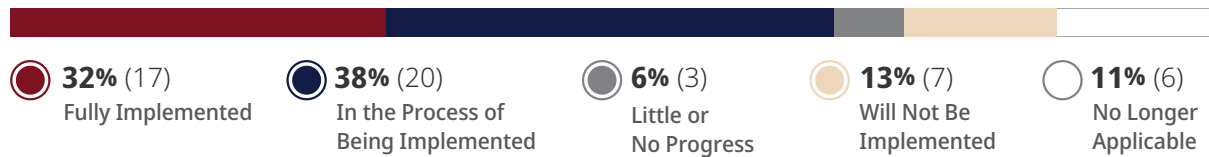


Follow-Up on the 2022 Performance Audit:

Ontario Lottery and Gaming Corporation Casinos, Lotteries and Internet Gaming

// Overall Conclusion

53 Recommended Actions



The Ontario Lottery and Gaming Corporation (OLG) and the Alcohol and Gaming Commission of Ontario (AGCO), as of November 15, 2024, have fully implemented 32% of actions we recommended in our 2022 **Ontario Lottery and Gaming Corporation: Casinos, Lotteries and Internet Gaming** audit. OLG has made progress in implementing an additional 38% of the recommendations.

OLG has fully implemented recommendations such as avoiding further reducing contracted revenue and capital commitments made by operators; developing a comprehensive strategy for the introduction of new Internet gaming products and the timeline for their introduction; assessing whether the number of its staff is reasonable in relation to OLG's current mandate and responsibilities; requiring compliance, internal audit and risk oversight functions to meet in camera with the Audit and Risk Management Committee; publishing on its website the composition of each Board committee; and each director of the Board assessing the performance of the CEO annually in writing.

However, OLG has made little or no progress on 6% of the recommendations, including seeking to obtain capital investment plan commitments as addenda to existing Casino Operating and Service Agreements and issuing casino cheques only when the funds are verified as a casino win.

Additionally, OLG will not be implementing 13% of our recommendations, including tracking and monitoring its employees' utilization and efficiency; and ensuring risk, compliance and internal audit functions have a direct reporting relationship to the Audit and Risk Management Committee. There are six recommended actions that are no longer applicable.

The status of actions taken on each of our recommendations is described in this report (see **Appendix** for more details).

// Status of Actions Taken on Recommendations

We conducted assurance work between April 2024 and September 2024. We obtained written representation from OLG and the AGCO that effective November 15, 2024, they have provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

1. Casinos

In our original audit we found that in 2019, OLG renegotiated significantly reduced revenue commitments from certain casino operators despite signed contracts already in place. OLG had no obligation to re-negotiate these contracts and accept revenue reductions. As well, contracts did not require casino operators to make the capital investments and staffing commitments they proposed in their bids.

Additionally, we found that casino operators are required to follow the AGCO standards to ensure that slot machine payouts are set at 85% or above over the life of each machine. Both OLG and the AGCO are currently relying on casino operators to self-monitor slot payouts and self-report any issues. Based on our review of January 2017 to August 2022 slot payout data, for 27,732 slot machines, 639 slot machines were paying under 85% and 83 were paying under 80%. In addition, 250 slot machines were still paying under 85% after more than 100,000 games played. We also found that OLG's Gaming Management System, which allows for remote monitoring of slot payouts for eight gaming regions, has not been implemented at the Windsor casino, so neither the AGCO nor OLG is able to remotely monitor slot payouts at this location, relying instead on reports submitted by the casino operator.

Recommendation 1: Action Items 1 and 2

To hold private-sector casino operators accountable for their contracted minimum revenue commitments, we recommend that the Ontario Lottery and Gaming Corporation:

- avoid further reducing contracted revenue and capital commitments made by operators; and
- in the future re-procure casino operators if the current operators are unable to deliver on the revenue and capital investment commitments included in their existing contracts.

Status:  Fully implemented.

Details

We found that at the beginning of 2023, OLG updated its Business Case Template, which it will use to evaluate proposals from private-sector casino operators. According to the revised Business Case Template, if a casino operator's proposal includes adjustments to the minimum revenue commitments, an analysis is required to determine if re-procurement is a viable option.

OLG indicated that one of the main reasons for revising the Business Case Template was to prevent further reductions in contracted revenue and capital commitments made by casino operators.

OLG informed us that in the future, if casino operators fail to meet the revenue and capital investment commitments outlined in their existing contracts, it will evaluate whether any of them qualify for re-procurement. According to a written statement from OLG, since updating the Business Case Template in 2023, there have been no instances of casino operators requesting reductions in their minimum gaming revenue commitments.

Recommendation 2: Action Item 1

To maximize its casino revenues and the economic benefits to the Province of having casinos in Ontario, we recommend that the Ontario Lottery and Gaming Corporation:

- seek to obtain capital investment plan commitments as addenda to existing Casino Operating and Service Agreements and hold casino operators accountable for their proposed capital infrastructure investments;

Status:  **Little or no progress.**

Details

OLG told us that it does not have unilateral rights to amend contractual agreements without the casino operator's acceptance and therefore they can only update agreements if the casino operator agrees or when they expire.

In August 2022, OLG did include a capital investment plan as an amendment to its existing agreements with one casino operator.

We found that as of March 31, 2024, 74% of the planned capital investment initiatives had been completed by all the casino operators with about \$840 million still remaining.

Recommendation 2: Action Item 2

- incorporate capital expenditure commitments in any new agreements.

Status:  **In the process of being implemented by December 2025.**

Details

We found that on April 5, 2023, OLG released a Request for Pre-Qualification (RFPQ) to seek a casino operator for the Windsor region. When a casino operator is procured, OLG plans to include the capital expenditure commitment in the new agreement with the operator. The new agreement is expected to be finalized in late 2025.

Going forward, OLG told us that it plans to incorporate capital commitments in any new agreements with casino operators.

Recommendation 3: Action Item 1

To ensure that the Province and the Ontario Lottery and Gaming Corporation (OLG) transfer the costs of non-gaming related payments for Ontario First Nations (2008) Limited Partnership to casino operators, we recommend that the Ontario Lottery and Gaming Corporation:

- include this requirement in the casino operating and service agreements with operators when negotiating any future contract amendments;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

OLG informed us that it attempted to negotiate the inclusion of the Gaming Revenue Sharing and Financial Agreement (Agreement) requirements into an existing contract with one of the casino operators. However, the casino operator did not agree to this change and wanted some form of financial value in exchange. OLG estimated the financial value requested by the operator could be higher than the 1.7% of the “aggregate gross revenue” commitment under the Agreement. Based on that, OLG informed us that it does not plan to pursue this recommendation further.

Recommendation 3: Action Item 2

- include this requirement in any future new agreement with private casino operators.

Status:  **In the process of being implemented by December 2025.**

Details

As noted earlier, on April 5, 2023, OLG released an RFPQ to seek a casino operator for the Windsor gaming region. Once a casino operator is selected, OLG intends to include the commitment to

share 1.7% of “aggregate gross revenues” with First Nations in the contract. The new contract is expected to be finalized by December 31, 2025. OLG also plans to incorporate this into all new casino operator agreements.

Recommendation 4: Action Item 1

To ensure that slot machines are paying out appropriate amounts to customers in line with the Alcohol and Gaming Corporation of Ontario’s (AGCO’s) Casino Electronic Gaming Devices and Gaming Systems Minimum Technical Standards we recommend that:

- the AGCO require credible explanations for all slot machine resets and allow resets only for software and hardware updates;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

The AGCO informed us that it has assessed the slot machine payback and offline reporting data since our 2022 audit and found that requiring slot machine operators to provide explanations for all slot machine resets is not necessary because slot machine software prevents operators from setting the payout below 85%. Therefore, the AGCO does not plan to implement this recommendation.

Based on our review of slot machine data, we found that as of December 2023, 2,617 slot machines were paying out less than the required 85% payout and 378 of these slot machines had paid out less than 80%. For slot machines that had more than 100,000 games played, 542 slot machines were paying out less than 85% and 11 slot machines were paying out under 80%.

Recommendation 4: Action Item 2

- the Ontario Lottery and Gaming Corporation support the AGCO in monitoring slot machine payout reports on a regular basis and take any required corrective actions to ensure that minimum payout standards are met;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that OLG plans to continue providing slot machine payout reports to the AGCO on a quarterly basis, to enable the AGCO to carry out its role as the regulator. As noted earlier, as of December 2023, for slot machines that had more than 100,000 games played, 542 slot machines were paying out less than 85% and 11 slot machines were paying out under 80%.

Recommendation 4: Action Item 3

- the Ontario Lottery and Gaming Corporation implement the Gaming Management System for the Windsor casino to allow for remote monitoring as soon as possible, instead of waiting until 2025;

Status:  **Little or no progress.**

Details

OLG informed us that the casino in Windsor currently operates on a proprietary system, and transitioning to the Gaming Management System would lead to removal of all data stored on the current system, including information pertinent to Responsible Gambling and Anti-Money Laundering efforts. Any new system implementation includes a plan to clean-up and transfer data from the legacy system.

OLG is in the process of securing a new long-term operating agreement for the Windsor location. As per terms of the current operating agreement with the operator, it must support the transition to OLG's Gaming Management System and connect to OLG's Central System prior to the end of the agreement.

OLG anticipates that the implementation of the Gaming Management System will be completed by March 31, 2026, under the new operating agreement. However, until such time neither the AGCO or OLG will be able to remotely monitor slot payouts at this location, relying instead on reports submitted by the casino operator.

Recommendation 4: Action Item 4

- the AGCO strengthen its oversight of electronic gaming machines in casinos, including payouts of slot machines, and conduct inspections of slot machines that are offline.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

The AGCO informed us that it believes that its slot machine payout and offline monitoring processes are sufficient. The AGCO also told us that although it maintains the necessary capabilities to conduct in-person inspections of offline slot machines, it believes its risk-based monitoring is sufficient without the need for in-person inspections. However, we believe that the AGCO's offline monitoring is not sufficient.

As noted earlier, as of December 2023, for slot machines that had more than 100,000 games played, 542 slot machines were paying out less than 85% and 11 slot machines were paying out under 80%.

2. Internet Gaming

In our original audit, we found that OLG faced significant competition from Ontario's privately operated Internet gaming sites, and the growth of OLG's Internet gaming revenues had slowed with the introduction of private-sector gaming operators. The Province received approximately 45% of OLG's Internet gaming revenue as profit, compared to only 5.7% of gaming revenue from play on private Internet platforms registered with iGaming Ontario.

We also reviewed slot payouts at casinos between January 2017 and August 2022 and noted that they paid out, on average, around 91%, and about 2.3% of the slot machines were paying under 85%, which is below the minimum theoretical payout. In contrast, from January 2021 to August 2022, Internet slot machines on OLG's website paid out, on average, about 95%. We noted that slot machine payouts were not reported publicly by casino or by region.

Recommendation 5: Action Item 1

To achieve its projected growth rates and remain competitive within the new gaming model, which includes significant private-sector competition, we recommend that the Ontario Lottery and Gaming Corporation:

- develop a comprehensive strategy on the introduction of new products and the timeline for their introduction;

Status:  Fully implemented.

Details

We found that in 2023, OLG developed a comprehensive strategy on the introduction of new products and the timeline for their introduction. As part of this strategy since our 2022 audit, OLG began introducing games every week with new features to drive engagement. Between February 1, 2024 and April 30, 2024, OLG introduced 80 new games or about six new games per week.

Recommendation 5: Action Item 2

- continue to explore options to offer more real-time games (such as poker, blackjack, etc.) in collaboration with other provinces and then implement chosen options;

Status: **In the process of being implemented by April 2025.**

Details

In June 2023, OLG established a new team to explore potential new products, including real-time games. Live games are being offered from a studio shared with other provincial lotteries, encompassing a variety of table games.

As of June 2024, OLG is exploring options for new product offerings and whether to join a national network or keep the product within a specific region. A potential implementation of the new option is expected by April 2025.

Recommendation 5: Action Items 3 and 4

- maximize the advantage of its unique position as provider of lottery products to create a stronger customer base and integrate these players into other Internet offerings; and
- follow up regularly on progress toward projected growth and make necessary adjustments to respond to market conditions to retain and grow its customer base.

Status: **No longer applicable.**

Recommendation 6: Action Item 1

To provide greater accountability and transparency to casino and Internet patrons, we recommend that the Ontario Lottery and Gaming Corporation (OLG) publicly disclose game payout data by casino, and for OLG's Internet gaming, for slots and table games.

Status: **No longer applicable.**

Details

In March 2023, OLG consulted with its casino operators to request their input and consent to publicly disclose game payout data by Casino, on an annual basis. The casino operators were not in favour of publicly disclosing game payout data claiming that it would put them at a competitive disadvantage with online gaming and each other.

3. Lottery

In our original audit, we found that OLG was not ensuring that Ontarians were aware of whether any top instant scratch ticket prizes were still available at the time of purchase of open packets of scratch tickets.

We also found that that lottery retailers who sell lottery tickets won at a 40% greater rate when compared to the general eligible population of 18 years or above.

Recommendation 7: Action Item 1

To assist the Ontario Lottery and Gaming Corporation (OLG) in achieving its lottery product performance targets, we recommend that OLG implement a plan to lower the average age of its lottery customer base by:

- conducting a study to assess the level of interest in self-serve lottery products and the reasonableness of OLG's projections of their revenue impacts;

Status: No longer applicable.

Recommendation 7: Action Item 2

- introducing lottery products aimed at younger demographics eligible to play lotteries;

Status: No longer applicable.

Recommendation 7: Action Item 3

- cross-promoting lottery products with Internet casinos and sports wagering.

Status: No longer applicable.

Recommendation 8: Action Items 1 and 2

To prevent consumers who are unaware that the top prizes have all been won from continuing to purchase scratch tickets, we recommend that the Ontario Lottery and Gaming Corporation:

- implement a process to track instant scratch tickets more closely by requiring bar codes that retailers must scan for inventory tracking purposes; and

- disable bar codes once the top prizes have all been won to prevent the remaining tickets from being sold.

Status:  **In the process of being implemented by June 2027.**

Details

We found that to prevent retailers from selling open packets of scratch tickets after receiving notifications to cease sales, OLG will require the implementation of a single ticket barcode technology.

OLG informed us that it is currently in the planning stages to incorporate this technology into its new Lottery technology platform, which it aims to implement by June 2027. In the meantime, OLG informed us that it will continue with current practices of recalling the product from the market.

On May 29, 2024, the OLG's Board of Directors approved funding for the new lottery system that will include the single ticket barcode and on May 31, 2024, the OLG released the request for proposal to procure the system. Once implemented, this technology will enable OLG to closely track instant scratch tickets and stop further sales once the top prizes have all been won.

Recommendation 9: Action Item 1

In order to protect the integrity of its lottery products, we recommend that the Ontario Lottery and Gaming Corporation (OLG):

- regularly monitor the frequency and prize share amounts of insiders (including retailers) in comparison to the general public;

Status:  **In the process of being implemented by December 2024.**

Details

Lottery retailers are not allowed to play at their own location, but may participate at other stores or on OLG's website. OLG plans to start separately tracking retailer wins and comparing them to the general public starting in December 2024.

Recommendation 9: Action Item 2

- review its controls around OLG lottery retailer wins and take corrective actions.

Status:  **In the process of being implemented by December 2025.**

Details

We found that in August 2023, OLG's Internal Audit completed a review of OLG's controls around lottery retailer wins. Although the review did not identify any significant control gaps, it did note opportunities to strengthen controls and/or enhance their effectiveness.

The enhanced controls noted in the review included: better monthly prize share monitoring activities (retailer versus general public); a retailer training program with enhanced content surrounding retailer fraud and mandatory procedures; regularly updating of the insider database; and considering performing an audit of retailers' employee listings on a sample basis.

OLG informed us that it will review the recommendations made by OLG's Internal Audit Advisory review and take necessary actions as required by December 31, 2025.

4. Corporate Services

In our original audit, we found that in June 2021, OLG management engaged an external consultant to perform a capacity assessment and forecast OLG's optimal future workforce and team size to meet its business strategy. The consultant concluded that OLG has a lower number of Full-Time Equivalents (FTEs) per \$1 billion revenue than industry benchmarks. We noted, however, that the industry average used in the assessment was not an appropriate basis for comparison as it included data from other provincial gaming agencies such as Loto-Québec and the Atlantic Lottery Corporation, which operate their own casinos. In 2016, OLG outsourced the day-to-day operations of casinos to private operators and reduced direct personnel costs across all OLG divisions.

We also found that, while OLG has performance plans in place for employees, it did not track employee efficiency or utilization measures outside of its core operational areas (which account for about one-third of OLG's total staff) of its call centre (average time per call), distribution centre (packages per hour) and prize centre (cases closed per hour).

Recommendation 10: Action Item 1

To support the Ontario Lottery and Gaming Corporation's (OLG's) efforts in using its resources efficiently, we recommend that OLG:

- assess whether the number of its staff is reasonable in relation to OLG's current mandate and responsibilities;

Status:  **Fully implemented.**

Details

We found that in June 2023, OLG assessed the appropriateness of its staffing numbers relative to its mandate and responsibilities, with a recommendation to its Board of Directors to reduce its employees to 1,440 from its full complement of 1,592. A 152 FTE reduction. The recommendation was approved and as of June 2024, OLG has reduced its staffing to below the 1,440 FTE threshold.

Recommendation 10: Action Item 2

- track and monitor employee utilization and efficiency for all employees.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

The OLG informed us that it is satisfied with its employee utilization tracking and monitoring processes, which includes an annual rating of employees based on their performance evaluations in relation to goals and objectives with measures defined at the beginning of the year. Therefore, it does not plan to make additional changes in response to our recommendation. As noted in our 2022 audit, OLG did not track employee efficiency or utilization measures outside of its core operational areas, which account for about one-third of OLG's total staff.

Without knowledge of employee workload and utilization, it is difficult for management to identify efficiencies or inefficiencies within its workplace.

5. Public Reporting

In our original audit, we found that OLG did not measure and publicly report on its progress on responsible gambling, job growth, capital investments by gaming regions and sites, integrity of gaming and anti-money laundering activities.

We also found that aside from reporting on the net profit to the Province, OLG did not report publicly on overall private capital investments in its latest annual report and did not measure progress of capital investments against capital plan projections of casino operators by gaming region or against OLG's privatization goals for capital investments.

Additionally, we found that prior to 2021/22, in OLG's audited financial statements, gross casino gaming revenue was shown separately before any deduction of casino operator fees. However,

starting with the 2021/22 financial statements, casino gaming revenue was presented net of all casino operator fees.

We also noted that that OLG did not allocate its corporate costs to its three lines of business (Lottery, Land-based Gaming and Digital) when calculating net profit to the Province.

Recommendation 11: Action Items 1, 2 and 3

To effectively monitor its performance against its mandate and inform the public of its effectiveness and the impact of the privatization of casino operations, we recommend that the Ontario Lottery and Gaming Corporation:

- develop meaningful performance indicators on all key objectives (including integrity of gaming and anti-money laundering);
- set reasonable targets on all key objectives to compare actual results against; and,
- report the results publicly.

Status:  **In the process of being implemented by November 2025.**

Details

We found that since our 2022 audit, OLG plans to start publicly reporting three performance indicators with set targets, specifically, a customer satisfaction score, enterprise player health index (measuring risk of problem gambling) and an anti-money laundering health index (based on various reporting or regulatory issues). OLG plans to publish the measures and relevant targets in its 2025-2028 Business Plan, with the results to be reported starting in its 2025 annual report.

Recommendation 12: Action Item 1

To demonstrate the impact of its Modernization Plan (privatization) on the financial position of the Ontario Lottery and Gaming Corporation (OLG), we recommend that OLG summarize and publicly report the additional financial benefits to the Province that have been achieved through privatization.

Status:  **In the process of being implemented by January 2025.**

Details

We found that OLG plans to include information about the additional financial benefits to the Province achieved through privatization in its fiscal 2024 annual report, scheduled for publication

in January 2025. This will include details such as overall private capital investments made by casino operators by gaming region, and job numbers.

Recommendation 13: Action Item 1

To inform Ontario taxpayers of the fees paid to private operators, we recommend that in its financial statements for the year ending March 31, 2023, and going forward, the Ontario Lottery and Gaming Corporation present gross casino gaming revenues before deducting fees to private casino operators and show the fees as a separate item under Expenses on the Consolidated Statement of Comprehensive Income.

Status:  **Fully implemented.**

Details

We found that in its consolidated financial statements for the years ended March 31, 2022, and March 31, 2023, OLG introduced the presentation of casino operator fees as a distinct line item. These fees are deducted from gross Gaming Revenue to determine Net Gaming Revenue. OLG informed us that it intends to maintain the separate presentation of casino operator fees in its financial statements moving forward.

Recommendation 14: Action Item 1

To accurately inform Ontario taxpayers of the net profit to the Province from the Ontario Lottery and Gaming Corporation's (OLG's) lines of business, we recommend that, in its financial statements for the year ending March 31, 2023 and going forward, OLG disclose an allocation of all corporate costs to its three lines of business when calculating net profit to the Province.

Status:  **In the process of being implemented by December 2025.**

Details

We found that OLG plans to include the allocation of its corporate costs among its three lines of business: Lottery, Land-based Gaming, and Digital in its fiscal March 31, 2025 financial statements, slated for publication by December 31, 2025.

6. Responsible Gambling

In our original audit, we found that OLG's self-exclusion program was not integrated with charitable gaming. Problem gamblers who self-exclude from casinos and Internet gaming would still be able to play at bingo halls.

We also found that the limit-setting tools were optional, and despite the significant increase in Internet players since 2019/20, new players were generally not using the limit options available.

Additionally, we found players who self-exclude from OLG's Internet gaming platform are not automatically self-excluded from casino gaming sites. They can still access Internet gaming platforms operated by iGaming's private Internet gaming operators.

Recommendation 15: Action Item 1

To effectively address and reduce problem gambling, we recommend that the Ontario Lottery and Gaming Corporation (OLG):

- integrate self-exclusion programs across OLG products, including charitable gaming;

Status:  In the process of being implemented by December 2026.

Details

We found that OLG is awaiting the establishment of a centralized self-exclusion platform for all iGaming sites by iGaming Ontario, including the OLG website. At the time of our follow-up, iGaming Ontario was planning to procure a new IT system for the centralized self-exclusion platform and informed us that it expects the new platform will be implemented by December 2026. As of September 2024, OLG has also started integration of its self-exclusion program with charitable gaming operations, such as bingo halls, and plans to have this implemented by December 2026.

In September 2023, OLG researched best practices to facilitate the next steps for integration of OLG's self-exclusion program across its different lines of business, including bingo halls and online gaming. In March 2024, OLG also completed an initial assessment of the impact that such integration will have on its IT systems.

Recommendation 15: Action Item 2

- encourage the use of limit-setting tools for players rated at high risk for problem gambling and monitor the use of limit-setting tools.

Status:  In the process of being implemented by March 2025.

Details

We found that during 2023 and 2024, OLG launched a series of targeted PlaySmart player education campaigns to increase PlaySmart awareness and encourage the use of responsible gambling tools, including loss limits.

OLG has also continued to monitor the use of limit-setting tools and the latest data shows that, as of March 31, 2024, the percentage of active players using the casino loss limits tool has increased from 11% in June 2022 to 18% in March 2024. In addition, in early 2024, OLG began a player education campaign that encourages use of limit-setting tools and targets high-risk digital players. Use of the loss limits tool has to continue to increase as at March 31, 2025, to assess this recommended action as being fully implemented.

Recommendation 16: Action Item 1

To support problem gamblers, we recommend that the Ontario Lottery and Gaming Corporation work with iGaming Ontario to share information to prevent self-excluded individuals on the OLG.ca site and iGaming Ontario-approved operators' sites from accessing gaming activities on each of the two sites.

Status:  **In the process of being implemented by December 31, 2026.**

Details

We found that since our 2022 audit, OLG is working with iGaming Ontario on a centralized self-exclusion platform. Specifically, in June 2023, OLG provided input into iGaming Ontario's centralized self-exclusion policy. In November 2023, OLG held three meetings with iGaming Ontario to determine OLG's input required to accelerate the establishment of the centralized self-exclusion platform. As mentioned, on August 1, 2024, (see **Recommendation 15**) iGaming Ontario announced that it has procured a new IT system for the centralized self-exclusion platform with implementation schedule by the end of 2026.

7. Money Laundering

In our original audit, we found that Ontario casinos do not verify the source of funds from patrons using large amounts of cash, which risks undetected money laundering activities. In contrast, British Columbia casinos are required to obtain proof of the source of funds for casino transactions, in cash and cash equivalents, of \$10,000 or more.

We also found that OLG's *Money Laundering/Terrorist Financing Risk Assessment Framework* notes that there is an inherent risk that casino cheques can give the appearance that the money comes from

legitimate casino winnings. In its review of casino cheques issued between April 2018 and March 2020, OLG found 257 cheques for \$3,000 or more were issued without evidence of play verification in the OLG's anti-money laundering system.

We also found that resort casinos (Casino Rama, Casino Windsor, Casino Niagara and Fallsview Casino) are directly reporting transactions to FINTRAC. OLG's reporting team reviews and tracks all resort casino filings after they have been filed, and may require re-filing where missing information or errors are found. Since June 2018, OLG had requested that 358 FINTRAC reports related to resort casinos be re-filed.

OLG's trespass program prohibits patrons from accessing gaming sites and services if it is believed that a patron presents a significant risk to OLG of fraud, money laundering or financial crime. In our original audit, we found that from July 2019 to June 2022, OLG issued 232 trespass orders.

The audit also noted that reporting of suspicious transactions is low and varies among casinos. We found that the value of suspicious transactions reported was less than 1% of revenues in 19 of 27 casinos. In comparison, the value of suspicious transactions reported for three Ontario casinos accounted for more than 15% of their revenues.

Recommendation 17: Action Item 1

To reduce the risk in Ontario of money laundering through casinos run by private sector operators, we recommend that the Ontario Lottery and Gaming Corporation, in conjunction with the Alcohol and Gaming Commission of Ontario, implement for all casino operators the requirements to:

- obtain proof of source of funds at buy-in for cash and cash-equivalent transactions for amounts of \$10,000 or more;

Status:  **In the process of being implemented by December 2025.**

Details

We found that in November 2023, OLG updated its casino IT system to prompt staff to request and document the source of funds whenever a cash transaction of \$10,000 or more occurs, or when the aggregate of cash transactions conducted by a patron totals \$10,000 or more within the same gaming day. Staff are required to document the source of funds before being able to proceed to the next step in processing the transaction. However, based on our review of the system data, the proof of funds was frequently not obtained or documented. To ensure proof of funds is obtained and documented, OLG will co-ordinate with private-sector partners to provide key site staff with training on investigation and interviewing techniques by December 31, 2025.

Recommendation 17: Action Item 2

- issue casino cheques only when the funds are verified as a casino win and clearly indicate on the cheques that the amounts are for verified casino wins.

Status:  Little or no progress.

Details

We found that in January 2024, OLG started to require that cheques issued by casino operators include either “Verified Casino Win” or “Verified Casino Play” to distinguish patron winnings from undetermined funds. However, the new OLG policy still allows casinos to issue cheques without verifying a casino win.

Recommendation 18: Action Item 1

To reduce the risk of money laundering in casinos and to provide accurate and reliable reporting to FINTRAC, we recommend that the Ontario Lottery and Gaming Corporation:

- collect suspicious transaction reports from resort casinos and file them as part of OLG’s reports to FINTRAC;

Status:  In the process of being implemented by December 2027.

Details

We found that OLG is in the process of procuring a new system for reporting all suspicious transactions to FINTRAC, including those that are currently directly reported by resort casinos to FINTRAC. OLG expects to procure and begin implementation of the new system by December 2025, with an estimated completion date of December 2027.

Recommendation 18: Action Item 2

- proactively investigate and issue trespass notices to individuals who have been involved in multiple suspicious transactions reported by casino operators.

Status:  Fully implemented.

Details

As of April 1, 2024, OLG has issued trespass notices to 113 patrons. Of these, 41 were issued in the last fiscal year between April 1, 2023, and March 31, 2024. Additionally, from June 2022 to April 30, 2024, OLG proactively identified 33 patrons for in-depth source of funds interviews with an OLG investigator and issued trespass orders to 12 patrons after the interviews.

According to OLG, some trespass notices are deferred at the request of law enforcement until charges are laid, as issuing a proactive trespass could interfere with ongoing investigations.

Recommendation 19: Action Item 1

To improve the controls that casinos have in place to reduce the risk of money laundering, we recommend that the Ontario Lottery and Gaming Corporation:

- monitor casino operator compliance with the anti-money laundering guidance for issuing cheques;

Status:  **In the process of being implemented by April 1, 2025.**

Details

We found that OLG introduced a new cheque issuance policy for casino operators, effective January 1, 2024. In addition to existing play verification for cheques above \$3,000, the new policy, for example, requires that when a cheque is issued to a patron it will be printed or stamped with either “Verified Casino Win” or “Verified Casino Play.” The new policy also requires that “Verified Casino Win” cheques require the operator to determine, with certainty, the amount of a patron’s win.

OLG informed us that, in fiscal 2025, it plans to conduct audits of casino operators as part of its mandatory two-year effectiveness review under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. As part of these audits, OLG plans to assess the processes and controls related to Anti-Money Laundering and compliance with cheque issuance policy for casinos selected using a risk-based approach.

Recommendation 19: Action Item 2

- work with the AGCO as the regulator, to have the AGCO inspect casinos that are found to be non-compliant with provincial anti-money laundering requirements, and conduct

analysis around suspicious transaction report filings by casino site to identify outliers and potential areas for training casino staff on the risks of money laundering.

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

We found that in June 2023, OLG established a working group with the AGCO and the Ontario Provincial Police focused on discussing emerging anti-money laundering risks and mitigating strategies.

However, OLG has not established a plan to have the AGCO inspect casinos that are found to be non-compliant with provincial anti-money laundering requirements and analyze suspicious transaction report filings by casino site to identify potential areas for training casino staff on the risks of money laundering. According to OLG, it defers to the independent discretion of the AGCO, as the regulator, to determine what regulatory activities will be undertaken if casinos are found to be non-compliant with provincial anti-money laundering requirements.

8. Board Governance

Over the Last Five Years, OLG's Board Has Not Retained Direct Independent Advice on Any Matter

In our original audit, we found a number of instances where OLG's Board of Directors would have benefited from directly retaining an independent advisor, but instead relied on management or on advisors retained by management to assist on issues such as investigations involving executives, executive compensation reviews, and related-party transactions involving senior management or directors of the Board.

Recommendation 20: Action Item 1

To improve its Board's oversight with independent advice, we recommend that the Ontario Lottery and Gaming Corporation Board:

- directly hire its own independent advisors that report to the Board to facilitate the evaluation of the Board, and to assist on issues such as investigations, executive compensation reviews, and related-party transactions involving senior management or directors of the Board;

Status:  **Fully implemented.**

Details

We found that in 2023, OLG's Board of Directors directly engaged four independent advisors to assist on specific issues. In April 2023, an independent advisor was hired to assist with Human Resource matters, and in May 2023, two other independent advisors were engaged, one to assist with litigation oversight and another to address matters related to executive compensation. In November 2023, the Board also retained an independent consultant to evaluate its own performance.

Recommendation 20: Action Items 2 and 3

- review OLG staffing needs and consultant use to assess why internal senior management and staff rely heavily on external consultant advice; and
- oversee the implementation of staffing plans to strengthen OLG's ability to conduct their own operational projects.

Status:  In the process of being implemented by December 2024.

Details

As noted earlier, in June 2023, OLG assessed the appropriateness of its staffing numbers relative to its mandate and responsibilities, with a recommendation to its Board of Directors to reduce its employees to 1,440. OLG informed us that its Board has mandated Internal Audit to review OLG's consulting spend. The Board will then determine next steps in response to these recommendations in December 2024.

Recommendation 21: Action Item 1

To ensure independent financial auditing advice is received from its external auditor, we recommend that the Ontario Lottery and Gaming Corporation Board:

- discontinue contracting for non-audit related services with the incumbent external auditor;

Status:  Fully implemented.

Details

We found that in February 2023, OLG established a policy defining permitted services for the external auditor in accordance with the rules regarding auditor independence as outlined in the Chartered Professional Accountants Code of Professional Conduct. As part of the policy, OLG

has added an annual maximum fee of \$200,000 for non-audit services for their external auditor. Additionally, OLG confirmed to us that during fiscal year 2023, it did not engage their external auditor for any consulting services.

Recommendation 21: Action Item 2

- to address over-tenuring for external audit services, direct its Audit and Risk Committee, prior to the expiration of the current agreement with their incumbent external auditor, to issue a request for proposal for audit services to be provided by an external auditor with the necessary independence, breadth, resources and capabilities, in the judgment of the Audit and Risk Committee.

Status:  **Fully implemented.**

Details

We found that in October 2023, OLG issued a public request for proposal for external auditor; and noted that the incumbent auditor was the sole applicant. As a result, in February 2024, OLG awarded the incumbent auditor to once again provide external audit services.

According to OLG's new policy outlining permitted services for the external auditor, the external audit partners (Lead Engagement partner, Engagement Quality review partner, or the Key Audit Partner) responsible for OLG's financial statement audit cannot serve in that role for more than seven years, unless approved by the Audit and Risk Committee.

Oversight Functions Not Properly Reporting Directly to the Board

In our original audit, we found that OLG's assessment of its financial and non-financial risks and the related risk mitigation policies were not formally reviewed and approved by the Board.

We also found that the compliance function did not have a direct reporting relationship to the Audit and Risk Management Committee of the Board.

Recommendation 22: Action Item 1

To improve risk governance, we recommend that Ontario Lottery and Gaming Corporation (OLG) Board:

- review and annually approve the Risk Appetite Framework, including risk assessment and mitigation for all material financial and non-financial risks;

Status:  **Fully implemented.**

Details

We found that in June 2023, the OLG Board reviewed and approved the Risk Appetite Framework. We also found that on a quarterly basis the Audit and Risk Management Committee of the Board receives reports on the risk assessment and mitigation for all material financial and non-financial risks.

OLG informed us that moving forward, its Board will conduct an annual review and approval of the Risk Appetite Framework.

Recommendation 22: Action Item 2

- ensure that risk, compliance, and internal audit functions, on a go-forward basis, have a direct reporting relationship to the Audit and Risk Management Committee and to the OLG Board;

Status:  **Will not be implemented.**

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

While the internal audit function reports directly into the Audit and Risk Management Committee, the risk and compliance functions continue to report into the President and CEO of OLG.

Recommendation 22: Action Item 3

- require compliance, internal audit and risk oversight functions to meet in camera with the Audit and Risk Management Committee at each regularly scheduled meeting to provide updates on risks, compliance and internal controls.

Status:  **Fully implemented.**

Details

Since May 2023, the OLG's compliance, internal audit and risk oversight functions meet in camera with the Audit and Risk Management Committee on a quarterly basis. In addition, the Chief Financial and Risk Officer has in camera sessions with the Board on a quarterly basis.

OLG Board Competencies Not Validated and Board Continues to Lack Certain Skills

In our original audit, we found that OLG maintains a board competency/skills matrix, but the matrix does not include relevant operational experience in, for example, cybersecurity or anti-money laundering.

We also found that the disclosure of governance standards and practices on OLG's public website was inadequate. The website did not include any information about Board committee membership or who chairs each committee.

Recommendation 23: Action Item 1

For the Ontario Lottery and Gaming Corporation Board to have the level of expertise needed to be effective in its oversight, we recommend that the Board update the Board director competency/skills matrix to include cybersecurity, anti-money laundering and other relevant operational experience.

Status:  **Fully implemented.**

Details

We found that OLG updated its director competency/skills matrix. The matrix now mentions cybersecurity, anti-money laundering and other relevant operational experience, such as digital and information technology. These key competencies/skills are presented separately on the matrix to ensure the Board has the necessary expertise in each of these areas.

Recommendation 24: Action Items 1 and 2

To improve the transparency and accountability of Ontario Lottery and Gaming Corporation (OLG) Board governance, we recommend that OLG publish on its website:

- the composition of each committee, including the names of each Committee Chair and the Committee members; and
- the areas of expertise for each committee and Board member.

Status:  **Fully implemented.**

Details

We found that in June 2023, OLG updated its website (OLG.ca) to showcase the composition of each of its Board committees, including the chairs and members. The respective areas of expertise for each member is included in their individual profiles.

CEO Evaluation, and Executive Compensation and Bonus Awarding Fall Short of Best Practices

In our original audit, we found that there was no documented evidence that each Board director assesses the CEO's performance annually.

We also found that from 2019/20 to 2021/22, all OLG executives (vice-presidents, senior vice-presidents and the CEO) received bonuses without a direct link to outstanding performance. In addition, our audit noted that independent risk, compliance and internal audit functions were compensated based on company results, which is against best practice.

Recommendation 25: Action Item 1

To enable the Ontario Lottery and Gaming Corporation (OLG) Board to provide effective oversight for OLG's Chief Executive Officer (CEO) and executive compensation structure, we recommend that:

- each director assesses the performance of the CEO annually in writing;

Status:  **Fully implemented.**

Details

We found that in March 2023, OLG implemented a new Chief Executive Officer (CEO) performance evaluation process. This revised process requires each Board member to conduct a written assessment of the CEO's performance. For fiscal year 2023, all Board members completed their evaluations and submitted them to the Board chair.

Recommendation 25: Action Item 2

- the OLG Board set appropriate incentive pay for executive employees based on exceptional performance;

Status:  **Fully implemented.**

Details

We found that in mid-2023, an external expert consultant completed a review of the Executive Variable Pay Plan. The consultant recommended a new performance ratings system for setting incentive pay for executive employees with better alignment and allocation to overall financial, divisional and individual performance.

In December 2023, the OLG Board adopted the new performance ratings system and for fiscal 2024 to set incentive pay for executive employees based on exceptional performance.

Recommendation 25: Action Item 3

- the risk, compliance and internal audit functions be compensated primarily on the basis of base salary, and that any incentive compensation be based solely on assurance responsibilities.

Status:  Fully implemented.






Details

We found that during the review of OLG's Executive Variable Pay Plan, as previously mentioned, the consultant recommended reducing, but not eliminating, the weighting of financial measures for independent risk, compliance, and internal audit staff.

In December 2023, the OLG Board approved these recommendations. Commencing in fiscal year 2024, compensation for OLG's independent risk, compliance, and internal audit staff will primarily be based on their base salary, which will constitute 85 to 94% of their total compensation, depending on the position.

// Appendix

Recommendation Status Overview

	# of Action Items	Fully Implemented 	In the Process of Being Implemented 	Little or No Progress 	Will Not Be Implemented 	No Longer Applicable 
Recommendation 1	2	2				
Recommendation 2	2		1	1		
Recommendation 3	2		1		1	
Recommendation 4	4			1	3	
Recommendation 5	4	1	1			2
Recommendation 6	1					1
Recommendation 7	3					3
Recommendation 8	2		2			
Recommendation 9	2		2			
Recommendation 10	2	1			1	
Recommendation 11	3		3			
Recommendation 12	1		1			
Recommendation 13	1	1				
Recommendation 14	1		1			
Recommendation 15	2		2			
Recommendation 16	1		1			
Recommendation 17	2		1	1		
Recommendation 18	2	1	1			
Recommendation 19	2		1		1	
Recommendation 20	3	1	2			
Recommendation 21	2	2				
Recommendation 22	3	2			1	
Recommendation 23	1	1				
Recommendation 24	2	2				
Recommendation 25	3	3				
Total	53	17	20	3	7	6
%	100	32	38	6	13	11