

Cliff: 339247

Date: November 26, 2014

**MINISTRY OF FINANCE
GAMING POLICY & ENFORCEMENT
BRIEFING NOTE**

PREPARED FOR: Cheryl Wenezenki-Yolland
Associate Deputy Minister

FOR DECISION

ISSUE:

There is a need to restructure the Gaming Policy and Enforcement Branch (GPEB) to address concerns identified through a review of the organization and to position GPEB to deliver on its mandate going forward. Specifically, there is no longer a need for two senior management positions in a new regulatory compliance division that aligns and integrates functions currently provided in several GPEB divisions.

BACKGROUND:

- At the request of the ADM, GPEB has recently undergone a review of its organization. Based on review findings and recommendations, the ADM has determined the following:
 - There is significant concern regarding the two senior employees and their ability to effectively lead an important function (i.e., Investigations and Regional Operations Division (IROD)) within GPEB.
 - There are several concerns regarding leadership, current priorities and actions, quality of work, and staff competence in the IROD. There is an adversarial and dysfunctional relationship with the BC Lottery Corporation, other GPEB Executive Directors and other stakeholders; outdated investigations practices; allegations of mishandling investigations; allegations of misreporting investigations data and actual IROD outcomes; and a lack of confidence and understanding of exactly “what” IROD is doing.
 - **Solicitor Client Privilege** IROD leadership operates as if they are independent of GPEB’s statutory and management reporting relationships because of their status as Special Provincial Constables (SPCs).
 - The credibility of IROD, both internally and externally is seriously compromised and a full review of IROD is required. A new investigations program for GPEB, built on evidence generated from a review of IROD’s current actions, is required.
 - IROD 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 the current manner.
 - GPEB requires restructuring, in particular aligning and integrating regulatory compliance functions in the branch, which involves amalgamating IROD with

other GPEB divisions. The restructuring is also intended to increase the span of control and increase empowerment of positions at all levels.

- There is minimal coordination of mandates between the Audit and Compliance Division (ACD) and IROD where such coordination could enhance effectiveness, efficiency and speed when responding to emerging priorities. This coordination can be best achieved through a single position to oversee and direct the operations of ACD and IROD.
- This organizational restructuring decreases the number of senior leadership positions within GPEB, specifically impacting the Executive Director and Senior Director positions in IROD. Larry Vander Graaf and Joe Schalk currently fill these two positions respectively.
- Based on PSA analysis of data, the estimated retirement date for both individuals was 2011.

Settlement Privilege

DISCUSSION:

- The ADM will be implementing the review recommendations on restructuring the branch. As such, the Executive Director and Senior Director positions in IROD (currently located in Burnaby) will no longer be required and will be eliminated.
- The review identifies the need to create a new investigations program and its importance to the credibility of GPEB and the integrity of gaming in British Columbia. The vision for the new regulatory approach, and the role of the investigation function within it, includes the following:
 - A robust intelligence gathering capability supported by appropriate information/intelligence sharing agreements, including enhanced collaboration with BCLC Corporate Security and Compliance (CSC).
 - Investigations will be one of several compliance tools to be applied to address regulatory issues and not an independent policing function (as viewed by current IROD leadership).
 - GPEB's new regulatory approach will be based on identifying and controlling key strategic risks, compliance-focused, standards-based and a results/outcomes based orientation. It will require building and maintaining relationships and collaborating with key internal and external stakeholders (e.g., BCLC CSC) and leveraging existing resources internally within and external to GPEB. The approach will require alignment and integration of the investigations function with other compliance functions within GPEB. The approach will clarify roles and responsibilities and provide clear accountability, empower positions at all levels and include a robust performance management framework. The transition to this new program will require leadership with enhanced change management skills.

- The new regulatory approach is required to ensure the branch can proactively anticipate and respond to the changing gambling environment and related risks, including issues such as money laundering, internet and mobile gambling, social gaming/gambling and potential changes to the federal Criminal Code which would expand gambling by increasing those that can legal operate gambling (e.g., charities running lottery schemes online) and the types of gambling offered (e.g., single sport betting). Controlling and managing these risks are critical to achieving GPEB's mandate of ensuring the integrity of the gaming industry in BC.
- Successful implementation of review recommendations and transition to the new regulatory approach described above would be highly improbable and not without significant risk under existing IROD leadership given the concerns identified above and the key leadership competencies (e.g., accountability, collaboration, information sharing, change management, results-oriented) required going forward.
- The ADM does not have the confidence that Larry Vander Graaf and Joe Schalk have the abilities to implement, nor would they be likely to support, the new regulatory compliance framework and the role of the investigations function within it. Current IROD leadership has a fundamentally different perspective on the purpose of the investigative function that is not aligned with a modern regulatory approach.
- In summary, the ADM lacks confidence and trust in the Larry Vander Graaf and Joe Schalk based on his experience at GPEB over the last 12 months and the concerns identified in the review.
- Based on the concerns identified in the review regarding the leadership competencies of Larry Vander Graaf and Joe Schalk and their classification levels, there are no equivalent positions elsewhere in GPEB to place the two individuals.
- For the same reasons, placing these individuals elsewhere in government would carry the same risks.

Settlement Privilege

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Settlement Privilege

RECOMMENDATION:

It is recommended that the restructuring of GPEB's regulatory compliance functions proceed, resulting in the elimination of:

• **Settlement Privilege**

Settlement Privilege

APPROVED / NOT APPROVED

DATE:

Cheryl Wenezenki-Yolland
Associate Deputy Minister

APPROVED

DATE:

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