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## Main points

Saskatchewan Gaming Corporation (SGC) needs written procedures for its information technology (IT) security to help ensure the confidentiality, integrity, and availability of information systems and data.

SGC also needs an improved written, tested, and approved disaster recovery plan so it can continue to provide IT services in the event of a disaster.

SGC should improve its compliance with approved policies relating to marketing and promotion. As well, SGC needs to further improve its human resource plan.

## **Introduction**

Saskatchewan Gaming Corporation (SGC) manages and operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Saskatchewan Liquor and Gaming Authority. *The Saskatchewan Gaming Corporation Act, 1994* established SGC.

Casino Regina is a full-service casino and entertainment centre. Casino Regina has slot machines, table games, a full-service restaurant, and a show lounge. Casino Moose Jaw is also a full-service casino that has slot machines and table games. SGC has a total of 995 slot machines and 42 table games in its casinos.

SGC also owns SGC Holdings Inc. (SGC Holdings). SGC Holdings is a corporation registered under *The Business Corporations Act (Saskatchewan)*. SGC Holdings purchases capital assets and leases them to SGC for the operation of the above casinos. SGC's financial statements include the financial results of SGC Holdings.

SGC's consolidated financial statements for the year ended March 31, 2008 report net revenues of \$119.4 million, expenses of \$75.7 million, net income of \$43.7 million, and assets of \$70.4 million. *Saskatchewan Gaming Corporation Annual Report 2007-2008* includes SGC's consolidated financial statements.

## **Audit conclusions and findings**

**In our opinion, for the year ended March 31, 2008:**

- ◆ **SGC had adequate rules and procedures to safeguard its public resources and those of SGC Holdings except for the matters described in this chapter**
- ◆ **SGC complied with authorities governing its activities and the activities of SGC Holdings relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- ◆ **the consolidated financial statements for SGC and the financial statements for SGC Holdings are reliable**

## Controls to safeguard public resources

Well-performing agencies do three things to help ensure they have effective controls to safeguard public resources. First, they ensure management provides adequate guidance to its employees. Second, they require management to establish processes to ensure employees follow the established guidance. Third, they monitor how well they are progressing towards achieving their established goals. We provide our findings in these areas below.

### Effective guidance to employees

Agencies should document their policies to provide employees ready guidance to understand and follow the policies. SGC has documented and communicated policies for all areas except those noted below.

#### ***Better disaster recovery plan needed***

SGC needs an improved written, tested, and approved disaster recovery plan (DRP)<sup>1</sup> to help ensure that it can continue to provide information technology (IT) services in the event of a disaster.

SGC places significant reliance on its IT systems to operate. Without an adequate DRP, SGC is at risk of not being able to provide its IT services in a timely manner. Therefore, it may be at risk of not being able to operate its casinos. SGC also needs to assess the requirement for a business continuity plan (BCP) by completing a threat and risk assessment. A BCP would help SGC recover critical business functions in the event of a disaster.

A good business continuity plan must:

- ◆ have management support including making the required resources available to create and maintain the business continuity plan

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<sup>1</sup> **Business Continuity Plan (BCP)** – Plan by an organization to respond to unforeseen incidents, accidents, or disasters that could affect the normal operations of the organization’s critical operations or functions.

**Disaster Recovery Plan (DRP)** – Plan by an organization to respond to unforeseen incidents, accidents or disasters that could affect the normal operation of a computerized system (also known as a **Contingency Plan**). A DRP or contingency plan is only one component of a Business Continuity Plan.

- ◆ be based on a threat and risk assessment including identifying and ranking SGC's critical functions
- ◆ set out the plan activation and notification procedures, emergency procedures that would be used in the event of a disaster, and steps for the recovery and restoration of key programs and services
- ◆ be documented, approved by management, and easily accessible when the plan needs activation
- ◆ be tested initially and on an ongoing basis
- ◆ set out policies for ongoing maintenance and updating of the plan

SGC does not have a complete and tested DRP or BCP. Its DRP has not been reviewed and approved by management and has not been tested. SGC has an alternate processing site in the event of a disaster and its DRP includes its backup procedures. However, its DRP does not contain all the key elements of a good DRP, such as a threat and risk assessment, a ranking of SGC's critical applications, and documented recovery and restoration steps.

Management told us SGC has some components of business continuity planning including an influenza pandemic plan, an emergency response plan, and business interruption insurance.

1. **We recommend that the Saskatchewan Gaming Corporation prepare a complete disaster recovery plan.**
2. **We recommend that the Saskatchewan Gaming Corporation assess the need for a business continuity plan.**

***Better information technology security policies and procedures needed***

SGC needs to fully document its information technology (IT) security procedures. IT security policies and procedures help ensure the confidentiality, integrity, and availability of information systems and data. For example, good security helps ensure that only authorized people can access an IT system that may contain sensitive data such as personnel information and payroll rates.

SGC also needs to ensure that its staff follow IT policies and procedures. Without adequate monitoring of compliance with IT policies and procedures, SGC's data is at risk of disclosure, modification, or loss.

SGC has some IT security policies that define staff roles and responsibilities. The policies identify processes needed for good security including user access, physical security, and virus protection. However, SGC does not have written procedures on how to monitor compliance with those policies.

Also, SGC needs to improve its processes for protecting its network. For example, we found SGC does not always document its monitoring of server log files, firewall logs, security patches, and hardware and software maintenance. As a result, SGC may not identify attempted or successful security breaches or may have a disruption of service due to inadequate maintenance.

- 3. We recommend that the Saskatchewan Gaming Corporation fully document its procedures for the security of its information technology systems and ensure that these procedures are being followed.**

### **Compliance with policies and procedures needs improvement**

SGC must improve its training and supervision of employees so that they follow SGC's established processes to safeguard public resources. SGC has made progress towards ensuring that its employees follow the established policies. However, it needs to do more. We describe below the areas where employees did not always comply with the established policies and procedures.

We have reported this matter since 2005. We recommended that SGC comply with approved policies relating to coupons and marketing promotions. The Standing Committee on Public Accounts (PAC) considered this matter in June 2007 and agreed with our recommendations.

### ***Coupons***

SGC provides coupons (e.g., free slot play, food and beverage discounts, gift certificates, etc.) to its patrons for marketing and promotion purposes. SGC requires its employees to maintain adequate records (log books) of authorized coupons printed, issued, and returned. In 2008, SGC issued approximately \$3.9 million of coupons to patrons.

Employees did not properly maintain the log books. As a result, the log books did not always agree to the actual number of coupons on hand. Inadequate controls over coupons could result in unauthorized or inappropriate use of coupons without ready detection.

### ***Redemption terminals***

SGC has established procedures to help ensure the integrity of games and safeguard public resources.

SGC uses ticket redemption terminals to allow patrons to receive cash for their slot machine winnings or to allow patrons to exchange large denomination bills for smaller denominations. SGC has established adequate processes to ensure it receives and records all slot machine revenues and cash transactions. However, employees did not always agree (reconcile) transactions from the ticket redemption terminals to SGC's records on a timely basis and did not follow up on discrepancies. Such reconciliations help identify system malfunctions, tampering, or potential theft on a timely basis.

We continue to recommend that SGC comply with approved policies relating to coupons and redemption terminals.

## **Better human resource plan needed**

SGC needs to improve its human resource plan. Rigorous human resource plans help ensure agencies have the right number of employees, with the right competencies, at the right time.

We also reported this matter in our 2007 Report – Volume 3. We recommended that SGC improve its human resource plan by prioritizing its key human resource risks, analyzing human resource gaps, and

setting out plans to address human resource gaps. PAC considered this matter in 2007 and agreed with our recommendation.

SGC has prepared a human resource plan. The plan includes some discussion about SGC's key human resource risks, but it does not prioritize the identified risks (i.e., by considering the likelihood and nature of consequences or risks). SGC has identified general strategies to address its human resource risks. SGC continues to work on detailed action plans to implement the strategies identified.

Also, the human resource plan does not identify SGC's future human resource needs to meet its goals and objectives and it does not identify and analyze anticipated shortfalls or surpluses (gaps).

We continue to recommend that the Saskatchewan Gaming Corporation improve its human resource plan by prioritizing its key human resource risks and analyzing human resource gaps.