

**Saskatchewan Indian Gaming  
Authority Inc.**



- Executive summary..... 174**
- Introduction ..... 175**
- Background ..... 175**
  - Board minutes for period from April 1997 to March 2000..... 176
- Structure of the chapter..... 177**
- Part 1 ..... 177**
  - Our audit conclusions and findings ..... 177
    - SIGA’s Board needs timely and appropriate internal financial reports ..... 178
    - SIGA needs to restrict access to its financial systems ..... 179
    - Adequate segregation of duties needed ..... 179
    - SIGA needs to comply with the Agreements ..... 180
- Part 2 ..... 182**
  - Status of previous recommendations ..... 182
    - A proper code of conduct needed ..... 184
    - Goals and objectives needed ..... 185
    - An appropriate conflict of interest policy needed ..... 185
    - Complete business and financial plan needed ..... 187
    - Adequate internal operational and financial reports needed ..... 188
    - An independent internal audit function needed ..... 188
    - Accountability and public reporting needed ..... 189
    - An appropriate delegation of authority needed ..... 190
    - Written policies for management and staff pay, benefits, etc. needed ..... 190
    - An appropriate travel policy for Board members and executive management  
needed ..... 191
    - Books and records need to reflect business operations ..... 192
    - Appropriate written policies for tendering and awarding contracts needed ..... 192
    - Appropriate policies for marketing, promotion, and sponsorship needed ..... 193
  - Matters related to the former CEO ..... 194

## Executive summary

This chapter includes the results of our audit of Saskatchewan Indian Gaming Authority Inc. (SIGA) for the year ended March 31, 2001. This chapter also describes progress SIGA has made from April 2001 to August 2001 to address matters reported in our 2000 Fall Report – Volume 2.

For the year ended March 31, 2001, SIGA's financial statements are reliable, SIGA did not have adequate rules and procedures to safeguard and control its assets, and SIGA complied with authorities governing its operations, except for the matters reported in this chapter. Because we released our 2000 Fall Report – Volume 2 in November 2000, SIGA did not have enough time to fully address our recommendations by March 31, 2001. Accordingly, deficiencies in SIGA's rules and procedures that we reported in our 2000 Fall Report – Volume 2 continued for the year ended March 31, 2001.

Legislators and the public need to know if SIGA is making progress in improving their practices. Therefore, we did work in August 2001 to assess the progress that SIGA has made in addressing our recommendations.

SIGA has recomposed its Board of Directors. Now that SIGA's governance structure is complete, we expect SIGA's Board to develop a strategic plan including goals and objectives for SIGA. SIGA has hired a permanent Chief Executive Officer, but SIGA has not yet hired a permanent Chief Financial Officer. Once the Chief Financial Officer is hired, we expect management to set out a detailed plan to establish appropriate policies and procedures, and to implement those policies and procedures. We recognize that the revision and implementation of its policies and procedures will take time and resources. We will report a full assessment in our 2002 Fall Report.

## Introduction

The Saskatchewan Indian Gaming Authority Inc. (SIGA) is a non-profit corporation established under *The Non-Profit Corporations Act, 1995*. The members of SIGA are the Federation of Saskatchewan Indian Nations (FSIN) and its Tribal Councils. SIGA is licensed by the Saskatchewan Liquor and Gaming Authority (Liquor and Gaming) to conduct and manage table games. The Casino Operating Agreement requires SIGA to use the net proceeds from the operations of licensed table games for First Nations' charitable or religious purposes.

Liquor and Gaming owns and manages the slot machines located in the SIGA casinos, as required by section 207 of *The Criminal Code of Canada*. The revenue from the slot machines belongs to Liquor and Gaming and is, therefore, public money. The Casino Operating Agreement allows SIGA to deduct reasonable costs of operating the casinos, as determined by Liquor and Gaming, from the slot machine revenues. SIGA is required to remit the net profits from the slot machines to Liquor and Gaming.

As directed by Liquor and Gaming, on January 12, 2001, SIGA's membership appointed the Provincial Auditor as SIGA's auditor.

## Background

On February 10, 1995, the Government of Saskatchewan and the FSIN made an agreement called the Framework Agreement that permitted the development and operation of casinos in Saskatchewan within the parameters of *The Criminal Code of Canada*. The Framework Agreement expired on December 31, 2000. On January 1, 2001, the Government of Saskatchewan extended the Framework Agreement to July 31, 2001 with a provision for a further 90 day period or periods if SIGA continues to meet the terms and conditions Liquor and Gaming attached to SIGA's casino licenses on November 15, 2000.

To implement the Framework Agreement, Liquor and Gaming and SIGA signed the Casino Operating Agreement on November 24, 1995. The Casino Operating Agreement expired on March 31, 2001. In March 2001, Liquor and Gaming extended the Casino Operating Agreement to July 31,

2001 with the provision that the Casino Operating Agreement expires on the expiry of Framework Agreement.

To ensure the reasonability of costs for operating the slot machines for Liquor and Gaming, the Casino Operating Agreement requires Liquor and Gaming to approve SIGA's casino operating policies and directives and its operating budgets.

The net profits from the slot machine operations in the SIGA casinos flow to the Government's General Revenue Fund (GRF) through Liquor and Gaming. The Government distributes a portion of those profits to the First Nations Fund and the Community Initiatives Fund as required by *The Saskatchewan Gaming Corporation Act* and the Framework Agreement.

SIGA reported the following net profits (losses) for each segment of its operations over the last four years.

**Table 1**

Segment	2001	2000	1999	1998
	(in 000's)			
Table operations	\$ (638)	\$ (491)	\$ (927)	\$ (451)
Slot operations	21,290	15,705	19,216	21,023
Ancillary operations	<u>(2,009)</u>	<u>(1,830)</u>	<u>(1,270)</u>	<u>(238)</u>
Total	<u>\$ 18,643</u>	<u>\$ 13,384</u>	<u>\$ 17,019</u>	<u>\$ 20,334</u>

Our 2000 Fall Report – Volume 2 raised a number of concerns about how SIGA was using public money. In June 2000, we became aware of the improper use of public money by the Chief Executive Officer of SIGA and the inappropriate action of the Board of Directors regarding this matter. As a result, we decided to audit SIGA directly.

### **Board minutes for period from April 1997 to March 2000**

In our 2000 Fall Report – Volume 2, we stated that we did not have access to SIGA's Board minutes for the period from April 1997 to March 2000. We needed the minutes to determine whether SIGA had adequate rules and procedures to safeguard and control public money, and to comply with authorities. Also, we needed the minutes to assess the Board's governance practices.

We did not pursue this matter further because we think our resources are better spent in examining SIGA's new governance practices. We have had full access to SIGA's Board minutes since April 1, 2000.

## Structure of the chapter

In November 2000, we published our 2000 Fall Report – Volume 2. In that Report, we provided our conclusions and findings regarding SIGA's management of public money and made 15 recommendations to strengthen SIGA's rules and procedures to safeguard public money. Liquor and Gaming and SIGA both stated that they accepted our recommendations and began to implement our recommendations. However, Liquor and Gaming and SIGA did not have enough time to fully implement our recommendations during the period from December 2000 to March 2001. Accordingly, the recommendations we made in our 2000 Fall Report – Volume 2 were not fully addressed during the year ended March 31, 2001. Legislators and the public need to know whether SIGA is making progress in improving its practices. Therefore, we did further work in August 2001 to assess the progress SIGA made in addressing our recommendations.

In Part 1 of this chapter, we describe our audit conclusions and findings on SIGA's accounts for the year ended March 31, 2001.

In Part 2, we describe the results of the follow-up work we did in August 2001. This section describes SIGA's progress to implement the recommendations we made in our in our 2000 Fall Report – Volume 2.

### Part 1

## Our audit conclusions and findings

**In our opinion, for the year ended March 31, 2001:**

- ◆ **SIGA's consolidated financial statements are reliable;**
- ◆ **SIGA did not have adequate rules and procedures to safeguard and control its assets because of the matters reported in this chapter; and**

- ◆ **SIGA complied with authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing, except for the matters reported in this chapter.**

As we stated earlier, although SIGA had begun work to address the recommendations we made in our 2000 Fall Report – Volume 2, it did not have enough time to fully address our recommendations during the year ended March 31, 2001. Accordingly, the recommendations in our 2000 Fall Report – Volume 2 (see Exhibit 1 on page 181) continue for 2001.

In addition to the recommendations we made in our 2000 Fall Report – Volume 2, we identified new areas where SIGA needs to improve its systems and practices. The remainder of Part 1 discusses those new areas.

### **SIGA's Board needs timely and appropriate internal financial reports**

In our 2000 Fall Report – Volume 2, we stated that we did not know what operational and financial information management provided to the Board because we were not given access to the Board of Directors' minutes. We have now examined the information package that management provides to the Board. The package does not include sufficient performance information. Management provides only periodic financial reports to the Board. To assess SIGA's performance, the Board also needs regular operational reports from management. Operational reports would show what the Board wanted SIGA to achieve and how SIGA is progressing towards those expectations.

Also, the periodic financial reports provided to the Board are not adequate because those financial reports are not prepared in accordance with generally accepted accounting principles. The reports do not include a balance sheet, a combined statement of operations, or cash flow information. Also, the reports were not timely. For example, SIGA completed its financial reports for September 2000 on December 4, 2000.

We expect the Board to determine and communicate to management the operational and financial information the Board needs to manage the affairs of SIGA. Management should regularly provide that information to

the Board on a timely basis together with explanations of significant differences between the planned and actual results.

- 1. We recommend that SIGA's Board define its operational and financial information needs and communicate those needs to management for regular reporting.**

On November 6, 2001, the Board's Audit Committee informed us that the Board continues to work on improving SIGA's operational and financial reports.

### **SIGA needs to restrict access to its financial systems**

SIGA needs to establish rules and procedures to ensure that only authorized persons have access to its automated financial systems.

SIGA uses an automated system to process transactions and to maintain its financial records. To ensure its accounting records are complete and accurate at all times, SIGA must limit access to its systems to authorized staff. By limiting access to its systems, SIGA can ensure that only authorized employees can process transactions.

Currently, SIGA's automated financial systems are not fully password protected to limit access to those systems. Accordingly, unauthorized persons can make changes to the systems to conceal frauds and errors.

- 2. We recommend that SIGA establish rules and procedures to ensure that only authorized persons can access its financial systems.**

On November 6, 2001, the Board's Audit Committee told us that SIGA continues to make progress in restricting access to its financial systems.

### **Adequate segregation of duties needed**

SIGA needs to ensure an adequate segregation of duties for its employees. Segregation of duties is not adequate when an employee or group of employees is in a position to both perpetrate and conceal the improper use of money in the normal course of their duties.

Currently, certain employees have access to blank cheques. The same employees are authorized to transfer money from SIGA's bank accounts and can make changes to financial records without independent review and approval. When incompatible duties are not segregated, the risk of improper use of money increases.

SIGA discovered that an employee made improper payments totalling approximately \$30,000 to an individual. The employee used previously approved and paid invoices from suppliers to prepare cheques payable to another individual and altered SIGA's records to conceal these payments. SIGA did not receive any goods or services for these payments. SIGA ended the person's employment and reported this matter to the police for further investigation.

We also noted that other employees who had authority to order goods and services could also receive the goods and services ordered and approve the invoices for payment. These incompatible functions also need to be segregated to reduce the risk of improper use of money.

**3. We recommend that SIGA properly segregate the duties of its employees.**

Management told us SIGA continues to make changes to reduce the risk of improper use of money.

**SIGA needs to comply with the Agreements**

SIGA needs to comply with the Casino Operating Agreement.

As stated earlier, to implement the Framework Agreement, Liquor and Gaming and SIGA signed the Casino Operating Agreement. The Casino Operating Agreement places restrictions on the activities of SIGA. The Agreement restricts SIGA's activities to the development and operation of casinos developed under the Framework Agreement. Neither the Framework Agreement nor the Casino Operating Agreement allows SIGA to engage in the development and operation of casinos in other provinces.

SIGA hired consultants to work with Manitoba First Nations in establishing casinos in that province and to explore opportunities for SIGA to manage



these casinos. These consultants also advised SIGA on a proposal for a casino in Moose Jaw. During the year, SIGA paid these consultants approximately \$163,000 for their work. Liquor and Gaming estimated approximately half of the total amount paid was for the consultants' work related to the casinos in Manitoba and made arrangements to recover that money from SIGA. We cannot, however, determine how much of the total amount paid to the consultants relates to their work related to the casinos in Manitoba. SIGA is not allowed to engage in activities related to casinos in other provinces. Accordingly, SIGA did not comply with the Casino Operating Agreement. Also, the payments to consultants, for their work related to casinos in Manitoba, were not properly authorized.

SIGA ended the contracts with these consultants in November, 2000. On March 2, 2001, the Board of Directors approved a policy for tendering and awarding of contracts. SIGA must now establish rules and procedures to ensure compliance with the policy.

**4. We recommend that SIGA establish rules and procedures to ensure compliance with the Casino Operating Agreement.**

**Exhibit 1**

**In our 2000 Fall Report – Volume 2, we recommended:**

- 5. SIGA should establish a proper code of conduct and that code of conduct should be appropriate for managing public money.**
- 6. SIGA should document and communicate to its senior management the goals and objectives of SIGA.**
- 7. SIGA's Board should establish an appropriate conflict of interest policy for Board members and management.**
- 8. SIGA's Board should ensure all Board members and senior management comply with the established conflict of interest policy.**
- 9. SIGA should prepare a complete business and financial plan for its operations.**
- 10. SIGA's Board should define its management reporting needs and communicate those needs to management for regular reporting.**
- 11. SIGA should establish an independent internal audit function that should report directly to the Board.**
- 12. SIGA should report publicly through FSIN and Liquor and Gaming setting out SIGA's planned results and actual results.**
- 13. SIGA should make public through FSIN and Liquor and Gaming a list of persons (e.g., employees, suppliers) who have received money from SIGA and the amount each person received.**

- 14. SIGA’s Board should establish appropriate delegation of authority rules for the management.**
- 15. SIGA should establish written policies for management and staff pay, benefits, professional development, and performance evaluation.**
- 16. SIGA should establish an appropriate travel policy for Board members and executive management expenses including spousal travel, business expenses, and travel advances.**
- 17. SIGA should establish adequate policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions.**
- 18. SIGA should establish appropriate written policies and procedures for tendering and awarding contracts.**
- 19. SIGA should establish appropriate policies and procedures for its marketing, promotion, and sponsorship activities. Those policies and procedures should include a clear definition of marketing and promotion activities and an approval process for sponsoring community events.**

## **Part 2**

### **Status of previous recommendations**

As we stated earlier, because of the timing of our 2000 Fall Report – Volume 2, SIGA did not have enough time to fully address our recommendations. To ensure an orderly implementation of our recommendations, Liquor and Gaming set and communicated the following priorities to SIGA:

- ◆ Acceptance and implementation of a new SIGA board structure mandated by Liquor and Gaming.
- ◆ Training and orientation of SIGA board members.
- ◆ Acceptance and implementation of new policies and procedures mandated by Liquor and Gaming.
- ◆ Acceptance and implementation of the audit and finance committee of the SIGA board.
- ◆ Appointment of an external provider for the internal audit function.
- ◆ Acceptance of the Provincial Auditor as SIGA’s auditor.
- ◆ Monthly meetings between SIGA’s board and Liquor and Gaming.
- ◆ Liquor and Gaming participation in the selection of a permanent Chief Executive Officer and Chief Financial Officer.

SIGA has made significant progress toward achieving the priorities set by Liquor and Gaming. In February 2001, SIGA's Board was recomposed. The Board now includes three members nominated by Liquor and Gaming and four nominated by SIGA's membership. As we stated earlier, SIGA's membership, in a meeting on January 12, 2001, appointed the Provincial Auditor as the auditor of SIGA. Recently, SIGA has also appointed a permanent Chief Executive Officer. Because SIGA has not yet hired a permanent Chief Financial Officer, relevant financial and operational processes have either not yet been established or are not yet fully implemented.

SIGA's governance structure is now complete. The next step is to hire a Chief Financial Officer. Once this is done, we look forward to receiving a detailed plan for the full implementation of the recommendations we made in our 2000 Fall Report – Volume 2. Such a plan should include a timeline showing when all financial and operating policies and procedures will be revised and implemented. The detailed plan should also include a human resource plan. New policies and procedures often necessitate revisions to human resource practices (e.g., staff training, job classification). For the proper implementation of its revised policies, SIGA must determine that it has the appropriate and relevant human capacity and work towards achieving that capacity. SIGA must also have a staff training plan so that staff know how the revised policies will affect their duties and responsibilities.

We recognize that the revision and implementation of the policies and procedures will take time and resources.

In this Part, we describe what SIGA has done as at August 2001 to address the recommendations we made in our 2000 Fall Report – Volume 2. For each of these recommendations (see Exhibit 1), we describe what SIGA has done and what it plans to do to comply with our recommendations. The work we did for this part of the chapter does not constitute an audit. We are unable to assess the adequacy of the new policies at this time because the new policies have not operated long enough for an assessment. We will report a full assessment next year.

Recommendation in our 2000 Fall Report – Volume 3

**SIGA should establish a proper code of conduct and that code of conduct should be appropriate for managing public money.**

### Status

In February 2001, Liquor and Gaming and SIGA's membership appointed a new Board of Directors for SIGA. The new Board of Directors met for the first time on February 16, 2001.

In November 2000, Liquor and Gaming provided guidelines for a code of conduct policy for the Board of Directors. In February 2001, SIGA revised that policy and on March 2, 2001, the Board of Directors approved the revised policy. Liquor and Gaming has also approved the revised policy.

The policy sets out principles for Board members' conduct and provides guidelines on Board members' fiduciary duties, regulatory duties, duty of care, and ethical guidelines. The policy requires the Board to ensure that individual members comply with those guidelines and calls upon the Board to designate an Ethics Advisor. The Board's Governance Committee currently acts as the Ethics Advisor.

Under the policy, the Ethics Advisor is required to monitor and report annually to the Board concerning compliance with the established guidelines. So far, we have not seen a report from the Ethics Advisor, nor have we seen the rules and procedures that the Ethics Advisor must use to monitor compliance with those guidelines.

The Board's code of conduct policy is appropriate for managing public money. The Board, however, needs to do more to ensure compliance with its policy. Also, SIGA should establish a code of conduct policy for the entire organization and the policy should be appropriate for managing public money. SIGA should communicate this policy to all staff.

SIGA has made substantial progress in this area. Now it needs to ensure that the entire organization adopts a culture that is consistent with the Board's code of conduct.

Recommendation in our 2000 Fall Report – Volume 3

**SIGA should document and communicate to its senior management the goals and objectives of SIGA.**

**Status**

All organizations need to establish their goals and objectives to enable them to prepare business and financial plans and monitor their performance.

We have not seen a strategic plan for SIGA or its goals and objectives. We think SIGA needs to finalize its strategic plan and its goals and objective before its fiscal year begins. This way senior management will know how best they can contribute toward achieving SIGA's goals and objectives, and what resources they need to accomplish the set goals and objectives. Management can then prepare a business plan for the next year and seek the Board's approval.

Management told us that the Board of Directors planned to meet in September, 2001 to discuss and develop SIGA's strategic plan including its goals and objectives.

Recommendation in our 2000 Fall Report – Volume 3

**SIGA's Board should establish an appropriate conflict of interest policy for Board members and management and ensure all Board members and senior management comply with the established conflict of interest policy.**

**Status**

In November 2000, Liquor and Gaming provided SIGA with guidelines for a conflict of interest policy. In February 2001, management revised that policy. On March 2, 2001, the Board of Directors approved the policy proposed by management. Liquor and Gaming has also approved the revised conflict of interest policy.

The policy applies to all Board members, employees, and agents or personal services contractors. The policy states:

The unpermitted mingling of personal interests with Authority duties or responsibilities or the perception of same is not acceptable.

The policy defines conflict of interest and sets out the responsibilities of Board members, employees, and agents or contractors. The policy also provides guidelines for outside employment, acceptance of gifts and prizes, prohibition of gaming, and provides information on disciplinary action in case of continued conflict of interest. We think SIGA's conflict of interest policy is appropriate.

The policy requires all Board members, employees, and agents or contractors to complete, by March 31, 2001, a Conflict of Interest Disclosure/Approval form disclosing any existing or potential conflicts of interest. By August 2001, all employees and Board members had completed those forms.

*The Non-Profit Corporations Act, 1995*, requires directors of non-profit corporations to disclose in writing or have entered in the minutes the nature and extent of directors' interest where they are party to a material contract. Such disclosures provide transparency for the Board's actions and can be a helpful defence in case the Board's actions are challenged externally. The Board minutes did not show evidence of any conflict of interest. The Board needs to do more to comply with SIGA's conflict of interest policy and *The Non-Profit Corporations Act, 1995*. The Board should, in each meeting, have a standard agenda item dealing with any conflict of interest issues. The Board can then document whether or not it faced any conflict of interest issues and how it dealt with those issues.

Recommendation in our 2000 Fall Report – Volume 3

**SIGA's Board should prepare a complete business and financial plan for its operations, define its management reporting needs and communicate those needs to management for regular reporting, and establish an independent internal audit function that should report directly to the Board.**

### Status

#### **Business and financial plan**

For the year ended March 31, 2001, SIGA did not have a business plan. Nor does SIGA have a business plan for the year ending March 31, 2002.

To ensure SIGA's resources are used effectively, the Board should establish a strategic plan for SIGA setting out goals, objectives, and priorities. Management can then prepare a business plan setting out what resources management needs to accomplish the goals and objectives set by the Board. The business plan should provide performance targets (desired results). All levels of management should be consulted in setting performance targets to encourage the full commitment of all those responsible for achieving the targets.

Management told us the Board of Directors planned to meet in September 2001 to discuss and develop SIGA's strategic plan and its goals and objectives. The Board needs to decide on a strategic direction early in the year to ensure management has enough time to prepare the business plan before the beginning of the fiscal year.

The Board approved a budget for SIGA for the year ending March 31, 2002. However, the 2002 budget is not adequate because it is not linked to a strategic plan. Therefore, the Board does not know if the resources it approved are sufficient to achieve the goals and objectives of SIGA.

#### **Defining the Board's reporting needs and internal financial reports**

The Board has not formally defined and communicated what financial and operational information it needs and when it needs the information.

Management provides monthly, quarterly, and annual financial reports to the Board and to Liquor and Gaming. The periodic financial reports, however, are inadequate.

The periodic financial reports provided to the Board are not adequate because the financial reports are not prepared in accordance with generally accepted accounting principles. The reports do not include a consolidated balance sheet, a consolidated statement of operations, and a consolidated statement of cash flows. Also, these reports are not timely. For example, SIGA completed financial reports for September 2000 on December 4, 2000.

In addition, the internal financial reports are not adequate for casino managers. The internal financial reports allocate some expenses to various segments of operations. However, the reports do not provide adequate detailed information to casino general managers to effectively manage their operations.

**Independent internal audit function**

SIGA did not have an independent internal audit function in place during the year. As a result, the Board did not receive assurance that management:

- ◆ adequately safeguarded and controlled SIGA's assets; and
- ◆ complied with the established policies and procedures.

In May 2001, the Board engaged a person to provide internal audit services. At the time of our work, the internal auditor was preparing a work plan.



Recommendation in our 2000 Fall Report – Volume 3

**SIGA should report publicly through FSIN and Liquor and Gaming setting out SIGA's planned results and actual results and make public through FSIN and Liquor and Gaming a list of persons (e.g., employees, suppliers) who have received money from SIGA and the amount each person received.**

### Status

In November 2000, Liquor and Gaming provided SIGA guidelines for an annual report policy. In February 2001, management revised that policy. On March 2, 2001, the Board of Directors approved the revised policy. Liquor and Gaming has also approved the revised annual report policy.

The policy requires SIGA to publish an annual report beginning with the fiscal year ending March 31, 2001 on a timely basis but no later than September 30, 2001. The policy requires that the annual report should include:

- ◆ a statement of Mission, Vision, Values and Objectives;
- ◆ a listing of all Board members and senior management;
- ◆ a description of governance practices;
- ◆ a description of operations including an organization chart;
- ◆ a description of key performance indicators;
- ◆ a description of accomplishments including a comparison of planned to actual results;
- ◆ an identification of key risks and a description of systems and practices to manage these risks; and
- ◆ a complete set of audited financial statements

The policy also requires SIGA to make public a list of persons (e.g., employees, suppliers) who have received money from SIGA and the amount each person received.

We think SIGA's annual report policy is appropriate. To date, we have not seen SIGA's annual report. Liquor and Gaming tabled SIGA's audited

financial statements for the year ended March 31, 2001 with Liquor and Gaming's 2001 annual report.

Neither SIGA nor Liquor and Gaming has made public a list of persons (e.g., employees and suppliers) who received money from SIGA during the years ended March 31, 2000 and 2001 and the amount each person received. Both SIGA and Liquor and Gaming told us they could not do so because of the advice they received from the Department of Justice.

Recommendation in our 2000 Fall Report – Volume 3

**SIGA's Board should establish appropriate delegation of authority rules for the management.**

**Status**

In November 2000, Liquor and Gaming provided SIGA guidelines for a delegation of authority policy. In February 2001, management revised that policy. On March 2, 2001, the Board of Directors approved the revised policy. Liquor and Gaming also approved the revised delegation of authority policy. The policy sets out the levels of approval needed for cheque signing, business travel, the purchase or lease of land and buildings, and service contracts.

SIGA's delegation of authority policy is appropriate. However, SIGA needs better rules and procedures to ensure all employees comply with the approved delegation of authority policy.

Recommendation in our 2000 Fall Report – Volume 3

**SIGA should establish written policies for management and staff pay, benefits, professional development, and performance evaluation.**

**Status**

SIGA has established a job classification plan and wage grid for employees who work at casinos. However, SIGA has not yet established a job classification plan and wage grid for head office employees and senior management. Also, SIGA has not yet established professional development guidelines for all of its employees. Also, SIGA has

established performance evaluation guidelines for only some of its employees.

SIGA has established job descriptions for all of its employees. Because the Board has not yet established goals and objectives for SIGA, we do not know how SIGA plans to tie the employees' duties and responsibilities to its goals and objectives.

SIGA has not yet established policies and procedures to determine who should receive benefits (use of vehicles, cellular phones, computers, etc.). Currently, SIGA provides leased vehicles to the Chief Executive Officer, a vice president, and four general managers of the casinos. Other employees and management are allowed to use fleet vehicles for business purposes when needed. SIGA has established policies to monitor the use of fleet vehicles by employees. SIGA monitors the use of vehicles for those staff who pay income tax.

Also, SIGA continues to provide cellular phones to certain employees and senior management with a maximum usage of \$350 per month for employees and \$500 per month for managers and above. SIGA pays the monthly bills for those phones and does not ask individuals to provide details of personal use of those phones if the monthly bill is within the limits.

Recommendation in our 2000 Fall Report – Volume 3
<b>SIGA should establish an appropriate travel policy for Board members and executive management expenses including spousal travel, business expenses, and travel advances.</b>

**Status**

In February 2001, management prepared a travel and business expense policy for staff, management, and Board members. On March 2, 2001, the Board of Directors approved the policy. The policy was revised again on June 12, 2001. Liquor and Gaming has approved the policy. The policy requires prior written approval for all out-of-province travel and sets out an authority grid for approving out-of-province travel. Also, the policy clarifies that spousal travel expenses are not permitted for

employees and Board members. Further, the policy sets out rules for travel advances. Employees will have any travel advances deducted from their pay if an expense claim is not submitted within 45 days of the trip.

SIGA's new travel and business expense policy is appropriate.

We will examine compliance with the new policy next year.

Recommendation in our 2000 Fall Report – Volume 3
<b>SIGA should establish adequate policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions.</b>

**Status**

SIGA has not yet improved its rules and procedures to ensure that all transactions are properly supported and recorded. SIGA needs to ensure its chief financial officer provides written guidance to accounting staff about the nature of support and authorization required before payments are made and for making changes to financial records.

We look forward to seeing improvements in SIGA's policies and procedures to ensure its records reflect its business operations and there is support for all transactions.

Recommendation in our 2000 Fall Report – Volume 3
<b>SIGA should establish appropriate written policies and procedures for tendering and awarding contracts.</b>

**Status**

In February 2001, management prepared a policy for tendering and awarding of contracts. On March 2, 2001, the Board of Directors approved the policy proposed by management. Liquor and Gaming has approved the policy for tendering and awarding of contracts.

To ensure unauthorized employees do not make commitments to vendors, the policy created a centralized purchasing function. Also, the policy provides direction on when to call for a public tender and the

process for opening tenders and awarding contracts. The policy also sets out an authority grid for approving and awarding of contracts.

SIGA's tendering and awarding policy is appropriate. SIGA established a centralized purchasing function in August 2001 as required under the new policy. However, SIGA needs to do more work to ensure compliance with its revised policies.

Recommendation in our 2000 Fall Report – Volume 3

**SIGA should establish appropriate policies and procedures for its marketing, promotion, and sponsorship activities. Those policies and procedures should include a clear definition of marketing and promotion activities and an approval process for sponsoring community events.**

#### **Status**

In November 2000, Liquor and Gaming provided SIGA with guidelines for a sponsorship and donation policy. In February 2001, management revised that policy. On March 2, 2001, the Board of Directors approved the policy effective April 1, 2001. Liquor and Gaming has approved the sponsorship and donation policy.

The policy sets out processes for responding to requests from organizations and individuals seeking sponsorship funding from SIGA. Also, the policy established a Sponsorship Advisory Committee to consider requests for sponsorship and monitor spending relating to sponsorship. The policy also sets out guidelines for the Committee. The guidelines describe who may be considered for financial support, SIGA's priorities, and rules for ensuring the organizations spend the money only for approved purposes.

SIGA's sponsorship and donation policy is appropriate. We plan to examine the compliance with the policy during our work next year.

SIGA has not yet established policies for marketing and promotion expenses.

## **Matters related to the former CEO**

In our 2000 Fall Report – Volume 2, we stated that the former Chief Executive Officer (CEO) improperly used corporate credit and debit cards for personal expenses and received unauthorized salary advances. We also stated the CEO had not returned certain corporate assets, totalling \$53,750, when his employment ended. We stated that at June 30, 2000, the CEO owed SIGA \$811,906 for these items. This amount did not include outstanding travel advances, and the costs of questionable trips that were not for SIGA's purposes. In our 2000 Fall Report – Volume 2, we stated SIGA should determine the amount and recover the money.

SIGA has determined that the CEO owes an additional amount of \$26,696 for outstanding travel advances and questionable trips. In June 2001, SIGA recovered the 2000 Cadillac Escalade from the CEO (estimated value of \$43,000) and cancelled the contracts with the service providers for cellular telephones and the security system.

So far, SIGA has not recovered the remaining amounts from the CEO. At this time, SIGA told us, recovery of any amount is considered doubtful.