STANDING COMMITTEE ON PUBLIC ACCOUNTS

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

Mr. Harry Van Mulligen, Chair
Regina Douglas Park

Mr. Warren Michelson, Deputy Chair
Moose Jaw North

Mr. Fred Bradshaw
Carrot River Valley

Mr. Michael Chisholm
Cut Knife-Turtleford

Mr. Jeremy Harrison
Meadow Lake

Mr. John Nilson
Regina Lakeview

Mr. Jim Reiter
Rosetown-Elrose

[The committee met at 09:30.]

The Chair: — Good morning, everyone. We are meeting as the Public Accounts Committee, and before we get to the business at hand, I just want to note that Ms. Laura Ross will be sitting in for Mr. Jim Reiter, and welcome to you. Also I want to make note of a memo from the committee administrator in which he attaches a report of public losses from the Provincial Comptroller's division. So that memorandum will be tabled with the committee.

Saskatchewan Liquor and Gaming Authority

The Chair: — The item on the agenda that we have today is consideration of estimates for the Saskatchewan Liquor and Gaming Authority. Joining us is Barry Lacey. He's the president and CEO [chief executive officer] of SLGA [Saskatchewan Liquor and Gaming Authority]. And I wonder, Mr. Lacey, if you might introduce the officials that are with you here today and then we'll go to the auditor's office for their comments, and then back to you.

Mr. Lacey: — Thank you, Mr. Chair. On my right is Rod Wiley, SLGA's vice-president of corporate services and chief financial officer. On my left, Jolene Tytlandsvik, vice-president of gaming operations. And sitting behind me is Jim Engel, vice-president of policy and planning. Thank you.

The Chair: — Thank you very much. And I guess we'll go to Mr. Heffernan. Mr. Heffernan.

Mr. Heffernan: — Thank you, Mr. Chair. Liquor and Gaming operates retail liquor stores and video lottery terminals. It also owns and manages the slot machines at the Saskatchewan Indian Gaming Authority casinos.

In part A of this chapter we make one new recommendation and repeat three recommendations from our previous reports. We recommend that Liquor and Gaming establish adequate processes to monitor SIGA's [Saskatchewan Indian Gaming Authority Inc.] compliance with casino revenue and cash reconciliation procedures to safeguard public money at new casinos.

The revenues from slot machines in SIGA's casinos belong to Liquor and Gaming. We expected Liquor and Gaming to have monitoring processes to ensure that new casinos follow the required revenue and cash reconciliation procedures to ensure all cash was deposited in the bank accounts. During the first few months of Dakota Dunes's operations, SIGA employees did not complete daily revenue and cash verification procedures for money received from, for example, slot machines and automated teller machines. These procedures help to ensure public money is not lost or stolen.

Liquor and Gaming did not have adequate monitoring process to know that staff at Dakota Dunes did not follow the required procedures. Accordingly Liquor and Gaming did not know public money went missing. And as a result, we cannot determine if there was a loss of public money at Dakota Dunes.

We continue to make three recommendations that your committee has concurred in at previous meetings. These are recommendations that Liquor and Gaming improve employee training so that they understand and follow approved policies and procedures to reduce the risk of losses or theft at liquor stores, follow its approved information technology policies and procedures, and prepare and approve a complete business continuity plan.

On page 274, we provide an update on three recommendations previously made by your committee that are not yet implemented. These recommendations relate to our 2006 audit of Liquor and Gaming's processes to encourage responsible use of beverage alcohol. We plan to follow up on these recommendations later this year.

Part B of our chapter on the Saskatchewan Indian Gaming Authority starts on page 277. In this chapter, we make three new recommendations and repeat five recommendations from our previous reports. In recommendation one, we recommend that SIGA establish adequate processes to control its ancillary operations, i.e., [that is to say] gift shops, restaurants, and lounges. We found that SIGA employees set sale prices without evidence of management's approval.

In recommendation two, we recommend that SIGA prepare a complete disaster recovery plan and assess the need for a business continuity plan. The disaster recovery plan would help ensure SIGA can continue to provide IT [information technology] services in the event of a disaster. A business continuity plan would help SIGA recover critical business functions in the event of a disaster.

In recommendation three, we recommend that SIGA provide adequate training and supervision to employees at new casinos on established processes to safeguard public money, and this is the issue that I mentioned previously on Liquor and Gaming.

To reduce the risk of loss of public money, SIGA has established processes requiring finance employees to verify daily that all money is received, recorded, and deposited. However in the new Dakota Dunes Casino, for several months employees did not complete daily revenue and cash verification procedures for money received from, for example, slot machines and table games and automated teller machines. These procedures help to ensure public money is not lost or stolen.

We continue to make five recommendations that your committee has concurred in at previous meetings. These recommendations are that SIGA approve an information technology strategic plan, establish policies and procedures to ensure its books and records reflect its business operations and their support for all transactions, establish rules and procedures to ensure that employees comply with established policies, complete and implement its human resource plan, and prepare and provide to the board more information on the effectiveness of SIGA's training activities.

I should mention that that seems like a lot of recommendations, but there was at one point a few years ago where we had 30 recommendations, Mr. Chair, that were outstanding. And now we're down to six that we're repeating, or five that we're

repeating. So it's a good improvement. Thank you.

The Chair: — Mr. Lacey.

Mr. Lacey: — Thank you. I only have a couple of short comments in my opening remarks. SLGA accepts the Provincial Auditor's recommendations. We appreciate the work done by the auditor, and we have or are in the process of implementing all the recommendations that he's raised in his report.

Secondly, regarding the Saskatchewan Indian Gaming Authority, we are pleased that the auditor continues to note the progress that SIGA's making. SIGA continues to evolve as an organization. As you may know, they recently opened the Living Sky Casino in Swift Current, and today a number of us will be attending the grand opening of the new Painted Hand Casino in Yorkton. While SIGA's net revenues have grown year over year, SIGA remains focused on improving its operations. As some of you may be aware, SIGA recently received the top award for governance excellence for the non-profit sector issued by the Conference Board of Canada. I received that in the last month here or so.

So we at SLGA remain committed to continue to work with SIGA to address the remaining outstanding areas that the Provincial Auditor notes in his report. And with that, I and my officials would be happy to answer any questions you may have of us. Thank you.

The Chair: — Thank you very much, Mr. Lacey. Are there any questions? Mr. Chisholm.

Mr. Chisholm: — The perhaps unfortunate situation at Dakota Dunes where there was some lack of control, I wonder if you could just tell us what happened on the opening of the most recent casino, and if those kinds of problems reoccurred or whether somehow there was some progress made.

Mr. Lacey: — Thank you for that question. As noted in the Provincial Auditor's report there, well there was a plan in place with Dakota Dunes to facilitate a smooth opening of that casino. There were some issues, particularly with respect to the reconciliation area, procedures with respect to that new casino. Lessons were learned from that with respect to the opening of the new Living Sky Casino, and a number of things I guess were implemented to improve that opening process.

Firstly, a more comprehensive training program was put in place with respect to the new employees of that Living Sky Casino. A training program was in place for Dakota Dunes, but a much more comprehensive program was put in place with Living Sky — particular emphasis around the reconciliation training program for finance staff at the Living Sky Casino, and finance staff and management at head office, the oversight function there. More attention was paid to that with respect to follow up soon after the opening.

And SIGA also had their internal auditor go in shortly after the opening of that casino, with one or two days to verify that the procedures were being followed where we had issues with respect to the Dakota Dunes opening, and maybe just some specific pieces, lessons learnt, that were added to the new process.

The new staff at the Living Sky Casino, they actually spent some time working at the other SIGA casino sites prior to the opening of the Living Sky Casino. So they actually had some experience working at a casino and working with experienced staff.

As I mentioned, there was more comprehensive training with respect to the reconciliations. Finance staff from the other sites actually came in and helped support the Living Sky staff at the casino site for the first couple of weeks, once again to provide that experience base and to provide explanations with respect to questions that might arise with respect to the reconciliation process.

And as I mentioned, SIGA's internal auditor was in also shortly after that opening. So we're confident that the process at Living Sky went much smoother. And the issues that we saw at Dakota Dunes were addressed in the Living Sky opening.

Mr. Chisholm: — Thank you.

The Chair: — So I don't have any questions. No further questions? No?

Mr. Michelson: — Mr. Chair, if I could please.

The Chair: — Mr. Michelson.

Mr. Michelson: — Just if you would maybe comment on the information technology that you're doing. I notice that part of the report indicated that there was some lack of following policies as far as adjusting the accounts when people left or left the business, they still weren't taken off the list.

Mr. Lacey: — The incident being referred to would be the items noted in the auditor's report where we had a number of staff that were no longer working with the authority that continued to have access to systems.

I guess the first comment I would like to make around that, while we certainly had a break in our control process here, it's not necessarily as bad as it sounds. The practices weren't as sound as they should have been. There's actually two levels of control access here. The first level that a person has to go through at SLGA with respect to accessing our systems is to get onto the SLGA network. So there's a password process and a security process to get there. Once you get there, then you have the opportunity to access certain applications, for example, perhaps the GL [general ledger] system. And there's another set of password controls around that piece.

Where we had a control breakdown here was in the secondary system access piece. So the individual's access with respect to getting onto the network had been removed, but we hadn't taken that additional step to remove access to the application pieces. So the individual couldn't . . . the individuals in question here couldn't have accessed our systems without having to essentially hack into our network and then provide the access. We can also confirm that access did not occur at this point in time.

However the auditor did raise an area we thought we had a control process in place that was working effectively that

wasn't. So upon being notified by the auditor's office of that deficiency, we immediately removed the access controls with respect to those individuals, and we also implemented a secondary control process. The process we have in place and had in place was that when an individual left the organization, IT was to be notified, such that access controls could be removed.

We've added a second process now, that IT on a regular basis checks with the HR [human resources] records to determine who's still on staff or not. It's kind of a second check process to catch anything that falls through the gaps, which did occur in this instance.

Mr. Michelson: — With your business continuity plan, it says, since our spring report of 1997, and I would trust that this is being worked upon as we go ahead. Would you like to comment on that?

Mr. Lacey: — Yes, as you mentioned this has been a process that has been in place for some time. Has it gone slower than in some cases, has it gone as quick as we would like in some cases? No it hasn't, but we do continue to make work on this and make progress on moving forward with respect to our business continuity planning and our disaster recovery planning processes. We do believe this is a critical part of our overall control framework.

In terms of where we're at today, because progress has been made, we're currently finalizing the requirements necessary for us to move from where we're at right now — which is basically a best efforts recovery; if something should happen, we will scramble to do our best to recover that information and move on — to a place where we're in a state of readiness that we can respond within seven days and be back up operating as normal. And we think we have enough product in the channel, so to speak, that we can go for seven days, and it won't be a noticeable disruption of service to the public for seven days.

And where we're at in the process right now, is we are moving to selecting an IT disaster recovery vendor who will help provide that service to us. And we expect that RFP [request for proposal] process to be completed sometime this spring. So that will be a major hurdle for us. And I guess I will report back to the committee that progress continues to be made on this piece, and hopefully we will be in a place where we have a better disaster recovery plan than what we have right now, within the next year, year and a half.

Mr. Michelson: — Thank you.

Mr. Chisholm: — Oh yes, I've just got a quick one that I just thought of. Information Technology Office that the government provides services, do you employ their services within your organization?

Mr. Lacey: — The ITO's [Information Technology Office] services are primarily focused, I understand, on executive government. So as a Treasury Board Crown corporation, we have our own IT shop. That's not to say that we don't have discussions with the ITO, and where there is opportunities for us to work together or to take standards that they're applying to executive government and apply them to ensure consistency, we

certainly work with them from that perspective.

Mr. Chisholm: — Thank you.

The Chair: — Let's turn to recommendation no. 1 on page 271. I judge from your comments that, in fact, progress is being made and so if someone would move that we concur with the recommendation and note progress.

Mr. Michelson: — I so move.

The Chair: — Moved by Mr. Michelson. And that's agreed. Recommendation . . . well that's it for SLGA itself. As Mr. Heffernan noted, it's quite significant.

Mr. Michelson: — Mr. Chair, did we want to just go over the outstanding recommendations at this time?

The Chair: — Yes, I note the outstanding recommendation, but I also see the Provincial Auditor is planning to follow up in all those instances this particular year.

Then with respect to SIGA, the first recommendation we have is on page 282, and this is that SIGA establish adequate processes to control its ancillary operations.

Can I just ask, when a casino sets selling prices in its tuck shops and the like at something less than market, is there any rule of thumb or guidelines that SIGA might follow in this case? Or is this an issue that is more of an art than a science?

Mr. Lacey: — I guess a short answer is it's more of an art than a science. It's not unusual for casino sites to use ancillary operations as loss leaders to draw in clientele and customers which then would access the other entertainment options they provide. So more of an art than a science around this piece.

SIGA though, the Provincial Auditor does note in here, you know, some areas where improvement could be made to ancillary operations. SIGA has taken steps towards that. They have implemented processes whereby only certain authorized individuals can now set the prices in the system. So that certainly is an improvement upon the observations made in the report.

Secondly, SIGA does recognize that this is an area that they haven't looked at in some time and so wanted to take a look at it with respect to best practices. And they've hired an outside consultant to actually come in and review their ancillary operations. That report's been complete, and they're currently considering where to go to from there.

The Chair: — You're satisfied then some progress is being made here.

Mr. Lacey: — Yes, progress has been made in that area.

The Chair: — Okay. Can we agree then that we concur with the recommendation and note that progress is being made? Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. The next recommendation is with respect to a disaster recovery plan. And any further comments on this one? Mr. Lacey.

Mr. Lacey: — I guess the first comment I would make is SIGA, as noted in the report, did have a disaster recovery plan that was approved by its board. So that I think is a first important step that SIGA has taken. I think the Provincial Auditor rightly notes that there were areas within that plan where further improvements can be made.

SIGA is committed to making those further improvements. They've recently hired a new vice-president in charge of information technology that is currently working on developing a new IT plan that will address the deficiencies that the Provincial Auditor's noted. As well SIGA's working harder at tying their IT plan to their overall strategic plan and business plan, which I think is an important linkage as well.

So I would conclude that SIGA's continuing to make progress on this. They took the first step last year, and they are continuing to improve upon that first step that was taken.

The Chair: — Do we concur with the recommendation and note progress? That's agreed.

The next recommendation is then one that we dealt with earlier under SLGA, that SIGA "... provide adequate training and supervision to employees at new casinos on established processes to safeguard public money."

But I think judging from your comments, I think we can note progress here. Can we agree we concur with the recommendation and note progress?

Mr. Michelson: — This would be obviously an ongoing thing, but I think we can concur on the progress. Thank you.

The Chair: — That's agreed? That's agreed. That concludes our consideration of this chapter. Any last comments, further comments, Mr. Lacey? Okay.

Mr. Lacey: — Once again, thank you for the opportunity to appear before the committee. Thank you.

The Chair: — Thank you very much. And I don't think there's any further business for the committee. Mr. Bradshaw has moved the committee adjourn. And that's agreed? Agreed.

[The committee adjourned at 09:52.]