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## 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.

## Background

On February 10, 1995, the Government of Saskatchewan and the FSIN made an agreement called the 1995 Framework Agreement that permitted the development and operation of casinos in Saskatchewan within the parameters of *The Criminal Code of Canada*. The 1995 Framework Agreement expired on December 31, 2000. On January 1, 2001, the Government of Saskatchewan extended the 1995 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. On June 11, 2002, the Government of Saskatchewan and the FSIN signed a new Framework Agreement (2002 Framework Agreement) effective from June 11, 2002 to June 11, 2027.

To implement the 1995 Framework Agreement, Liquor and Gaming and SIGA signed the Casino Operating Agreement on November 24, 1995 (1995 Casino Operating Agreement). The 1995 Casino Operating Agreement expired on March 31, 2001. In March 2001, Liquor and Gaming extended the 1995 Casino Operating 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. On June 11, 2002, Liquor and Gaming and SIGA signed a new Casino Operating Agreement (2002 Casino Operating Agreement) effective from June 11, 2002 to June 11, 2027.

To ensure the reasonability of costs for operating the slot machines for Liquor and Gaming, the 1995 Casino Operating Agreement requires Liquor and Gaming to approve SIGA’s 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 Community Development Corporations as required by *The Saskatchewan Gaming Corporation Act* and the amended 1995 Framework Agreement.

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

**Table 1**

<b>Segment</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
(in thousands)					
Table operations	\$ (620)	\$ (638)	\$ (491)	\$ (927)	\$ (451)
Slot operations	26,855	21,290	15,705	19,216	21,023
Ancillary operations	<u>(1,400)</u>	<u>(2,009)</u>	<u>(1,830)</u>	<u>(1,270)</u>	<u>(238)</u>
Total	<u>\$ 24,835</u>	<u>\$ 18,643</u>	<u>\$ 13,384</u>	<u>\$ 17,019</u>	<u>\$ 20,334</u>

In this chapter, we report the following:

- ◆ In Part 1, we describe our audit findings and conclusions for the year ended March 31, 2002;
- ◆ In Part 2, we describe the key risks that SIGA must manage well to be successful; and

- ◆ In Part 3, we describe the agreed upon criteria that we will use to examine SIGA's systems and practices to build human resource capacity.

## **Part 1**

### **Our audit conclusions and findings**

**In our opinion, for the year ended March 31, 2002:**

- ◆ **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.**

### **Progress to implement our recommendations has slowed**

Since we last reported, SIGA's progress towards implementing our recommendations has slowed. SIGA does not yet have a detailed plan setting out who would do what and by when to implement our past recommendations.

New policies and procedures often necessitate revisions to human resource practices (e.g., staff training, job classification). SIGA must determine that it has the appropriate and relevant human resources and work towards achieving that capacity. SIGA must also have a staff-training plan so that staff know how to carry out their duties and responsibilities.

In our 2000 and 2001 Fall Report – Volume 2, we make recommendations for SIGA to improve its management of public money. Both SIGA and Liquor and Gaming accepted our recommendations.

In our 2000 Fall Report – Volume 2, we reported that to enable senior management to prepare annual business and financial plans, SIGA should prepare a strategic plan including its goals and objectives. A strategic plan tells management what the Board of Directors expects the agency to achieve. Management can then prepare a business plan and a financial plan (budget) for the Board's approval setting out the resources that management needs to accomplish the Board's goals and objectives. Almost two years have now gone by since our recommendation, but SIGA still does not have a strategic plan that management can use to prepare its business plan and financial plan.

In its 2002 annual report, SIGA describes its preliminary strategic plan including its mission, vision, and guiding principles. However, the annual report does not include SIGA's goals and objectives or how it plans to achieve those goals and objectives.

Annually, SIGA spends approximately \$28 million and \$8 million on employees pay and benefits, and marketing and promotion (including sponsorship) activities respectively. These are SIGA's biggest expenses. In our previous reports, we had recommended that SIGA establish adequate processes for these activities including a process for evaluating the results of those activities. SIGA has not yet fully established such processes.

Also, SIGA has not yet established:

- ◆ accounting policies to ensure all transactions are properly supported and recorded; and
- ◆ adequate segregation of duties for its employees.

To bring about the required changes to SIGA's practices will require sustained commitment by SIGA's Board and senior management.

Exhibit 1 on page 165 summarizes our past recommendations and whether SIGA has implemented those recommendations.

## **Our detailed audit findings**

The rest of this section describes in detail the areas where SIGA needs to improve its systems and practices.

## Improper use of public money

During the year, SIGA made two unauthorized payments totalling \$550,000.

SIGA paid \$400,000 to the FSIN and \$150,000 to Saskatchewan Indian Gaming Licensing (SIGL). Although Liquor and Gaming specifically approved these payments, we think the 1995 Casino Operating Agreement does not authorize those payments.

As stated earlier, the Government and the FSIN signed a new gaming framework agreement. SIGA is not a direct party to this agreement. SIGA paid \$400,000 to the FSIN for negotiating the new framework agreement with the Government.

The 1995 Casino Operating Agreement allows SIGA to deduct reasonable costs of operating the casinos. The payment to the FSIN for its negotiation costs for a new gaming framework agreement is not a necessary cost to operate SIGA's casinos. Usually, when parties negotiate agreements, each party is responsible for its own negotiation costs.

Management also told us SIGA paid \$150,000 to SIGL because Liquor and Gaming authorized SIGA to do so. Under the 1995 Framework Agreement, the Government had agreed to authorize SIGL to issue licenses to charitable and religious organizations located on reserves to conduct charitable lotteries on reserves in Saskatchewan. The Government, however, has not yet authorized SIGL to issue any licences. Liquor and Gaming told us the Government has not authorized SIGL to issue licenses because SIGL is still learning how to regulate and monitor gaming on reserves. The payment to SIGL is not a necessary cost to operate SIGA's casinos.

As a result, SIGA has reduced profits available for distribution to the First Nations Fund, community development corporations, and the General Revenue Fund of the Government.

- 1. We recommend that SIGA incur only costs necessary to operate its casinos under the Casino Operating Agreement.**

## **Strategic, and business and financial plans needed**

SIGA's Board has not approved a strategic plan setting out SIGA's goals, objectives, and priorities. Because SIGA's Board does not have an approved strategic plan, management cannot prepare an adequate business and financial plan.

To ensure SIGA's resources are used effectively, the Board should develop a strategic plan for SIGA setting out goals, objectives, and priorities. The Board needs to decide on the strategic direction early in the year to ensure that management has enough time to prepare the business and financial plan before the beginning of the fiscal year. Management can then prepare a financial plan (budget) setting out the resources it needs to accomplish the goals and objectives set by the Board. Also, the business plan should provide performance targets (desired results) so that SIGA can monitor its progress. All levels of staff should be consulted in setting performance targets to encourage the full commitment of all those responsible for achieving the targets.

SIGA's Board met in September and December 2001 to discuss and develop SIGA's strategic plan including its goals and objectives. However, we have not seen a final strategic plan that sets out SIGA's goals, objectives, and priorities.

Although the Board has not approved a strategic plan and management has not prepared a business plan, the Board approved a budget for SIGA for the year ending March 31, 2002. The 2002 budget, however, is not adequate because it is not linked to SIGA's specific goals and objectives. Therefore, the Board does not know if the resources it approved are appropriate to achieve the goals and objectives of SIGA.

We reported these matters in our 2000 Fall Report – Volume 2 and 2001 Fall Report – Volume 2.

- 2. We continue to recommend that SIGA's Board document and communicate to its senior management the goals and objectives of SIGA.**
- 3. We continue to recommend that SIGA prepare a complete business and financial plan for its operations.**



Management told us that the Board continues to work on the strategic plan with the intention of completing the plan by March 31, 2003.

## **Board needs to set its financial and operational reporting requirements**

The Board has not set out the financial and operational information it needs and when it needs that information to oversee SIGA's operations.

We expect the Board to determine and communicate to management the operational and financial information the Board needs to oversee 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.

Management provides monthly, quarterly, and annual financial reports to the Board and to Liquor and Gaming. The periodic financial reports, however, are inadequate because they do not show:

- ◆ what SIGA owns and what it owes to others;
- ◆ consolidated operations for all of its casinos; and
- ◆ SIGA's cash flows.

Also, the information package provided to the Board does not include sufficient performance information. To assess SIGA's performance, the Board 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. However, management cannot do that because the Board has not set out SIGA's goals and objectives.

In addition, the financial information package provided to the Board is not timely. For example, SIGA completed its financial reports for September 2001 on December 13, 2001.

We reported this matter in our 2000 Fall Report – Volume 2 and 2001 Fall Report – Volume 2.

### **4. We continue to recommend that SIGA's Board define its operational and financial information needs and**

communicate those needs to management for regular reporting.

## **Complete human resource policies needed**

SIGA needs to complete its human resource policies. Pay and benefits for employees is SIGA's biggest expense. We had expected by now it would have completed those policies.

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 development (training) guidelines for all of its employees. Further, SIGA has not yet established performance evaluation guidelines for all 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 align employees' duties and responsibilities to SIGA's 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. All public sector employees are required to submit details of monthly charges showing personal and business usage of cellular phones.

We also reported this matter in our 2000 Fall Report – Volume 2 and 2001 Fall Report – Volume 2.

In addition, as noted elsewhere in this chapter, SIGA paid approximately \$3,100 for golf club memberships for some of its staff at one of its casinos.

- 5. We continue to recommend that SIGA establish complete written policies for management and staff pay, benefits, development, and performance evaluation.**

## **Policies and procedures needed for marketing and promotion activities**

SIGA needs policies and procedures for ensuring marketing and promotion spending is effective.

Marketing and promotion (marketing) is SIGA's second largest expense. SIGA spent approximately \$6.2 million (2001 - \$9.2 million) for marketing, excluding sponsorship, of its casinos. We had expected that by now SIGA would have developed these policies.

SIGA needs to establish and communicate to its staff policies and procedures for marketing and promotion activities including a clear definition of marketing activities. Those policies and procedures should include a process for approving such activities. Such a process would require staff to prepare a business case for all significant marketing proposals. SIGA could then monitor whether its marketing activities contributed to its revenue generating activities and learn lessons for future marketing projects.

Marketing activities include cash incentives to patrons, complimentary meals, live entertainment at casinos, and general marketing and promotions. SIGA does not regularly analyze its marketing spending. SIGA does not compare its actual marketing spending to the planned spending for each activity. Without this information, management and the Board cannot assess whether its marketing activities are producing the desired impact on its revenue generating activities.

As stated earlier, SIGA spent approximately \$6.2 million for marketing activities (including advertising). Because SIGA has not established a clear definition of marketing, there is a risk that management may commit SIGA to contractual obligations without knowing what impact, if any, those commitments may have on SIGA's future revenues. Also, when marketing activities are not clearly defined there is a risk that staff may record those activities incorrectly. For example, staff approved a payment of \$20,000 to an electrical contractor. The support document shows that the payment was for the installation of a lighting system for a baseball field. The staff originally recorded this payment as marketing expense and later transferred this to sponsorship expense. The approved sponsorship policy does not allow such payments. Also, under the approved policy the Sponsorship Advisory Committee should have authorized this payment. The Committee did not do so. We note SIGA paid \$20,000 to the same contractor for the same work in the previous year.

We also reported this matter in our 2000 Fall Report – Volume 2 and 2001 Fall Report – Volume 2.

**6. We continue to recommend that SIGA establish policies and procedures for its marketing and promotion activities.**

**Staff need to comply with established rules and procedures**

SIGA needs to ensure that employees follow the established rules and procedures when doing their assigned duties. We noted that the employees did not always comply with the approved sponsorship policy and the approved delegation of authority policy.

***Lack of compliance with approved sponsorship policy***

SIGA established a sponsorship policy effective April 1, 2001. Liquor and Gaming approved that policy. The policy sets out processes for responding to requests for sponsorship from SIGA. To implement the approved policy, the Board established a Sponsorship Advisory Committee to approve and monitor sponsorship spending. The Board also set out guidelines for the Committee. Those guidelines describe who may be eligible for financial support, SIGA's priorities, and directions for

ensuring that the recipients of financial support spend the money for the approved purposes.

The Board established appropriate policies for sponsorship spending that provided directions for ensuring the recipient of financial support spend the money for the approved purposes. However, management did not monitor its staff's compliance with the Board policies.

Unfortunately, staff did not always comply with the Board's policies. Below are examples of sponsorship spending that did not comply with the approved policy.

#### Payments to inappropriate teams and individuals

The approved policy allows SIGA to sponsor those teams and individuals that have earned the right to represent their province and/or country at national or international events. During the year, SIGA paid approximately \$50,000 to sponsor certain individuals and teams.

SIGA did not provide evidence that the teams and individuals had earned the right to represent Saskatchewan in national or international events. Also, SIGA did not check to ensure that the teams and individuals spent the money for approved purposes.

#### Golf club membership for staff

During the year, SIGA spent approximately \$3,100 for golf club memberships for certain staff and recorded this spending as sponsorship expenses. The approved sponsorship policy does not permit those payments.

#### Accommodation costs and golf course fees

SIGA paid accommodation costs and golf course fees of approximately \$1,400 for some individuals and recorded these payments as sponsorship expenses. The approved sponsorship policy does not permit these payments. Management told us that staff incorrectly recorded these payments as sponsorship expense and that staff should have recorded these payments as promotion expense. Management could not tell us why these payments should have been recorded as promotion expense.

Supporting specific event

The approved sponsorship policy requires the Sponsorship Advisory Committee to approve all requests of \$5,000 or more. During the year, SIGA paid \$5,000 to sponsor a specific event. Under the approved policy, the Advisory Committee should have reviewed and approved this sponsorship request. The Committee did not approve this payment.

Supporting an individual

The Advisory Committee approved a sponsorship commitment to an individual for \$15,000. The commitment included paying \$1,000 a month to the individual plus paying the cost of leasing a truck for that individual. Staff incorrectly recorded these payments as marketing expense. Also, the total actual cost of supporting this individual was approximately \$10,000 more than the amounts approved by the Advisory Committee.

**7. We recommend that SIGA ensure that the staff comply with the sponsorship policy**

***Lack of compliance with delegation of authority policy***

SIGA needs to ensure that all employees comply with the approved delegation of authority policy.

In March 2001, the Board of Directors established an appropriate delegation of authority policy for SIGA. The policy sets out the levels of approval needed for cheque signing, business travel, the purchase or lease of land and buildings, and services contracts. However, staff did not consistently follow the established policy. For example, we found three service contracts that were approved by staff who did not have that authority. Failure to follow the delegation of authority policy could result in SIGA paying for goods and services that it did not need or receive, or paying too much for the goods and services.

Also, we noted that authorized staff did not always approve the purchase orders and the invoices supporting the payments. In addition, we noted the purchase orders did not always provide sufficient details and, in some cases, the staff prepared the purchase orders after the receipt of invoices. As a result, SIGA's books and records may have improper transactions.

8. **We recommend that SIGA establish rules and procedures to ensure all staff comply with its delegation of authority policy.**

## **Accounting policies and procedures needed**

SIGA needs to establish written guidance to accounting staff about the nature of support and authorization required before making payments and for making changes to financial records. SIGA has not yet established written rules and procedures to ensure that all payments are properly supported and recorded. As a result, more than 50% of the transactions that we tested during the audit had insufficient supporting documents.

SIGA needs to ensure that its Chief Financial Officer (CFO) provides written guidance to accounting staff responsible to authorize payments about the nature of support before making payments. The CFO needs to tell the staff they need proper authorization such as purchase orders, evidence showing the ordered goods and services have been received, and invoices for goods and services authorized and received. Also, staff need to record the payments in the proper account in SIGA's books. In addition, staff need to know what support they need for making changes to financial records and procedures for reconciling bank accounts and other accounts. Any changes to financial records and all reconciliations should then be independently reviewed and approved.

Every year, SIGA spends significant amounts for marketing its operations. Marketing activities include cash incentives for patrons to visit SIGA casinos, complimentary meals, live entertainment in the casinos, and general marketing and promotion activities. SIGA records all these costs together in one account. SIGA does not budget these amounts separately and management does not regularly analyze the amounts spent for marketing. We could not analyze this spending because of the way SIGA records these expenses. Without detailed analysis of SIGA's marketing spending, management and the Board cannot assess what impact its marketing activities had on its revenue generating activities. Nor can they detect improper transactions. As a result, SIGA's books and records may have improper transactions.

Also, SIGA has not yet established rules and procedures for its ancillary operations. SIGA's ancillary operations consist of restaurants, bars, and gift shops located at some of its casinos. For the year ended March 31,

2002, SIGA had ancillary revenue of \$4.4 million and incurred expenses of \$5.8 million. We had expected that by now SIGA would have policies and procedures for controlling cash, inventory (including purchases), pricing, and regular reporting.

When policies and procedures are not documented, the risk of loss and errors increases. Also, written rules and procedures help ensure that staff know their duties and where to get help when needed.

We also reported this matter in our 2000 Fall Report – Volume 2 and our 2001 Fall Report – Volume 2.

- 9. We continue to recommend that SIGA establish accounting policies and procedures to ensure that its books and records reflect its business operations and there is support for all transactions.**

## **Segregation of duties needed**

SIGA needs to ensure an adequate segregation of duties for its employees to ensure that all withdrawals from its bank accounts are for goods and services received by SIGA. Segregation of duties is not adequate when an employee or group of employees can conceal the improper use of money without ready detection.

We noted one employee continues to have access to blank cheques. The same employee is authorized to transfer money from SIGA's bank accounts and can make changes to financial records without independent review and approval. SIGA should segregate those duties to reduce the risk of improper use of money.

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.

We also reported this matter in our 2001 Fall Report – Volume 2.

- 10. We continue to recommend that SIGA properly segregate the duties of its employees.**



## Table games need better monitoring

SIGA needs to strengthen its rules and procedures to ensure that table games are played in accordance with the rules approved by Liquor and Gaming and to ensure all table games' revenues are received.

Under law, Liquor and Gaming approves the rules of table games including betting limits, house advantage, and use of technology in the game. House advantage is the theoretical percentage of players' bets that SIGA should retain over time. The house advantage varies depending on the rules of a particular game and the technology used (e.g. automatic card shufflers).

Table games and surveillance staff regularly monitor how the games are played to ensure they are played in accordance with the rules. However, SIGA does not regularly monitor the actual house advantage. SIGA should also randomly monitor the actual house advantage for some table games in addition to ensuring that gaming staff follow approved game rules. Such monitoring will provide added assurance that gaming staff are following the approved table game rules. If the actual house advantage on the table games played is the same as approved by Liquor and Gaming, it shows that the table games were generally played according to the approved rules. Alternatively, SIGA should discuss with Liquor and Gaming other means to monitor the approved table games.

When gaming operators do not regularly monitor house advantage on table games, they establish and communicate to gaming staff the expected "hold" for their table games. Expected "hold" represents the revenue from table games that operators can expect to achieve. Gaming operators then monitor the actual hold on table games to the expected hold to ensure table games are generating revenues as expected.

SIGA has not established and communicated to the gaming staff the ranges of expected hold for each type of table game. Gaming staff record the actual hold at the table games hourly and monitor trends. Because SIGA has not established and communicated ranges of expected hold for each table game, gaming staff do not know what hold is expected and may not take any action if the hold is within their perceived ranges.

SIGA should establish and communicate expected hold for each type of table game to its casino managers. SIGA should then require its casinos to provide regular periodic reports showing expected and actual table games revenue. Those reports should also explain significant differences between the expected and actual table games revenue and actions taken when differences were significant.

**11. We recommend that SIGA:**

- ◆ **periodically monitor the actual house advantage for table games to ensure games are being played in accordance with approved rules.**
- ◆ **establish appropriate rules and procedures to monitor expected and actual revenue of table games and communicate these to casino staff.**

## **Compliance with terms of gaming licences needed**

SIGA is licensed by Liquor and Gaming to conduct and manage table games. 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*. SIGA operates the slot machines on behalf of Liquor and Gaming.

Liquor and Gaming has issued terms and conditions related to SIGA's table game licences and SIGA's slot machine operations. Those terms and conditions do not allow SIGA to install cash advance terminals (debit card machines) inside its casinos that issue credit card advances.

We observed that at one casino, SIGA has a debit card machine that accepts credit cards for cash advances. We found instances where patrons obtained credit card advances from this machine. Accordingly, SIGA did not comply with the terms and conditions of its gaming licences.

**12. We recommend that SIGA comply with the terms and conditions of its gaming licence.**

Management told us that SIGA removed the debit card machine in July 2002.

## Better public reporting needed

Liquor and Gaming provided SIGA guidelines for an annual report policy. In March 2001, the Board approved an annual report policy for SIGA. The approved policy requires SIGA to complete 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

SIGA did not provide an annual report for the year ended March 31, 2001 to Liquor and Gaming until December 2001. Liquor and Gaming gave SIGA's 2001 annual report to the Legislative Assembly on January 24, 2002.

SIGA's 2001 annual report did not contain a statement of mission, vision, values, and objectives, an organization chart, a description of key performance indicators, comparison of planned and actual results, a description of key risks, and systems and practices in place to manage these risks.

Accordingly, SIGA did not comply with its annual report policy.

The policy also requires SIGA to provide to Liquor and Gaming a list of persons (e.g., employees, suppliers) who have received money from SIGA and the amount each person received. SIGA provided such a list for 2001 to Liquor and Gaming. Liquor and Gaming told us it did not make this list public because of advice it received from the Department of Justice.

13. We recommend that SIGA comply with its annual report policy.

## 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. We said SIGA should determine the amount and recover the money.

SIGA 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. SIGA told us that recovery of any amount is considered doubtful.

## Part 2

### Key Risks

To carry out our work, we must understand the key areas of risk facing an organization. To identify the key risks facing SIGA, we reviewed SIGA's documents and reports as well as documents and reports from other gaming operators and legislators in Canada. We discussed our understanding of those risks with management and confirmed we have identified the right risks. Sharing our understanding with legislators and the public will help them better understand and assess the organization's performance.

To be successful, SIGA needs to:

- ◆ continue to generate profits in an increasingly competitive marketplace;
- ◆ ensure gaming is provided in a socially responsible manner;
- ◆ ensure the integrity of gaming operations; and
- ◆ ensure adequate human resource capacity to manage operations.

We have not assessed the adequacy of SIGA's systems and practices to address its key risks. However, we plan to examine SIGA's practices to ensure adequate human resource capacity to manage its operations. In Part 3, we set out the criteria to do this work. We will report our findings, conclusions, and recommendations, if any, in a future Report.

The following briefly explains each of the key risks and sets out systems and practices necessary to manage those risks.

## **Generating profits in an increasingly competitive market place**

The gaming industry in Canada continues to grow and is becoming more competitive. Recent expansion of First Nation casinos in Manitoba and Alberta could significantly impact gaming revenues available for the First Nations and for the Government of Saskatchewan. To continue to generate profits, both SIGA and the Government of Saskatchewan must position themselves as providers of quality gaming entertainment. They must ensure they have adequate marketing and promotion plans and regularly assess those plans to ensure they are producing the desired results. Also, to maintain public confidence, they must ensure they provide quality gaming products and services to gaming the public.

SIGA generates significant profits each year for sharing between the Government and the First Nations. SIGA also generates economic benefits for First Nation communities by providing employment opportunities for local people. Changes in SIGA's profits would impact a significant number of people. Accordingly, SIGA must ensure its current profitability continues and improves.

To do so, SIGA must develop an appropriate marketing and promotion plan to help retain current customers and attract new customers. The plan

should set out specific goals, objectives, and performance measures for marketing and promotional activities. SIGA must then regularly assess how well it achieved those objectives and adjust the plan when necessary.

Also, to maintain public confidence, SIGA must ensure it provides quality gaming products and services to the gaming public. SIGA must ensure it has gaming products that the gaming public likes. It must also ensure its employees have adequate gaming industry and customer service training. In addition, SIGA must regularly monitor its financial performance to assess how well it meets its financial performance targets.

## **Social responsibility**

SIGA must balance its need to generate revenue for positive social impact with its responsibility to encourage responsible gaming.

Problem gambling is generally considered to have a major negative impact on society. Problem gambling refers to all gambling behaviour which adversely affects a person's physical or psychological health or impacts on significant areas of a person's life such as employment, family relationships, or contributes to involvement in illegal activities to finance a person's gambling activities. While studies have shown that problem gambling affects a small percentage of the population, for those people, and their families, it is a serious problem.

SIGA must work closely with health and community service organizations to share information about the negative impacts of problem gambling and the extent of problem gambling in the province. SIGA can then develop, adjust, and co-ordinate its own programs to promote responsible gaming.

Also, SIGA must develop a comprehensive training program for its employees to help them understand their role in combating problem gambling by identifying guests who may be problem gamblers. Gaming employees must know how and where to refer problem gamblers for help. Increased awareness about problem gamblers is crucial to promoting responsible gaming and maintaining a positive public image of SIGA.

SIGA must also ensure that underage gamblers are prohibited from entering their casinos.

## **Integrity of gaming operations**

As an operator of casinos, SIGA has a responsibility to ensure the integrity (fairness and legality) of its gaming operations. To maximize revenue, SIGA must maintain the confidence of the gaming public (patrons) in the integrity of its gaming operations so that patrons continue to visit the casino.

To ensure the integrity of its gaming operations, SIGA must ensure all games, gaming equipment, supplies and staff meet regulatory operating standards. Also, SIGA must ensure games are played fairly and consistently in accordance with approved rules.

In addition, SIGA must ensure it provides a safe and secure environment for its employees and patrons. Employees perform better when they feel safe and patrons are more likely to revisit the casinos when they feel safe and secure.

## **Human resource capacity**

Gaming operators need a capable workforce to manage their operations and to achieve their goals and objectives. Attracting and maintaining quality employees in the gaming industry is becoming increasingly difficult. Recent expansion of the gaming industry has resulted in high demand for experienced gaming employees.

SIGA must ensure it has a capable workforce to manage its operations. To do so, SIGA must ensure that it has adequate strategies to recruit and retain appropriate employees. SIGA is committed to providing employment opportunities for First Nations people. To ensure it can accomplish that objective, SIGA must ensure it has a long-term strategy to recruit and retain First Nations people.

Also, SIGA must work with the First Nation communities and educational institutions to set goals relating to First Nations employment and to promote SIGA's employment opportunities. SIGA's human resource plan must also address any special training needs of these employees.

## Part 3

### Building human resource capacity

In Part 2 of this chapter, we identify risks that SIGA must manage well to be successful. One of those risks relates to ensuring SIGA has adequate human resource capacity to manage its operations.

As an employer in the hospitality industry, SIGA needs a capable workforce to manage its operations. It must meet client service expectations, maintain security, and avoid costly mistakes. Good human resource systems and practices help organizations to build a capable workforce so that they can manage their operations to achieve their goals and objectives.

In our 2000 Fall Report – Volume 2, and 2001 Fall Report – Volume 2, we note that SIGA did not have adequate human resource systems and practices. Accordingly, we decided to examine, in depth, SIGA's human resource systems and practices. We decided to do our work in two phases. In the first phase, we articulated the objective of our work and completed our research and discussion with management to determine the criteria we will use to assess SIGA's practices. In the second phase, we will do our assessment and report our findings, conclusions, and recommendations, if any.

The first phase of our work is now complete. In the rest of this section, we describe our audit objective and the criteria we will use to evaluate SIGA's human resource systems and practices.

We plan to report the results of the audit in our 2003 Spring Report.

### Audit objective and approach

The objective of our audit is to assess whether SIGA has adequate human resource systems to build human resource capacity. We will examine the processes used by SIGA for the period November 1, 2001 to October 31, 2002.



In completing our work, we do not intend to examine SIGA's performance management systems, organizational design and job evaluation systems.

## **Agreed-upon criteria**

Auditors use criteria to evaluate the matters they examine. Criteria are reasonable and attainable standards of performance and control against which auditors can assess the adequacy of systems and practices. We developed criteria based upon our review of relevant literature and best practices. We discussed the criteria with senior officials at SIGA. They agreed that our criteria are reasonable and attainable.

The following are the agreed upon criteria:

SIGA's human resource systems and practices should:

### **Align its human resource plan with the strategic plan and business and financial plan**

- a) Define human resource needs
- b) Assess availability of human resources
- c) Select strategies to address needs within limitations of corporate plans
- d) Provide management with adequate information
- e) Evaluate and modify plan as required

### **Obtain a competent workforce (e.g., recruit, promote, transfer)**

- a) Evaluate vacancy requests using human resource plan
- b) Attract candidates with required competencies
- c) Select appropriate candidate
- d) Employ appropriate candidate
- e) Provide management with adequate information
- f) Evaluate and modify the staffing process

### **Provide relevant learning opportunities**

- a) Develop learning plans (e.g., individual, group, and organization-wide)
- b) Implement learning plans
- c) Provide management with adequate information
- d) Evaluate and modify the learning process

**Retain a competent workforce**

- a) Identify risks to retention of a competent workforce
- b) Manage risks to retention of human resource assets
- c) Provide management with adequate information
- d) Evaluate and modify the retention process

## Exhibit 1

	<b>Recommendations</b>	<b>Year First Reported</b>	<b>Implemented</b>	<b>Partially Implemented</b>	<b>Not Implemented</b>
1.	SIGA should establish a proper code of conduct and that code of conduct should be appropriate for managing public money.	2000 Fall Report – Volume 2	✓		
2.	SIGA should document and communicate to its senior management the goals and objectives of SIGA	2000 Fall Report – Volume 2			✓
3.	SIGA's Board should establish an appropriate conflict-of-interest policy for Board members and management.	2000 Fall Report – Volume 2	✓		
4.	SIGA's Board should ensure all Board members and senior management comply with the established conflict- of-interest policy.	2000 Fall Report – Volume 2	✓		
5.	SIGA should prepare a complete business and financial plan for its operations.	2000 Fall Report – Volume 2			✓
6.	SIGA's Board should define its management reporting needs and communicate those needs to management for regular reporting.	2000 Fall Report – Volume 2			✓
7.	SIGA should establish an independent internal audit function that should report directly to the Board.	2000 Fall Report – Volume 2	✓		
8.	SIGA should report publicly through FSIN and Liquor and Gaming setting out SIGA's planned results and actual results.	2000 Fall Report – Volume 2			✓
9.	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.	2000 Fall Report – Volume 2		✓	

**Chapter 6B – Saskatchewan Indian Gaming Authority Inc.**

	<b>Recommendations</b>	<b>Year First Reported</b>	<b>Implemented</b>	<b>Partially Implemented</b>	<b>Not Implemented</b>
10.	SIGA's Board should establish appropriate delegation of authority rules for the management.	2000 Fall Report – Volume 2		✓	
11.	SIGA should establish written policies for management and staff pay, benefits, professional development, and performance evaluation.	2000 Fall Report – Volume 2		✓	
12.	SIGA should establish an appropriate travel policy for Board members and executive management expenses including spousal travel, business expenses, and travel advances.	2000 Fall Report – Volume 2	✓		
13.	SIGA should establish adequate policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions.	2000 Fall Report – Volume 2			✓
14.	SIGA should establish appropriate written policies and procedures for tendering and awarding contracts.	2000 Fall Report – Volume 2	✓		
15.	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.	2000 Fall Report – Volume 2		✓	
16.	SIGA's Board should define its operational and financial information needs and communicate those needs to management for regular reporting.	2001 Fall Report – Volume 2			✓
17.	SIGA should establish rules and procedures to ensure that only authorized persons can access its financial systems.	2001 Fall Report – Volume 2	✓		

**Chapter 6B – Saskatchewan Indian Gaming Authority Inc.**

	<b>Recommendations</b>	<b>Year First Reported</b>	<b>Implemented</b>	<b>Partially Implemented</b>	<b>Not Implemented</b>
18.	SIGA should properly segregate the duties of its employees.	2001 Fall Report – Volume 2			✓
19.	SIGA should establish rules and procedures to ensure compliance with the Casino Operating Agreement.	2001 Fall Report – Volume 2			✓

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