive decision-making occurs at a strategic level. It supports the movement away from specialist roles which creates flexibility and adaptability within positions. One of the main disadvantages of this model is the risk of having designed a role for the Executive Director, Compliance and Enforcement that is too large and complex to be effective. The other major disadvantage is the significant impact this change will have on staff at all levels of the organization. Risks include staff turnover, and low productivity through a lengthy transition phase. Staff buy-in and engagement throughout the change will be a key focus for the ADM and the new Executive Team if this structure is selected and implemented.

OPTION 2: FOUR- DIVISION STRUCTURE



Note: For a larger image of this structure, see Appendix L.

A structure comprised of four permanent divisions is also a viable structure for GPEB. In this model, compliance and enforcement is divided into two main divisions: Licensing, Registration, and Certification, and Compliance and Enforcement. The current Registration and Certification Division remains the same with the added Licensing work unit added to its portfolio or programs. The Compliance and Enforcement Division consists of horse racing, audit, inspections, and investigations.

As with Option 1's three-division structure, the recommended program composition within the Policy and Corporate Services Division and the Responsible and Program Gambling and Grants Division is the same. The Senior Advisor temporary roles for eGaming and grants, and the Executive Coordinator role within the ADM's Office are also the same as Option 1. (See the Option 1 section above for details.)

The main advantage of the four division model that divides compliance and enforcement into two divisions is that the accountabilities of the Executive Director roles are designed with a manageable level of deliverables, and therefore more attention can be placed on leading and directing each program area. The audit and investigations programs are still housed within one division; however, the Ling and Jarvis test can be upheld with the Executive Director, Compliance and Enforcement functioning as a Gatekeeper for the two areas. This model presents less

change for some staff within the organization and leaves the Registration and Certification Division almost intact. An executive team comprised of four main Executive Directors plus the ADM provides the foundation for a strong, functional leadership team for GPEB.

The disadvantages of this four-division model are that it represents significant change for several current divisions, most notably Investigations and Regional Operations, Audit and Compliance, and Licensing and Grants. Buy-in and the ability to fully transition to the new organization will be a challenge for the Executive Team. By splitting the compliance and enforcement programs into two divisions, the opportunity to align and integrate is lower. Having Corporate Registration Investigators in one division and the investigations program in another limits the opportunities to generalize the compliance and enforcement roles and pool investigator resources.

CONCLUSION

The GPEB Review concludes with 20 recommendations and options for a new organizational structure to support the recommendations. It is recommended that the proposed four-division structure best serves GPEB's needs. The division of compliance and enforcement programs between two Executive Director roles and two divisions supports a manageable workload, and separates the more process and administrative-intensive regulatory functions from the other compliance and enforcement-oriented roles. A three-division model ensures that all compliance and enforcement programs are under one umbrella and therefore highly aligned and integrated, but may be an unrealistic expectation of an Executive Director to effectively manage that level of diversity of issues (including mending or forging stakeholder relationships that are so critical to GPEB's future success).

APPENDIX

A: PROJECT OVERVIEW

PURPOSE

The question the project will answer is, “How should gambling programs and services be best aligned, integrated and delivered to ensure gaming continues to be conducted responsibly and with integrity for the benefit of British Columbians?”

The purpose of the project is to conduct a program review, scanning the current state of the organization, designing the desired future state, and recommending the most effective infrastructure that enables the organization to achieve the future state.

The collection of current state data, using Langdon’s Language of Work model, will inform what the organization’s current focus is, identify inefficiencies such as overlap and duplication of work, identify opportunities for improvement, and confirm processes that need to be maintained.

The current state analysis will then inform the design of the organization’s desired future state. Developing the future state includes Executive Team strategic planning to confirm GPEB’s vision and desired culture, strategies, objectives, and actions.

The purpose of defining the current and future states of the organization is to be able to recommend the infrastructure and actions required to achieve the future state. The project will be considered complete when the approved outcomes from the review (which may include a revised organizational structure) are implemented.

The review of the organization and its programs will be conducted by a third party. The Strategic Human Resources Branch of the Ministry of Finance will lead the project, with the support of third party technical program expert(s), key stakeholders and a project implementation team.

The project scope does not include an evaluation of the performance of individual employees.

EXPECTED OUTCOMES

Through validating the current state of the organization and its programs, and identifying the future state, the organizational review will result in recommendations for optimal program delivery and implementation. Outcomes for this project include:

- An analysis and record of the “as-is” state of GPEB’s programs, processes, external conditions, outcomes, and structure;

- Development and confirmation of GPEB’s vision, future culture, strategies, business goals, objectives and actions (i.e. the future state);
- A report on the above analysis and recommendations for optimal GPEB program delivery); and
- Implementation of recommended program changes by the end of the 2014 calendar year.

ROLES AND RESPONSIBILITIES

Executive Sponsor (John Mazure, ADM GPEB)

- Approve and oversee project plan
- Communicate updates to executive team, all employees and Associate Deputy Minister
- Ensure necessary resources for program review activities and sessions
- Request participation of senior leaders and managers, experts and others
- Approve recommendations to program changes and organizational structure
- Implement approved structure

Project Manager (Raeleen Siu, Strategic Human Resources Manager with support from Executive Director, Elaine Jones and SHR Managers Christine Smiley and Shelagh McIntyre)

- Develop the project charter and plan
- Implement the activities within approved project plan, including conducting interviews with leaders, group sessions with experts/staff, information gathering sessions/interviews with stakeholders, analysis of information, development of recommendations and project report
- Support the Executive Sponsor and Corporate Communications with content for staff updates

Technical Program Expert(s) (to be confirmed by John)

- Provide third party review and expertise in evaluating and analyzing technical program information
- Work with Project Manager to conduct interviews and participate in information gathering sessions with stakeholders
- Provide advice on best practices and potential options/solutions for achieving business objectives, goals and strategic priorities

Corporate Communications (Donna Selbee, Executive Director)

- Develop communication messages to support the ADM’s communication of the project to GPEB Executive Team and staff.
- Consult with Executive Director, GPEB Corporate Services for input on all staff messages.

GPEB Executive Team

- Champion and support the project to direct reports and GPEB stakeholders
- Be supporting sponsors for implementing changes developed from recommendations

GPEB Staff

- Participate in informational interviews and sessions where required
- Share information and communicate openly and honestly

Key Stakeholders to GPEB (BCLC representatives, Internal Audit and Advisory Services, serviced providers, not-for-profit organizations)

- Provide information to support program review, participate in informational interviews or sessions.

Administrative Support for the Project (Susan Fair, Executive Assistant to the ADM, others?)

- Coordinate project-related meetings for GPEB Executive Team including calendar management and minute-taking
- Coordinate informational interviews and sessions with GPEB staff and external stakeholders (such as BCLC)
- Coordinate travel arrangements, when required

CRITICAL SUCCESS FACTORS

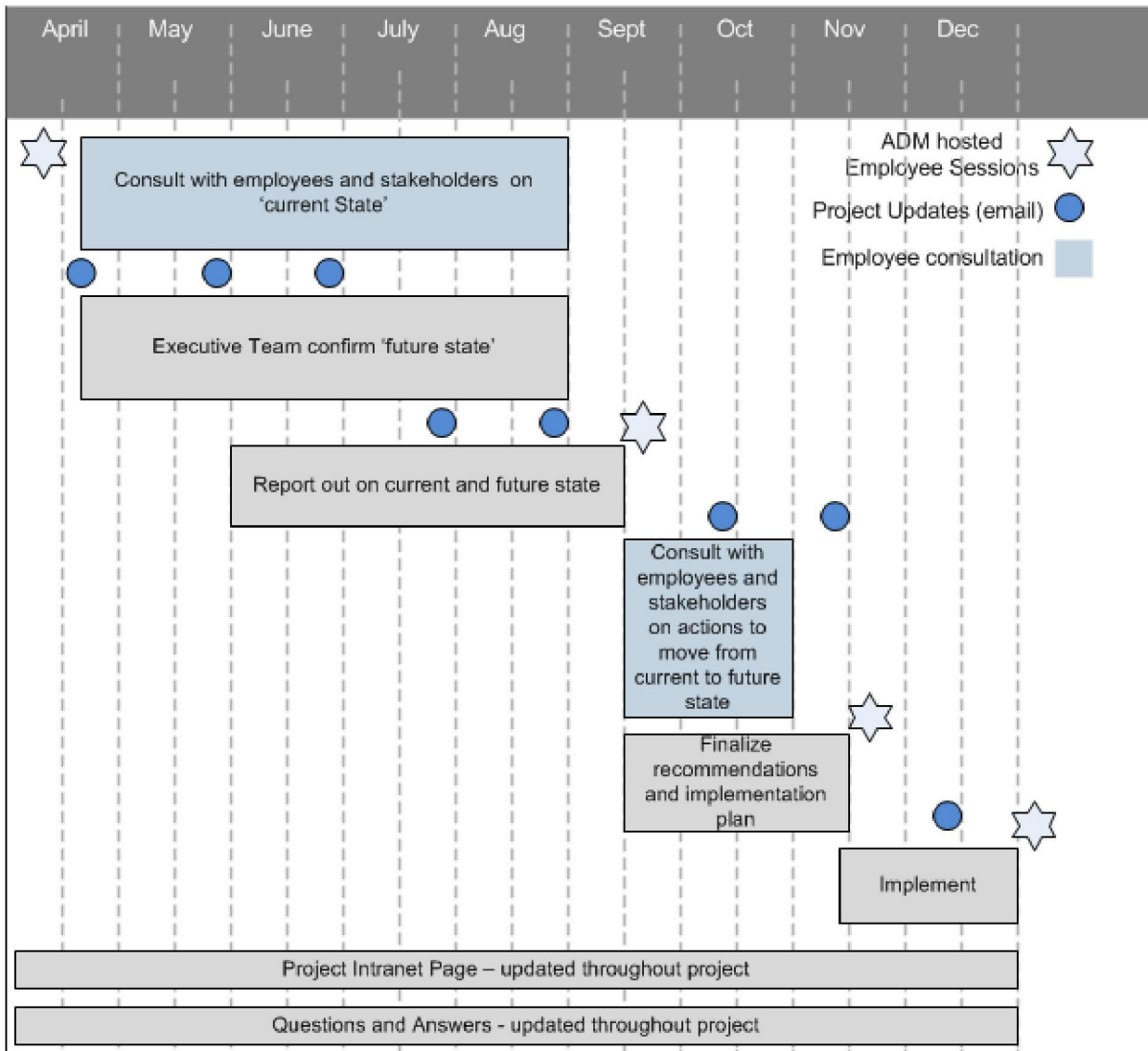
- Associate Deputy Minister's support for the project outcomes
- ADM's frequent and timely communication of project status to executive team and all staff
- Support from Executive Team in championing the need for changes, participating openly in the review and communicating consistent messages to staff
- Third party management of project (i.e. Strategic Human Resources, Communications, and other technical experts) to ensure unbiased results and maintain trust in the review process
- Sense of urgency and project progress from April 2014 to Fall 2014 (Timeline for development of recommendations)
- Adequate resource availability (i.e. SHR and GPEB resourcing capacity to meet timelines, necessary tools and budget where required)
- Technical program expert availability and partnership with SHR in program review
- Stakeholder and staff participation and contribution to as-is state.
- Focus on results, not process, with clear outcomes and measures of success

MEASURES OF PROJECT SUCCESS

1. Project outcomes result in more efficient and streamlined program delivery, with an infrastructure that effectively supports the programs.
2. Project is delivered on time. Report is provided to ADM by September, 2014. Approved project outcomes are implemented by December, 2014.
3. Executive Team and staff feel knowledgeable about the project status and know who to go to for information and support.
4. ADM satisfaction through feedback with program review and project outcomes.
5. Staff impact is minimized.
6. Partnership between Ministry of Finance corporate services staff (SHR and communications), GPEB, and other third party technical program experts is effective in delivering results.

B: COMMUNICATIONS PLAN

Gaming Policy and Enforcement Branch
Moving Towards Our Future
 Key Project and Communication Activities




- ADM hosted Employee Sessions will be held in Victoria and Branch offices outside of Victoria.
- Project Updates will be provided monthly, unless an ADM hosted employee session is held within the Project Update timeframe.
- Key Project Timelines and ADM hosted Employee Sessions may be adjusted as the project progresses.

C: CHANGE MANAGEMENT PLAN

This Change Management Plan is being established to support the Gaming Policy and Enforcement Branch (GPEB) Organizational Review Project's success. The action items within the change Management Plan in turn inform the project Communications Plan. This Plan is based on Kotter's 8-Step Process for leading change, and reflects knowledge as of March 2014 for the first phase of the project, which is to conduct an analysis of the current state of the organization and strategic planning to inform the desired future state of the organization. This plan will be updated if project recommendations are accepted and proceed to implementation.

Communication Plan Linkages	Project Phase	Change Action Item	Deliverable and Details	Responsible
Build Awareness (introduce the need for change, how the change will be done and create desire to understand more)	Project Initiation	Develop a sense of urgency	<ul style="list-style-type: none"> • ADM approves project vision, goals, charter, timelines • Develop change management plan and communication plan 	Executive Sponsor (GPEB ADM) Donna Selbee to provide key messaging and Communication Plan. Raeleen Siu to develop project charter, change management plan and timelines for ADM approval
	Project Initiation	Establish a guiding coalition	<ul style="list-style-type: none"> • Establish Project Team • Establish Executive Team roles are to champion and support the project, providing visible, active strategic support to the change management process and communication plan. Exec also defines future state through strategic planning process and shares outcomes with staff • Communicate with GPEB Executive on project importance, purpose, 	Executive Sponsor

		objectives and timelines. Provide key project information/documents e.g. Project Charter to Executive	
Project Initiation	Develop a Vision	<ul style="list-style-type: none"> • Develop a clear, simple statement on intent of outcome of the project • SHR develop a diagram to illustrate steps of the project (current state, future state, and gap analysis) that lead to achievement of vision and share with ADM and Executive Team 	Executive Sponsor SHR
Project Initiation, Validating Current State, Determining Future State	Communicate the Vision for buy-in	<ul style="list-style-type: none"> • Associate Deputy Minister briefed on project vision and support obtained • ADM communication key messages developed and delivered to GPEB staff and stakeholders • Q&As and other employee resources developed for staff to easily access online and in-person with ADM and Executive Team • ADM communication to all staff on project vision, goals, timelines • Identify key stakeholders (including 3rd party program review experts, casino operators, BCLC representatives, IAAS representatives, etc.) • As project progresses ensure transparency and maintain project profile; provide timely, accurate and relevant communication to stakeholders reiterating project purpose, providing progress updates, findings and next steps • Regular stakeholder communication from Executive Sponsor/Executive 	Executive Sponsor Donna Selbee

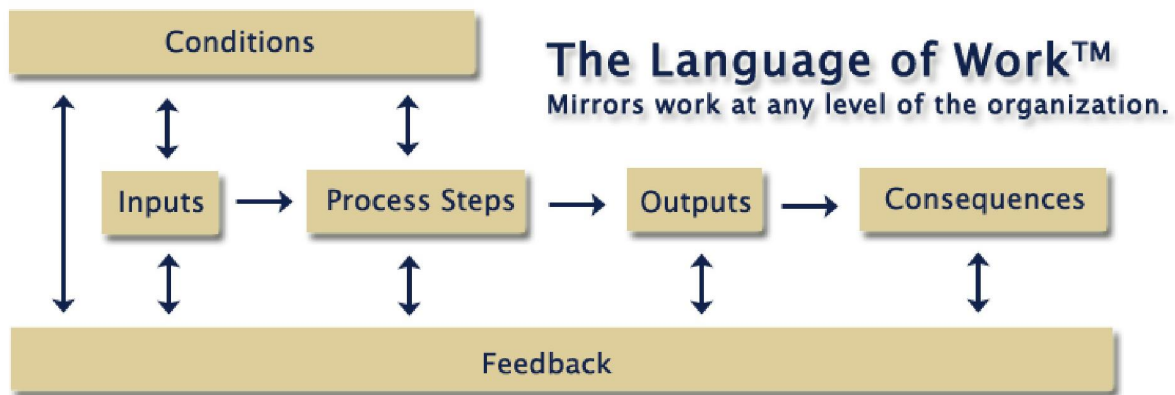
			Team	
<p>Create Understanding and Ensure Commitment (activities that provide opportunities for impacted staff, leaders and change agents to have input)</p>	 <p>Validating Current State, Determining Future State</p>	<p>Empower a broad base of people to take action</p>	<ul style="list-style-type: none"> • Executive Team trained and experienced in models and processes that will be used during the project so they can engage the right staff. SHR to provide an Executive Team session on LOW (teaching model and applying it to their roles) • SHR to facilitate future state strategic planning, including explaining Org Alignment Model • Key staff members selected for LOW sessions to consult with and gather feedback from all other staff to be shared at sessions. • Language of Work information gathering sessions with key staff members • Stakeholder (this includes staff) involvement in validating current state of organization, and possible involvement in strategic gap analysis • Ensure project purpose, objective, activities and findings are transparent and communicated openly with stakeholders 	<p>SHR</p> <p>Executive Sponsor Executive Team – select staff participants Stakeholders and staff – participation</p>
<p>Ensure Commitment</p>	<p>Validating Current State, Determining Future State, Strategic Gap Analysis and Developing Recommendations</p>	<p>Generate short-term wins</p>	<ul style="list-style-type: none"> • Celebrate successes • Recognize progress in employee and stakeholder sessions for defining current state • Recognize progress in Executive Team’s strategic planning process to staff 	<p>Executive Sponsor Executive Team</p>

<p>Ensure Commitment and Sustain Efforts (activities that engage staff in change, build belief in project outcomes, and provide accountability for action)</p>	<p>Strategic Gap Analysis and Developing Recommendations</p>	<p>Consolidate gains and produce more change</p>	<ul style="list-style-type: none"> • Conduct strategic gap analysis between current and future states for organization, resulting in recommendations • Determine if infrastructure changes (org structure, policies, people or program changes) are required as a result of strategic gap analysis, and approve the recommended changes • Implementation plan for approved recommendations developed and actioned • Stakeholder communication on next steps • Commitment to ongoing communication - communicate on progress, planned implementation actions and timing, address issues in timely manner • Commitment to full implementation over time 	<p>Executive Sponsor with support from SHR</p> <p>Donna Selbee to support Executive sponsor in developing comm plan for implementation phase</p>
	<p>Implementation</p>	<p>Institutionalize changes into the culture</p>	<ul style="list-style-type: none"> • Develop implementation project plan (note: once the project progresses to implementation, a new change management plan will be developed to support the implementation portion of the project) • Demonstrate values and behaviours defined in future state strategic planning phase of project. Recognize staff that model new desired behaviours and champion change for other staff • Evaluate project outcomes to date; course correct if required for 	<p>Executive Sponsor with support from SHR</p> <p>Executive Team</p>

implementation project

- Ensure infrastructure (IT systems, programs, policies, etc.) supports changes
- Stakeholders involved in evaluation after full implementation; make necessary adjustments

D: LANGDON'S LANGUAGE OF WORK MODEL (CURRENT STATE)



Inputs are both the necessary resources for doing work or the triggers that start all work. Typical resources include various internal and external people we need, as well as equipment, funds, or information we utilize. Triggers, as inputs, initiate our work; for example, a request from a client or customer, boss or co-worker would be an input. The start of a new year, or billing period, could also be a trigger.

Conditions are the rules, laws, policies and procedures that govern all work. Often, these rules and guidelines are forgotten as work is started; often people assume others will understand them (and know where to find them). Conditions include the internal policies and procedures, as well as the external laws and regulations that affect all parts of work. We need to follow conditions to keep us all out of trouble. Conditions affect inputs, process steps, and feedback.

Process Steps are the procedures or activities we engage in to use the inputs provided, under certain conditions, to produce the products and services as outputs. This is the aspect of work we most often think of when we describe our work. Process steps begin with an input trigger, followed by one activity after the other, until the output is produced.

Outputs are the desired products, services, or knowledge that are produced in a work setting. These are the *tangible* deliverables that we produce for clients — internal and external.

The principles of behavioral psychology teach us that **feedback** is important to establish, improve, maintain, correct and reinforce work performance. Therefore, we need to know what feedback to give while we are working or supervising others. We also need to know that we have completed our work and it is satisfactory to clients and others.

Consequences are the desirable benefits or “value-add” we try to achieve in work. Consequences are normally defined first, allowing the appropriate outputs (products, services, knowledge) to be defined. Once defined, they can be produced to achieve the positive consequences we want. Consequences help everyone understand the positive benefits to be achieved for customers, the organization and individuals. Consequences normally take the form of profit for the organization and satisfaction for clients and employees.

E: LANGUAGE OF WORK (CURRENT STATE) SESSION SUMMARY

The full version of the Language of Work model documents are provided as a supplementary document to this report. A summary of the main deliverables are provided below, followed by a summary of issues (i.e. the “parking lot”).

Work Unit	Deliverables (Outputs)
Executive	<ul style="list-style-type: none"> • strategic planning, monitoring and reporting performed • budget managed • issued managed • executive communications provided and managed • corporate support provided • human resources management
Commercial Audit	<ul style="list-style-type: none"> • audit reports on BCLC produced • audit reports produced on physical gaming locations • ad hoc reports produced (note: approx. 6/year?) • 5-Year Audit Plan produced • inspections performed • quarterly DAC review report produced • HLG payments to municipalities are verified • annual summary report produced • ACD report produced • Data analyzed; reports generated: accountability communicated to ADM • disseminate business intelligence
Charitable Audit	<ul style="list-style-type: none"> • audit reports produced • education provided • information provided; complaints addressed

	<ul style="list-style-type: none"> • data analyzed; reports generated: accountability communicated to ADM • expertise provided internally • administration roles: travel budget managed; reception duties performed, records managed
Investigations and Regional Operations	<ul style="list-style-type: none"> • investigation logs completed and approved (for those files that conclude here) • information file generated and concluded • reports of findings produced • reports to Crown Counsel produced • tickets and violations issued • verbal and written warnings issued • data collected and maintained, information provided (stats, FOI, website)
Responsible and Problem Gambling	<ul style="list-style-type: none"> • free clinical services to BC citizens • clinical services and education services to indigenous groups provided • prevention services provided to community (i.e. target groups on Responsible and Problem Gambling) • 2-1-1 information referral service provided 24-7 Problem Gambling Helpline” • support and referral services for casino patrons provided in partnership with BCLC (i.e. GameSense Advisors) • Responsible and Problem Gambling (RPG) policy developed • marketing and promotion for RPG coordinated and administered • data and reporting • budget management • hiring and orientation training for contracted service providers/stakeholders
Grants	<ul style="list-style-type: none"> • grant funding applications processed • reconsiderations approved or denied • audits completed and issues addressed • special one-time grant issued • non-gaming grants issued (Multicultural, BC Arts Council, BC 150, Playground) • education provided (to public, other government entities)
Licensing	<ul style="list-style-type: none"> • licenses issued or denied • reconsiderations processed • non-compliance alerts identified and forwarded to Investigations or Audit and Compliance Division • information provided to the public

	<ul style="list-style-type: none"> • records managed • GERRS reviewed and entered into GOS • reception services provided for the branch
Personnel and Lottery Registration	<ul style="list-style-type: none"> • clearance provided for BCLC board members, BCLC workers, gaming workers, GPEB employees • gaming worker registrations renewed • gaming worker tag replaced • lottery retailers registered • lottery retailers registration renewed • site certificates replaced • Gaming Workers Registry and GOS maintained • administrative decisions rendered • CPIC, PSP audits performed • new employees onboarded and granted access
Corporate Registration	<ul style="list-style-type: none"> • registration decisions made (approved or denied), report of findings produced • sanctions made and sanctions registry maintained • corporate registry maintained • Section 73 decisions communicated • respond to requests for information through CLIFF • financial integrity reports produced • site certificates issued and replaced • gaming worker tags issued and replaced • conditions of registration issued • financial collection and reconciliation completed, annual registration fee invoices completed • budget forecasting and expenditure monitoring completed • BCLC advice on registration requirement of RFP applicants provided • relocations of gaming facilities approved
Certification	<ul style="list-style-type: none"> • gaming equipment and internet games certified • lottery and bingo equipment products certified • technical investigations conducted, investigation supported (including Investigations Division) • corporate registration investigations support provided • BC's technical standards for gaming equipment maintained and published

	<ul style="list-style-type: none"> • revocation of gaming supplies processed • research conducted and specialist consultations/expert opinion provided • electronic 50/50 systems for licensed charitable organizations certified*
Horse Racing	<ul style="list-style-type: none"> • races judged • inspections and investigations completed • rulings, fines and suspensions issued • reconsiderations made • industry participants licensed • requests for data from public/media responded to
Corporate Services	<ul style="list-style-type: none"> • communications (Minister responses, media, web mail, web contact, ADM correspondence) developed and released • operational and strategic policy services provided • FOIPP administered • internal finances managed • payments made to HLG, HP, DAC • branch purchasing and account management completed • GPEB Budgets developed and monitored • facilities issues and requests managed • executive supported and file managed • financial planning and management with Branch stakeholders completed (including BCLC GL reconciliations, capital planning, OCG audit requests) • REGIS and GOS maintained • websites maintained • technical support provided • data extracted and reports generated as requested by clients
Work Unit	Parking Lot (Issues and Solutions)
Executive	<ul style="list-style-type: none"> • policy capacity across GPEB
Commercial Audit	<ul style="list-style-type: none"> • BCLC bottleneck in the process for receiving information. Difficult to get info and/or access (ex. Attending a draw) • BCLC tries to subvert the audit process by, for example, having sr executive involvement after reports are issued. • communication challenges between divisions that result in inconsistent information or understanding
Charitable Audit	<ul style="list-style-type: none"> • waiting 3 years for corporate services' policy staff to update guidelines for

	<p>electronic 50/50s—audit staff developed them and are not technically authorized to use them</p> <ul style="list-style-type: none"> • GOS: doesn't accommodate planning, records, reporting needs. Audit staff can't identify if a charity has been/currently undergoing an investigation • no centralized complaints system (for similar themes from complainants. No consistency in classifying complaints as non-compliance (audit would resolve these) or criminal (investigators would resolve these)
Investigations and Regional Operations	<ul style="list-style-type: none"> • Section 86 reports: reduce • eGaming investigations resources and education required • AML strategy (limit suspicious currency transactions, update regulations/policy) • training approvals • more proactive investigations required (minors, retailers with criminal intent)
Responsible and Problem Gambling	<ul style="list-style-type: none"> • no system to manage data—REGIS does not meet needs • no funding for Indigenous program • waning awareness of the program to the public, health professionals (who can refer clients to problem gambling program clinicians). There is a need for promotions and education (issues with inability to use budget towards this) in order for uptake of the program • overworked staff and contracted coordinators
Grants	<ul style="list-style-type: none"> • GOS does not meet grants administration processing needs in every step of the process for approving and denying grants • administrative overload (need more resources) • special one-time grants and non-gaming grants inserted into workload without consultation with analysts or GPEB • LEAN exercise last year did not implement everything that needed to be changed. Was a very negative experience • grant deadlines spike volume of work • grant approvals, reconsiderations, and special one-time grants represent three levels of approval that the Executive Director has assumed responsibility for (legislation is silent on this—high risk if it is continued)
Licensing	<ul style="list-style-type: none"> • resourcing capacity for administrative support • need to update Licensing Policy and Procedures Manual • GOS: needs upgrading for us to do our work efficiently. It does not automate GERRs (6000/year must be printed, manually data entered); should be auto

	<p>generating license approval letters but staff must manually edit and revise</p> <ul style="list-style-type: none"> • 3 day turnaround time creates high pressure/high volume environment. (solution: eliminate Class D licenses as they are low risk, increase turnaround time from 3 days to 5 or more) • Reconsiderations for licenses are time-sensitive (Exec Director may need to drop everything to address some of these) • More information needed (i.e. “why” an application was denied/approved) in our records and tracking applications. • The licensing approval process has significant duplication throughout process (notably applications and records) • GERRs • Inconsistent processes between analysts and agents and admin in providing the public with info, handling complaints.
Personnel and Lottery Registration	<ul style="list-style-type: none"> • number of incomplete applications received for gaming worker tags needs to be reduced (many sit in GOS unnoticed) • time it takes to process a GW tag is too long – work unit is short on resources. Need to design administrative jobs differently for faster/leaner processing times • provisional authorizations (interim before GW tag issued) mean duplicating the GW tag process • no electronic application process for lottery registrations – GOS cannot do this • no electronic payment system for collecting registration fees (this could reduce process times) • BCLC Territory Managers give out wrong info to public on registration –we need to develop training package for them • GOS has a 5 minute lag for entering lottery applications—it times you out of the system and you lose your data entry work
Corporate Registration	<ul style="list-style-type: none"> • growing complexity of corporations’ organizational structures makes it difficult to know how far registration investigations must go to obtain legal, financial, etc. information from officers and executives • travel approval for investigations received last minute or denied for work unit’s core business. Feel as though Ministry of Finance does not enable the business
Certification	<ul style="list-style-type: none"> • need additional resources and contingency plan for Director • manual input of every certificate (for equipment, lottery products, software, etc.) – GOS needs to have this capacity

	<ul style="list-style-type: none"> • GOS cleanup data required – right now entering data into GOS is an added step • BCLC handles complaints about various equipment/products and should be alerting us of issues before they are dealing with them
Horse Racing	<ul style="list-style-type: none"> • working conditions at race tracks unsafe/unsanitary
Corporate Services	<ul style="list-style-type: none"> • not enough resources in finance, admin, communications, planning and policy • Baseline code for GOS not developed until this summer (unable to make basic system changes for staff) • Ministry of Finance relationships could be stronger in many areas (Office of Associate DM, PMCP, SHR, IMB, DMO) • sharing executive administrative assistant between ADM and two Exec Directors is splitting the resources too thin and creates risk

F: EMPLOYEE REPRESENTATIVES AND SELECTION CRITERIA FOR LANGUAGE OF WORK (CURRENT STATE) SESSIONS

In addition to the 12 sessions noted below, the Executive Team also underwent its own session.

Sessions (12)	Employees (49)
Investigations and Regional Operations	Bob Chamberlain Peter Werner Barry Halpenny Joe Schalk Derek Dickson Bill Mulcahy John McDougall Mark Forshaw
Non-Commercial Audit	Anna Fitzgerald Sandy Fraser Cowan Dallas Smithson Semmy Wong
Commercial Audit	David Pyatt Tim Storms Neil VanderWerf

	Karen Kraan Doug Mayer Terry Jacob
Certification	Steve Lefler
Personnel and Lottery Registration	Garth Baillie, Theri Nicholson Warren Muttersbach Sarvenaz Ridley Bonnie Wyville
Grants	Gloria Kopplin Juliana Coll Susan Cashmore
Responsible and Problem Gambling	Kim Dunn Wendy Nicholson Andre Serzisko Michael Koo Angela Voght
Horse Racing	Michael Brown Kathy Gannon Mike Morison Garry Woods Rob Linfoord
Corp Services (IT, Policy, Communication, Business Planning)	Thom Ratkai Wade Badenhorst Michele Jaggi-Smith Meghan Thorneloe Norine Seabrook Candice Nagel Susan Fair
Corporate Registration	Robin Jomha Karen Zeleny

Licensing	Doug Woodworth Kathan Teale Susan Cashmore
Internal Compliance & Risk Management	Bill McCrea

Employee Representative Selection Criteria

Note: criteria were not shared with employees; it was for GPEB Executive Team members only.

The 'current state' sessions are a fact gathering exercise. The sessions are not intended to collect opinions on what may or may not be working, or to collect solutions to perceived issues. If these arise at a session they will be documented, but will not be explored until discussion of future state where they may be relevant.

Employee representative should meet the following selection criteria.

An expert	<ul style="list-style-type: none"> • Knowledgeable in all aspects of the work unit they are representing; would be considered an expert by those they work with • Can speak to the processes, stakeholders, outcomes, external conditions impacting the work the unit is responsible for • examples of questions the employee representative will answer are: <ul style="list-style-type: none"> ○ What governs your work (e.g. legislation, policy, rules)? ○ What times of the year are there increased pressures (e.g. year-end, seasonally)? ○ What triggers your work (e.g. business/work plan, customer request)? ○ What are tangible deliverables produced as a result of the work in your unit?
Positive and engaged	<ul style="list-style-type: none"> • Is positive and engaged in their work and in the workplace • View the GPEB Review as an opportunity to contribute to positive change and shape the future of the organization • Will bring a solutions-focused approach to the session; will not default to negativity/complaints

Have respect of peers/colleagues	<ul style="list-style-type: none"> • Possess credibility with their peers • Perceived to be a fair advocate of the current work of the work unit
Able and willing	<ul style="list-style-type: none"> • Able and willing to commit the time required to adequately prepare for and participate in the half-day current state session, and debrief with their colleagues following the session • Ability to respond to peers questions regarding the results of the session, encourage feedback, gather and summarize input, and provide revisions to/finalize session work

Questions and Answers

How are/were employee representatives selected?

Employees were chosen based on their ability to be a fair advocate of the complete scope of work of their work unit, as well as their interest in being involved in the GPEB Review.

Given the calibre of GPEB employees, choosing one employee representative per work unit was not an easy task. However, the bottom line is that every employee will be involved in the Review. If you are not part of the 'current state' session, you will have the opportunity to review the information gathered for your work unit at the session, provide comments and validate the information before it is finalized.

If we are not an employee representative, how will we be involved in the GPEB Review?

All employees will have the opportunity to:

- Review the results of the 'current state' session for their work unit to ensure it is accurate and complete before it is considered final.
 - Employee representatives will review the results of the 'current state' session to answer your questions, and gather and reflect your feedback.
- Provide input regarding specific objectives and actions that will support the vision, mission, values and strategies; moving our organization from 'current' to 'future' state.
 - Once the Executive Team's work on our 'future state' is complete, it will be shared with employees to ask for your input on how this 'future state' can be realized. We will be asking for specific actions that will move us from where we are now to where we need to be to support our ongoing success.

G: LIST OF INTERVIEWED EXECUTIVES

BCLC:

- Jim Lightbody, President and CEO
- Kevin Gass, VP Lottery Gaming
- Jervis Rodrigues, CFO and VP, Finance and Corporate Services
- Lynette DuJohn, CIO, Business Technology
- Rhonda Garvey, VP eGaming
- Brad Desmarais, VP Corporate Security and Compliance
- Ross Alderson, Senior Manager, eGaming Investigations
- Susan Dolinski, VP Social Responsibility and Communications

Ministry of Finance:

- Shelley MacLean, Manager, Executive Operations
- Elaine Jones, Executive Director, Strategic Human Resources
- Donna Selbee, Executive Director, Performance Management and Corporate Priorities
- Steve Klak, Executive Director, Corporate Financial
- Bonnie Laine-Farrell, Director, Client Business Services and Applications
- Chris Brown, ADM, Internal Audit and Advisory Services
- Alex Amaral, Director, Internal Audit
- Jane Bryant, Director, Internal Audit

Other:

- Melanie Stewart, Assistant Deputy Minister, Arts, Culture, Gaming Grants and Sport (Ministry of Community, Sport and Cultural Development)
- Doug Scott, Assistant Deputy Minister, Liquor Control and Licensing (former ADM, GPEB)

H: ENVIRONMENTAL SCAN RESULTS

Strengths:

(What do we do well? What are our special skills?)

What do we know?)

- Staff are very knowledgeable about the gaming industry
- Staff have passion to provide best service to clients
- Team work, people, administrative strengths, innovative, focus on process improvement, ability to work under pressure and changing goals, ability to produce the impossible within tight deadlines, excellent customer service, commitment to service excellence
- BC has one consolidated Act
- We are a monopoly for legal gambling
- Knowledge & experience of dedicated staff
- Experience of many years of successful gaming regulation in the province
- Gaming provides a strong and dependable income source for BC citizens
- We do have a good handle on this industry, even though we could know more
- Progressive/Innovative
- Adaptive/Responsive
- Creative/Inquisitive
- Communicative
- Depth of knowledge
- Corporate memory/expertise
- Dedicated staff; staff engagement;
- Know we need to change in order to deliver on mandate
- Know what skills we have & have an idea of those we lack
- Leadership

Weaknesses:

(What are our vulnerabilities?)

- Less wagering on bricks and mortar facilities and more on electronic devices will make the public more invisible
- Shortage of technical staff to deal with increasing online gaming and other technical aspects
- Lack of proper interface with BCLC to be aware of future planning coming out of BCLC
- Operational costs, GOS, political influence, aging workforce, corporate knowledge, communication flow, document management, lack of consistency, decision making done under pressure, not enough money, managed staffing strategy
- Lack of strategic alignment
- We may be operating outside of our authority
- Unprepared for a changing environment
- Siloed operations in divisions
- Lack of alignment in GPEB
- Unwilling to modernize our paradigm of regulation
- Challenges with our relationship with BCLC
- Challenges with our relationship with service providers
- GPEB outside of gaming development/initiatives
- Corporate knowledge base aging and/or can easily depart
- Takes time to acquire knowledge base (hands-on/on-the-job learning rather than solely educational)
- No support from government
- Program integration, alignment, communication
- Ageing workforce – succession challenges;

<ul style="list-style-type: none"> • We know how to deliver effective services, regulations, policies and standards that are based on researched best practices. We know this industry as good or better than anyone and provide a continuum of services that is world class. • We are seen as a progressive regulator, as we were the first in e-gaming. We have experienced staff that is committed to service delivery. We are supportive of external business needs, of those we serve, and do not for the most part inhibit their progress. We are restrained in our spending. • To Investigate: all competent experienced investigators in four Regions of the Province. Only gaming training required. Immediately qualify as Special Provincial Constables. • Adequate legislated regulatory authority and knowledge to investigate general criminal and all regulatory matters. • In Interview, Interrogation, Proceeds of Crime, Fraud and other investigative expertise. • Ability to interact quickly with Law Enforcement, Nationally and Internationally as required. • Ability to analyse and document criminal intelligence. • Audit and investigate, • systems design and development, programming and web design, • policy analysis, briefings, • presentations, correspondence, FOI compliance, • financial operations and compliance • Potential to employ more technically oriented staff to be able to adapt to the online handheld gaming environment 	<p>resistance to change</p> <ul style="list-style-type: none"> • Business/work processes • Flexibility/nimbleness/responsiveness • Relationships with BCLC, Ministry of Finance • Use/leveraging technology • Communication & info sharing • Measuring outputs/outcomes of work undertaken <ul style="list-style-type: none"> • Are we doing the right things? Are we doing things right? <ul style="list-style-type: none"> • We do not work in concert well. We are out-gunned by BCLC whose primary goal of revenue generation often clashes with our primary goal to protect the public interest. We have trouble keeping competitive with them regarding industry developments (intelligence), due to many factors related to government priorities. • The business is changing. We cannot be all things to all people, so how do we adapt to deliver what we define as core business. Legislation and technology make us vulnerable. Additionally we do not spend sufficient time forecasting, predicting what is to come. We react. This is not because we don't want to do so; it is because we have not established the capacity to do so. A lack of training and succession planning make us vulnerable. We continue to operate in a world of what I do is most important, local not strategic. • Inability to Investigate organized crime due to danger and lack of legal authority under Police Act. • Includes lack of ability to investigate of illegal gaming including illegal internet gaming.
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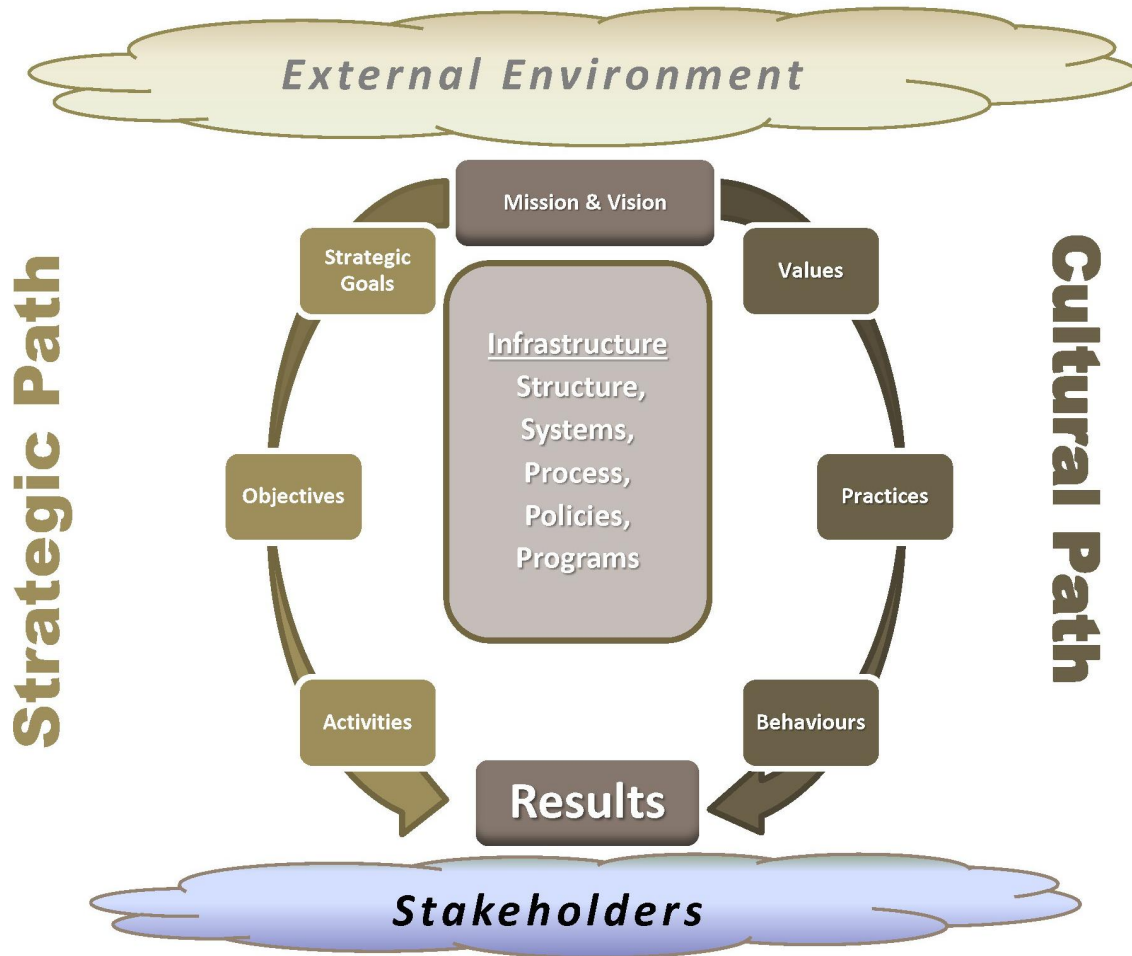
	<ul style="list-style-type: none"> • Lack of sufficient funding for training and resource hiring. • Lack of regulatory authority over BCLC. • Slow to change, • stuck responding to the previous challenge instead of being ahead of the next one, • underfunded, underutilized and underappreciated, • inflexible thinking
<p>Opportunities: <i>(What the trends out there are? What new policies exist? How will demographics play out?)</i></p> <ul style="list-style-type: none"> • Expansion of electronic gaming, single sports betting, use of internet for sale of raffle tickets, now is the time to update our requirements, engage social media to engage younger demographic, keep the “tried and true” for older demographic. • The changing gaming environment may open up opportunities that don’t exist today • Other gaming jurisdictions are experiencing the same challenges as BC • We can improve our relationship with BCLC and service providers • We can modernize GPEB as a regulator that practices its craft better • New(ish) Ministry • New(ish) ADM • Increased sophistication of major Charities • Downsized BCLC/New leader at BCLC 	<p>Threats: <i>(Who are our competitors? What barriers may prevent us from being successful? Where is the money?)</i></p> <ul style="list-style-type: none"> • Aging workforce – loss of corporate history, workforce adjustment, lack of money/budget, technology failure, seismic issues, political changes, changes to legislation, work load, unregulated gaming providers, group lottery win • Illegal gambling organizations compete for our customers • Competing for ‘share of wallet’ • Media attention is biased • Public view of gaming is changing, sometimes to a negative position • Organized crime • Loss of social license to operate • Significant declines from gaming (both charitable and commercial) • Increased competition from WA State

<ul style="list-style-type: none"> • Relationships with BCLC, Ministry of Finance (eg collaboration) • Corporate thinking • Role/responsibility clarification • Embarking on process to implement change • Leveraging technology • Implement changes through staff attrition (build capacity needed) • Explore alternative models/best practice • Program integration, alignment, communication • Culture change • Improve effectiveness and productivity (and ability to measure both) • We have an opportunity to engage technologies to improve our efficiencies, expand our scope and ultimately generate more robust outcomes. Technology properly harnessed can generate real time data to allow us to be more responsive and in fact anticipate trends that will inspire us to create relevant policies, regulations and services in deliberate and relevant ways. • This is really a threat: • The younger gen pops are not behaving as expected and will not respond to our bricks and mortar approach nor our dated communication strategies. If we don't catch up first, planning ahead will be a futile exercise. We have the knowledge of where to go and what to do but lack the intelligence in sufficient quantity and quality and the support resources to deliver. • Assess what we are doing and determine if it 	<ul style="list-style-type: none"> • Outdated understanding of the industry • Ministry failing to understand the business • Competitors - BCLC re RG, Compliance and Enforcement; other government agencies work impacting gaming • Barriers - resources, protecting turf/status quo, technology • Budget/budget management restrictions/constraints • Issues management • Obvious threats include illegal gambling sites. Gaming sites and .net sites are below our radar. • The obvious potential conflict of interest related to money laundering if not handled at a faster pace by BCLC and GBEB could result in a loss of control of the agenda. • Automation of Licencing and grants is critical to being relevant in five years. • Researched best practices for RG are struggling to lead service delivery as BCLC is always steps ahead. • Under resourced workforce means less capacity to meet ambitious goals and contributes to uninspired outputs and ultimately outcomes. • GPEB needs to be flexible, friendly, firm, fast, and forward thinking to minimize threats. • Our competitors are ourselves and the Crown corp. we regulate. We need to assess what is truly core to our mission, our vision and then create synergy. Otherwise, others will do it for us based on core reviews, audits and unforeseen crisis's that are miss-
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<p>is validated as essential to our core. Consider if we could do more with the resources we have or determine if we have inadequate resources after the assessment. Determine if we can use technology to our advantage.</p> <ul style="list-style-type: none"> • Increase in gaming, specifically eGaming opportunities. (BCLC Service Provider) • Change Gaming Control Act to make BCLC a Service Provider. • BCLC as a Service Provider would legally provide GPEB an additional opportunity to provide regulatory oversight. • Minimize the role and numbers of BCLC Corporate Security. • Taking advantage of technological advances to design new web-based systems, making it possible for clients to populate our databases, • having our fresh, young and capable new staff teach our less adept folks, • using more tech tools like social media to get our messages out there and improve awareness about GPEB, • better proactive education for the public about all of our services, • putting videos online, • offering workshops in person and using tech resources to teach people how to apply for licences and grants • Potential to modernize the Gaming Control Act to adapt to modern gaming challenges • Opportunity to reorganize staff to better utilize existing and future staff 	<p>managed. Taking on too much is exhausting our staff. The barriers to making this the best in any plan will be the budget or other policy constraints. We need to first understand what it is we don't understand, such as technology.</p> <ul style="list-style-type: none"> • Under the authority of the Gaming Control Act we do not believe that we have any competitors. • Includes the "Integrity versus Revenue" debate. The threat that the Branch Integrity may be politically influenced or eroded to protect government revenue stream. • BCLC Revenue generator mandate of conduct and manage in the same Ministry as the integrity regulator. • Service Providers revenue generators and an extension of BCLC. • Police of Jurisdiction inability or lack of will (other priorities) to enforce high level criminal activity in or near gaming venues. (ie ML) • BCLC with political influence defines Section 86 Reporting to protect revenue stream. (Investigates integrity issues prior to our involvement, some cases) • BCLC is often our competitor instead of our ally – we don't always work well together. • We have far less money to do the technological work that we need to do. • The public doesn't know we exist because we don't advertise, and BCLC does. • Our worst threat is ourselves...we don't keep up and we are slow to adapt. • We are still not using the best web tools
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	<p>available and we need capital funding to make that possible.</p> <ul style="list-style-type: none">• Illegal wagering sites• Government roadblocks towards or lack of desire to control money laundering• Online and handheld gaming devices will provide more technical challenges and opportunity for wrongdoing
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I: TOSTI'S ORGANIZATIONAL ALIGNMENT MODEL (FUTURE STATE)



This model describes two interdependent paths for moving from a broad statement of organizational mission and vision to specific results:

Strategic: The left-hand path emphasizes what needs to be done: the strategic goals the organization will work toward; the objectives that groups and individuals must accomplish to carry out those strategies; the activities that must be performed to meet goals and objectives.

Cultural: The right-hand path emphasizes how things should be done: the values that will guide people in carrying out the mission and vision; the practices which reflect those values; the specific, day-to-day behaviors which will represent the values and practices to others as people go about their work.

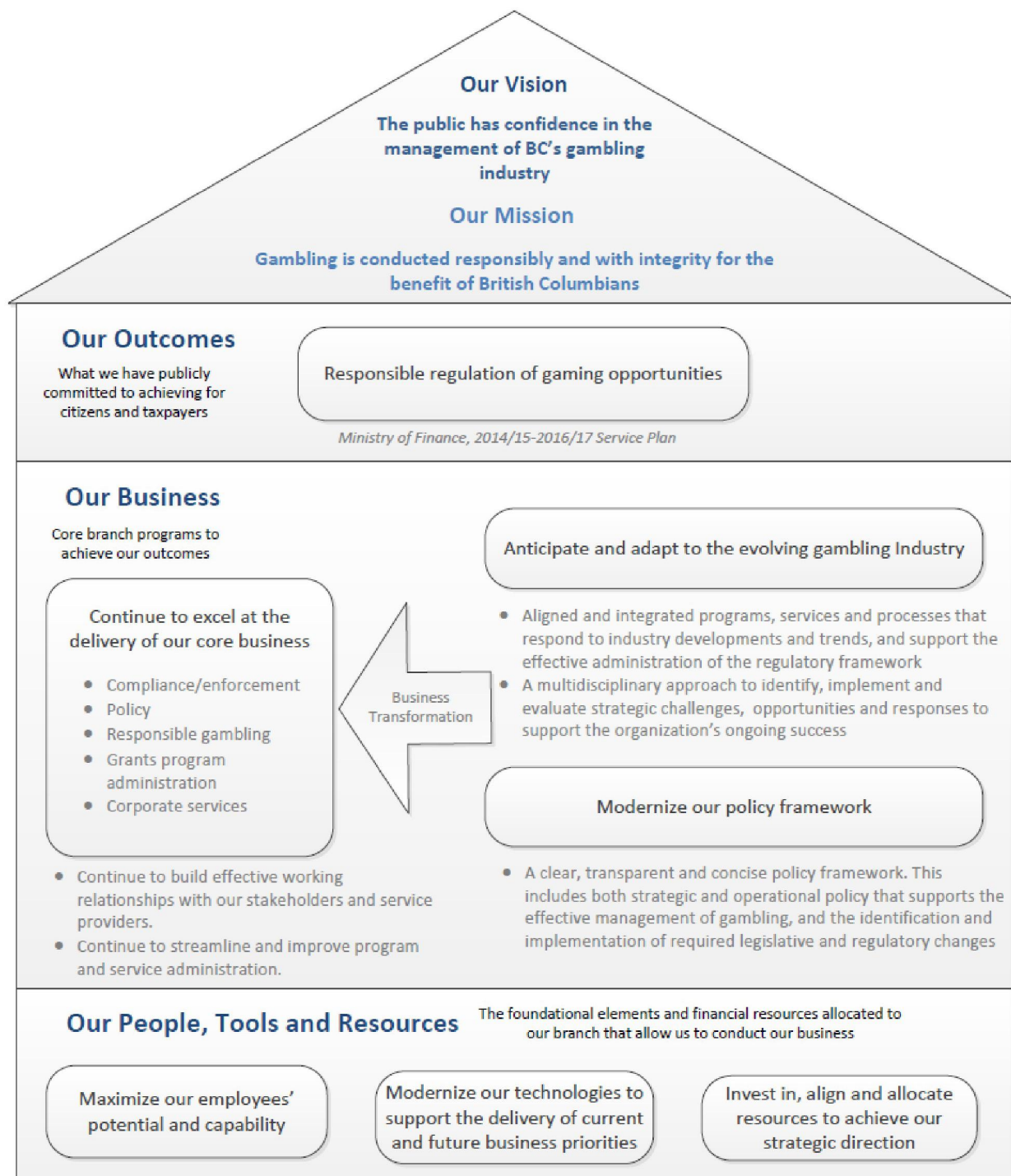
Infrastructure: At the center of the model is the infrastructure that supports the strategic and cultural paths to achieving results. Infrastructure includes the organizational structure, systems, processes, policies, and programs.

Organizational alignment requires compatibility between the strategic and cultural “paths”, and consistency within them. Organizations have traditionally emphasized the strategic path. Most invest considerable effort in defining strategic goals and objectives. Fewer address the cultural path with clearly defined statements of values (Tosti and Jackson, 2003).

Source: <http://www.ichangeworld.com/docs/icwOA0303.pdf>

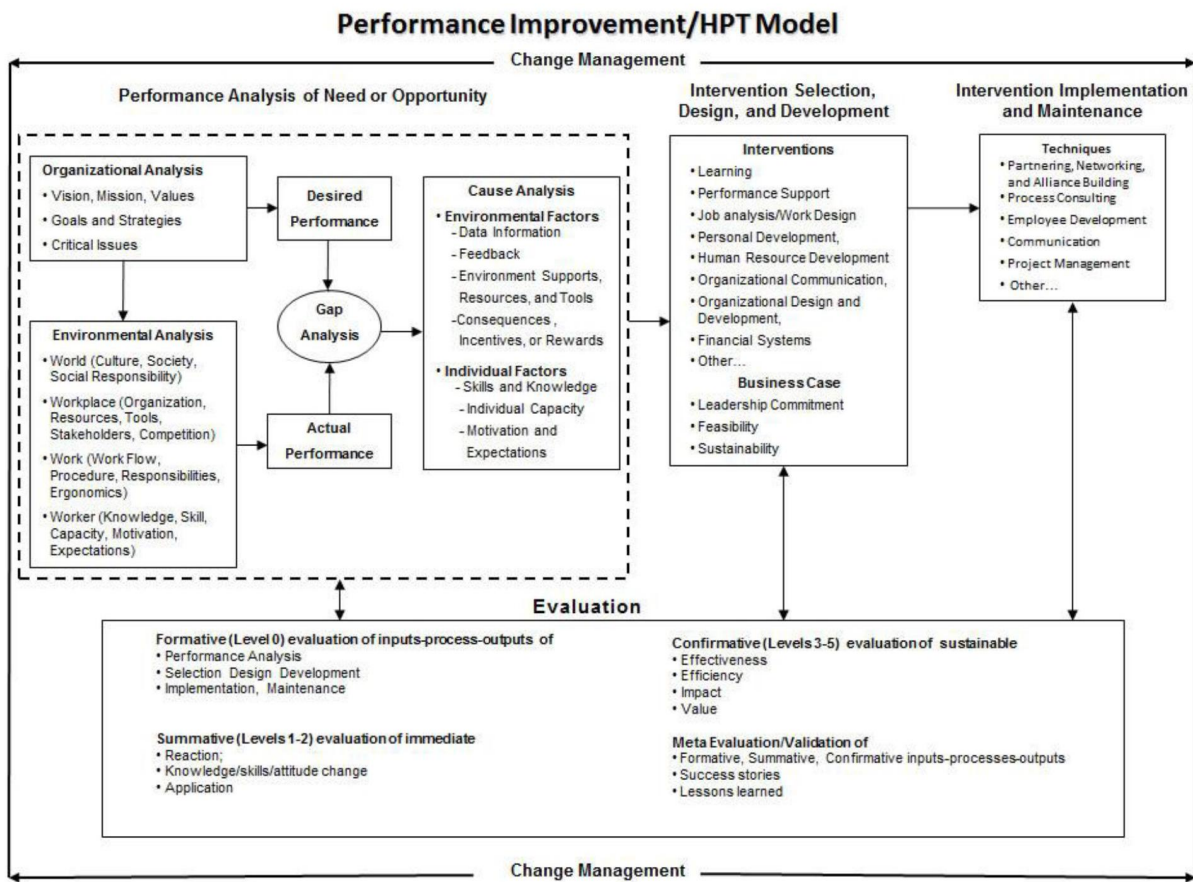
J: GPEB BUSINESS PLAN GOALS (FUTURE STATE OUTCOMES)

A first draft of GPEB’s strategy “house” model is found below. At the time of the report, the GPEB Business Plan for 2014 has not been finalized. The plan will be released and shared with staff shortly after a decision has been made on the response to the Review.



K: PERFORMANCE IMPROVEMENT FRAMEWORK

Performance Improvement (PI), initially called Human Performance Technology (HPT), is the systematic approach to improving productivity and competence within an organization. GPEB’s Review uses this model to approach all of its phases of the project. The organization’s “Actual Performance” was the first Phase of the GPEB Review, gathering current state information. The organization’s “Desired Performance” (which includes vision, mission, values, goals, strategies and critical issues) is GPEB Review’s second phase of the project, the “future state.” In the model, the “Gap Analysis” section represents GPEB’s third phase of the review project, the “strategic gap analysis.” The results of the gap analysis lead to the “intervention, selection, design and development” section of the performance improvement model. Here is where solutions and recommendations are developed. GPEB Review’s last phase, implementation, represents the last section of the model, the “intervention implementation and maintenance.”



Van Tiem, Moseley, and Dessinger

Source: From Fundamentals of Performance Improvement: Optimizing results through people, processes, and organizations, by D.M. Van Tiem, J.L. Moseley, and Joan C. Dessinger, 2012. Used with permission from ISPI/Wiley.

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L: ORGANIZATIONAL STRUCTURE OPTIONS

