

# Status of OLG Action In Response to KPMG Recommendations

## Phase I, II, III Recommendations

### PHASE I RECOMMENDATIONS (November 3, 2006)

#	KPMG Recommendation (As per KPMG Reports)	OLG Action	Implementation Status at March 27, 2008
1	OLG should initiate a comprehensive educational campaign to make customers aware of the techniques they should employ to protect purchased tickets. In particular, the campaign should emphasize the need to complete and sign the back of the ticket at the time of purchase.	1.1 OLG has launched a comprehensive public awareness campaign communicating the importance to consumers of signing their lottery ticket as well as how and where to check their winning numbers.	Completed.
		1.2 The public awareness campaign is part of OLG's long term commitment to the 7-point Trust and Security Action Plan.	
2	OLG should establish a policy that retailers will only validate tickets if the customer has completed and signed the back of the ticket. Tickets should not be validated and processed unless signed. OLG will need to provide training to retailers on this policy and will need to consider an appropriate approach to motivating and enforcing compliance.	2.1 Lottery retailers are required to check the lottery ticket for consumer signature and are required to ask the consumer to sign the lottery ticket before validating it.	Completed.
		2.2 Retailer training conducted and information bulletins distributed to retailers reiterating ticket validation procedures.	Completed.
		2.3 Communication and education campaign to retailers will continue.	Completed.
		2.4 Corporate Surveillance and Security will independently audit retailer behavior and enforce compliance.	Completed.
3	OLG should consider a more comprehensive roll-out of customer-accessible ticket checkers with an appropriate awareness program.	3.1 Ticket Checker devices will be available to the public at all lottery terminal locations for checking of on-line tickets. Every business day new ticket checkers are being installed around the province.	Completed.
		3.2 Instant ticket product checking will be added in the future.	Research Completed. Future Capability Planned.

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4	<p>OLG should consider a review of the “insider” definition and policy with a view of making the policy more practical and controllable. As part of changes to the “insider” policy, we would suggest that the threshold of \$ 50,000 that initiates more specific procedures and checks be reduced. Consideration should be given to returning to the 1995 level of \$ 10,000.</p>	4.1 Policy and procedures for dealing with “Insider Wins” are being developed.	Completed.
		4.2 All \$10,000 and above wins by “Insiders” are investigated by OLG Corporate Security and Surveillance.	Completed.
		4.3 We have reduced the big win threshold that freezes the lottery terminal from \$50,000 to \$10,000.	Completed.
5	<p>OLG should consider the implementation of an automatic call logging facility at the Contact Centre. In conjunction with such an implementation, appropriate monitoring and follow-up processes should be developed and rolled out as well.</p>	5.1 An automated solution is being developed for call monitoring and recording in the Contact Center.	Completed.

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### PHASE II RECOMMENDATIONS (November 3, 2006)

#### LOTTERY CONTROLS – Specific Controls for Purchasing and Authenticating Tickets

The following recommendation was made to improve the controls in and around the Retail Terminal

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6	Where practical, consider the following: <ul style="list-style-type: none"> <li>For on-line tickets, printing a message directly on the ticket indicating that the ticket is not a winning ticket instead of a receipt currently printed on separate paper (this is already done for prizes paid through a retailer)</li> </ul>	6.1 Lottery terminals currently print "Not in Winner File" on all non-winning on-line tickets validated.	Completed.
	For instant tickets, explore options and redesign the instant ticket redemption processes to: <ul style="list-style-type: none"> <li>Mark tickets as being paid or non winning tickets (We recognize that the current terminals are unlikely to be able to print messages on instant tickets); and</li> </ul>	6.2 Solutions will be actively pursued through best practice review with our vendors.	Research Completed.  Printing on Instant tickets not possible, other action taken.
	<ul style="list-style-type: none"> <li>Return all instant tickets to the claimant(We recognize that consideration must be given whether a reasonable and cost-effective solution to accommodate the above exists)</li> </ul>	6.3 Currently winning tickets cannot be returned to consumers due to security issues. This recommendation will be monitored to determine feasibility in the future.	Completed.
	Repositioning all retail terminals such that it is easy for the ticket holder to observe their tickets being checked. Where appropriate, consider alternatives such as a mirror to allow the ticket holder to visually follow their ticket through the process.	6.4 OLG has repositioned Customer Display Units (CDU's) at lottery retail locations to improve visibility to consumers. The CDU and terminal placement will be continuously monitored.	Completed.
	Establishing and enforcing guidelines requiring that: <ul style="list-style-type: none"> <li>Except for the "silent seller", all surfaces in and around the Retail Terminal be clear of all other tickets or pieces of lottery paper, and</li> </ul>	6.5 Retailers have been instructed to keep surfaces in and around the terminal clear of tickets and lottery paper.	Completed.
	<ul style="list-style-type: none"> <li>No validated tickets to be retained behind or around the counter, and</li> </ul>	6.6 Retailers will be trained on an ongoing basis to follow proper validation procedures.	Completed.
	<ul style="list-style-type: none"> <li>Following-up on any detected cases of non-compliance</li> </ul>	6.7 Retailers will be subject to ongoing compliance audits.	Completed.

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### RETAILERS – Recommendations relating to the role of Retailers in Lottery Activities

#	KPMG Recommendation (As per KPMG Reports)	OLG Action	Implementation Status at March 27, 2008
7	<b>RETAILER MANAGEMENT</b> Consider adding the following terms and conditions explicitly in the Retailer contract, game rules and/or OLG policies. These include:  Any retailer or family member who makes a false or misleading representation (e.g., during an interview) to OLG is grounds for termination of the Retail Contract and/or grounds for invalidating a ticket (current interview process would need to be amended to accommodate this).	7.1 OLG through its current retailer contract has the authority to terminate retailers for making false or misleading representation.	Completed.
		7.2 To assist in identifying “Insider Wins” new questions and enhanced processes have been implemented	Completed.
	<ul style="list-style-type: none"> <li>▪ Any retailer not following specific directives relating to validation and redemption of tickets may be terminated.</li> <li>▪ Retailers are required to have each employee (to the extent included in the revised definition of an “insider”) sign a declaration that they understand their obligations to their employer and implications from being an insider. OLG will need to assess the practical application and cost-effectiveness of implementing this process given the size and constant changes to the “insider” population and the number of individuals that may be subject to this at large corporations.</li> </ul>	7.3 OLG through its retailer contract has the authority to terminate retailers for non-compliance of validation and redemption procedures.	Completed.
		7.4 OLG retailers will be required to sign a declaration that they understand the obligations and implications of being an insider and that they will communicate this to their employees.	Completed.
		7.5 OLG has added an acknowledgement to the retailer contract regarding zero tolerance towards dishonesty.	Completed.
	<ul style="list-style-type: none"> <li>▪ Specific guidelines relating Retailer activities and consequences for non-compliance should be provided to the Major Prize Office, Corporate Security and Surveillance, Internal Audit and other departments that work with Retailers.</li> </ul>	7.6 All OLG departments that interact with retailers will be given specific guidelines relating to consequences for non-compliance.	Complete

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8	<b>INCREASE COMPLIANCE REVIEWS AT RETAILERS</b>  Consider: <ul style="list-style-type: none"> <li>▶ Implementing a review process using individuals who are independent of the sales force.</li> </ul>	8.1 The process for prize redemption and validation have been defined and documented.	Completed.
		8.2 Initial field audits (base line) field audits have been completed.	Completed.
		8.3 Ongoing independent field audits for retail compliance will be conducted by Corporate Security and Surveillance.	Completed.
	Increasing the frequency of retailer reviews based on: <ul style="list-style-type: none"> <li>▶ Findings from previous reviews or similar locations</li> <li>▶ Incidents or alleged incidents reported to OLG</li> <li>▶ “Insider” wins, and</li> <li>▶ Results of reviews of one retailer that is known by OLG to be related to another retail location, and</li> <li>▶ Adopting a specified checklist and guidance for conducting such reviews.</li> <li>▶ Results of such reviews should be provided to both Corporate Security and Surveillance and the Audit and Risk Management Committee of the OLG Board together with reports on remedial action taken.</li> </ul>	8.4 Corporate Security and Surveillance will be accountable for the retailer review process. This process will meet the stated recommendation. Corporate Security and Surveillance will develop a specified checklist for the audits.	Completed.
9	<b>TERMINATION OF RETAILERS</b> <ul style="list-style-type: none"> <li>▶ Review current practices and policies relating to retailers and consider more clearly defining the circumstances that would cause a retailer termination.</li> </ul>	9.1 A compliance program will be developed and communicated to all retailers. Graduated penalties will include retail termination.	Completed.

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<b>INSIDERS</b>			
<b>#</b>	<b>KPMG Recommendation (As per KPMG Reports)</b>	<b>OLG Action</b>	<b>Implementation Status at March 27, 2008</b>
10	<p>After having revisited the definition of “insider” as recommended in Phase I of the report, consider:</p> <ul style="list-style-type: none"> <li>▶ Enhancing the search process for detecting potential “insiders” to encompass all currently electronically available databases within OLG, and</li> <li>▶ Depending on the adopted “insider” definition, assess practicality of expanding and maintaining currently-held electronic data.</li> </ul>	10.1 The search process for detecting potential “Insider Wins” has been enhanced using all currently available electronic databases.	Completed.
		10.2 OLG will develop and implement a declaration form for all single ticket prize wins of \$1,000+	Completed.
		10.3 OLG will update and keep current to the best extent possible its Insider databases.	Completed.

<b>PRIZE OFFICE</b>			
<b>#</b>	<b>KPMG Recommendation (As per KPMG Reports)</b>	<b>OLG Action</b>	<b>Implementation Status at March 27, 2008</b>
11	<p><b>PRIZE OFFICE MANUAL</b></p> <p>Continue to:</p> <ul style="list-style-type: none"> <li>▶ Look for opportunities to enhance policies as new practices are adopted in other jurisdictions</li> <li>▶ Update the policies and procedures for the Prize Office (including those policies outlined in our Phase I and Phase II reports), and</li> <li>▶ Ensure that all names of “insider” parties are current to the extent possible.</li> </ul>	11.1 OLG will initiate a best practice review with Canadian and international lottery jurisdictions regarding prize center policies and procedures.	Completed.
		11.2 Revisions to “Insider Wins” policy and processes including updating documentation of policies and procedures.	Completed.
		11.3 OLG will ensure that all names of insider parties are kept current to the extent possible using all existing databases and will incorporate names of other defined insiders into its databases.	Completed.

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#	KPMG Recommendation (As per KPMG Reports)	OLG Action	Implementation Status at March 27, 2008
12	<p><b>RETAILER PAID PRIZE POLICY</b></p> <p>We noted that the current policy (Retail Paid Prize Policy) permits a retailer to be reimbursed for a prize paid (Which is over the retailer's specific redemption limit) to a third-party (i.e., a retailer may represent/send a greater than \$300 winning ticket for a claimant to OLG for payment).</p> <p>If OLG wanted to track all "insider activity, it should consider revisiting its policy such that OLG will only pay the rightful owner for amounts above retailer's specific redemption limit.</p> <ul style="list-style-type: none"> <li>▶ Consider the elimination of Retailer Paid Prize Policy as it relates to prizes over the retailer redemption limit.</li> </ul>	12.1 Retailers are not allowed to redeem prizes in excess of their redemption limit and have been advised.	Completed.
13	<p><b>INTERVIEW PROCESS</b></p> <p>After a ticket is presented and determined to be a major prize winner by counter staff at the Prize Office, the claimant is taken to the major prize lounge area and interviewed by an OLG Prize Office employee.</p> <p>Consider establishing policies and procedures that Define:</p> <ul style="list-style-type: none"> <li>▶ The circumstances where additional retailer interviews are required</li> <li>▶ Who the specific interviews should be with, and</li> <li>▶ The timeframe within which such interviews should be undertaken, and</li> </ul> <p>Require such interviews be conducted immediately after the initial claimant's interview.</p>	13.1 Investigation guidelines have been refined and documented.	Completed.
		13.2 Upon identification of an Insider Wins, claims are immediately escalated to OLG Corporate Security and Surveillance for interview.	Completed.
	<p>Enhance the interview process by including the following:</p> <ul style="list-style-type: none"> <li>▶ Obtaining information for all people who cohabitate with the claimant and information about where these individuals work and where their parents and/or dependents work</li> </ul>	13.3 "Insider Win" definition has been revised. Regarding the obtaining of information on the persons who cohabitate with the claimant, OLG will research this suggestion within the boundaries of the Privacy Act.	Completed.

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#	KPMG Recommendation (As per KPMG Reports)	OLG Action	Implementation Status at March 27, 2008
	<ul style="list-style-type: none"> <li>▶ Providing increased guidance as to when to escalate the validation-related processes</li> </ul>	13.4 Process and guidelines for escalating prize claims to OLG Corporate Security and Surveillance have been defined. Prize Center staff have been trained on new process and procedures and understand exactly when to escalate.	Completed.
	<ul style="list-style-type: none"> <li>▶ Clarifying the policy relating to circumstances where the winner cannot provide purchase information</li> </ul>	13.5 When winners cannot provide purchase information, these incidents are escalated to Corporate Security and Surveillance.	Completed.
	<p>Redesigning the questions used during the interview process outlined in Section 7 of the Prize Office Manual and related Major Prize Win Form to include:</p> <ul style="list-style-type: none"> <li>▶ Who do you live with and what places of work do they have?</li> <li>▶ Do you have relatives and what places of work do they have?</li> </ul> <p>This information can be used by the Prize Office to identify and scan the "insider" database for potential matches.</p>	13.6 As a result of the draft revised "Insider Wins" definition, the interview questions have been enhanced.	Completed.
<b>14</b>	<p><b>HANDLING OF TICKETS</b></p> <p>At present, tickets detected as potentially fraudulent:</p> <ul style="list-style-type: none"> <li>▶ Are placed in a clear plastic bag, and</li> <li>▶ Are not directly touched by OLG personnel</li> <li>▶ Consider handling all major win tickets using the same protocol as potentially fraudulent tickets to preserve potential evidence (e.g., DNA and finger prints). This preservation may be a valuable resource in resolution of a future dispute if any.</li> </ul>	14.1 All single winning tickets for \$10,000 and up are handled as little as possible by OLG staff and stored in clear plastic bags.	Completed.

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15	<p><b>CLARIFICATION OF ESCALATION</b> The current Prize Office Manual covers several circumstances that require the Prize Office to involve Corporate Security and Surveillance in their processes.</p> <p>If practical, consider:</p> <ul style="list-style-type: none"> <li>▶ Providing further clarity within the Prize Office Manuals as to when to refer a major win to Corporate Security and Surveillance</li> <li>▶ Whether interviews for major wins should be conducted by persons from the Prize Office or from Corporate Security and Surveillance for all major wins</li> <li>▶ Changing OLG policy as to the level of involvement of Corporate Security and Surveillance on "Insider Wins" such that an investigation is conducted on all "insider" wins, and</li> <li>▶ Recording major win interviews which could be reviewed by others to provide evidence of process compliance.</li> </ul>	15.1 Process and guidelines for escalating prize claims to OLG Corporate Security and Surveillance have been defined. Prize Center staff have been trained on new process and procedures and understand exactly when to escalate prize claims.	Completed.
		15.2 Major wins interviews continue to be conducted by Prize Centre staff. Upon identification of an "Insider Win", claims are immediately escalated to OLG Corporate Security and Surveillance for review.	
		15.3 All "Insider Wins" single ticket prize claims of \$10,000 or higher are now investigated by Corporate Security and Surveillance.	
		15.4 All major win Interviews are documented and are subject to periodic reviews.	Completed.
		15.5 OLG will investigate audio recording of major win interviews	Complete.
16	<p><b>ACCESS TO TRACKING OF INCIDENTS OR ALLEGED INCIDENTS INVOLVING RETAILERS</b> When an "insider" win is detected during an interview at the Prize Office, Corporate Security and Surveillance should be required to check the database of incidents or alleged incidents of the particular retailer. There is currently no requirement to do this.</p> <ul style="list-style-type: none"> <li>▶ OLG should consider amending its policies to include checking of incidents or allegations involving a Retailer or other "insider" that is claiming a prize.</li> </ul>	16.1 Corporate Security and Surveillance checks all "Insider Wins" relevant databases.	Completed.
		16.2 Process for detecting potential insiders has been enhanced, using all OLG available electronic databases to check incidents or allegations involving a retailer.	Completed.

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#	KPMG Recommendation (As per KPMG Reports)	OLG Action	Implementation Status at March 27, 2008
17	<p><b>COUNTER TICKET REDEMPTIONS</b></p> <p>Tickets are presented at the Prize Office Counter. The counter representative checks the ticket in the redemption system and informs the claimant of their prize.</p> <p>After the “affiliation questions” are asked, claimants are then required to provide appropriate identification which is written on a claim form.</p> <ul style="list-style-type: none"> <li>▶ Consider revisiting one of OLG’s core systems such that all identification information is captured for all ticket redemptions processed by OLG either in person by mail. Such information can be used for analysis and to detect unusual trends.</li> </ul>	<p>17.1 OLG will ensure core systems have the ability to capture and have the reporting capabilities to support identification information for ticket redemptions.</p>	Completed.
18	<p>Consider:</p> <ul style="list-style-type: none"> <li>▶ Defining what is considered to be a key call (e.g., complaints, transactions, terminal freeze calls, etc.)</li> </ul> <p>Upgrading the call centre technology such that:</p> <ul style="list-style-type: none"> <li>▶ Key calls are recorded</li> <li>▶ Supervisors can always anonymously listen to live and recorded calls for quality assurance and training purposes, and</li> <li>▶ OLG has a more automated process to log and reconcile incoming calls to actions taken.</li> </ul>	<p>18.1 Key calls have been defined as:</p> <ul style="list-style-type: none"> <li>• lost or stolen tickets,</li> <li>• how and where to claim prizes,</li> <li>• Consumer suggestions related to security.</li> </ul> <p>18.2 Special agents have been trained to handle key calls.</p> <p>18.3 A solution is being developed for key call monitoring and recording in the Contact Centre</p>	<p>Completed.</p> <p>Completed.</p> <p>Completed.</p>

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### CALL CENTRE

#	KPMG Recommendation (As per KPMG Reports)	OLG Action	Implementation Status at March 27, 2008
19	<b>CALL ROUTING</b> Consider: <ul style="list-style-type: none"> <li>▶ Having a separate complaint line that routes appropriate calls to highly trained individuals who can fully diagnose the call and gather preliminary information</li> <li>▶ Having these calls go directly to Corporate Security and Surveillance (currently calls are redirected by Call Centre representatives as a part of the escalation process), and</li> <li>▶ Adjusting staffing levels within Corporate Security and Surveillance to accommodate the call volume (if required).</li> </ul>	19.1 The OLG system that handles incoming phone calls allows consumers to route complaint calls to specific complaint queues.	Completed.
		19.2 On an interim basis all incoming calls relating to theft, fraud and dishonesty are logged. The incident is then forwarded to Corporate Security and Surveillance for investigation.	Completed.
		19.3 OLG will automatically route complaint calls regarding theft, fraud and dishonesty directly to Corporate Security and Surveillance.	Completed.
		19.4 Corporate Security and Surveillance staffing levels will be adjusted to accommodate the call volume	Completed.

### INVESTIGATIVE AND INTERNAL AUDIT PRACTICES

#	KPMG Recommendation (As per KPMG Reports)	OLG Action	Implementation Status at March 27, 2008
20	<b>INVESTIGATIVE PROCESS</b> <ul style="list-style-type: none"> <li>▶ Formally document the standard investigative processes required within OLG's policies and procedures manual and develop specific documentation standards and guidelines.</li> </ul>	20.1 The Investigation guidelines have been refined and documented.	Completed.

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### INVESTIGATIVE AND INTERNAL AUDIT PRACTICES

#	KPMG Recommendation (As per KPMG Reports)	OLG Action	Implementation Status at March 27, 2008
21	<p>Document the specific circumstances that should result in:</p> <ul style="list-style-type: none"> <li>▶ A claimant's ticket not being paid</li> <li>▶ The matter being referred to a third-party for further investigation</li> <li>▶ The matter being referred to the police of jurisdiction, and</li> <li>▶ The matter being referred to the court for resolution</li> </ul> <p>These circumstances will require updating as new circumstances are uncovered by OLG or other lottery corporations.</p>	21.1 Investigation guidelines have been refined and documented. These documents will be maintained and updated as new circumstances warranted.	Completed.
		21.2 The new "Insider Wins" policy will define specific circumstances where a claimant's ticket will not be paid, where the matter should be referred to the police, where the matter should be referred to the court.	Completed.
		21.3 OLG will support the development and implementation of any 3 <sup>rd</sup> party dispute resolution proposed by Government.	Completed.
22	Through a continuous awareness campaign, increase the knowledge of the "insider" win policies and subsequent updates to all insiders.	22.1 OLG will increase the knowledge of the Insider Wins policies through a continuous awareness campaign and update as required.	Completed.

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<b>PRACTICES FROM OTHER JURISDICTIONS</b>			
<b>#</b>	<b>KPMG Recommendation (As per KPMG Reports)</b>	<b>OLG Action</b>	<b>Implementation Status at March 27, 2008</b>
<b>23</b>	Consider each of the items outlined below and assess viability and effectiveness of implementing the practice from the other jurisdictions.		
	<b>CANADIAN PRACTICES:</b>		
	▶ All wins greater than \$10,000 are subject to an internal audit review	23.1 OLG will review this policy with other jurisdictions and make recommendations based on the findings.	Completed.
	▶ Different sounds are played for winning and non-winning tickets. The sound for non-winning tickets indicates to player that the ticket has been scanned	23.2 Expanded and enhanced audio for winning tickets.	Completed.
		23.3 Audio for non-winning tickets will be evaluated.	Completed.
	▶ All consumer complaints are transferred to the security department.	23.4 Consumer complaint process has been refined and documented with guidelines as to when complaints are transferred to Corporate Security and Surveillance.	Completed.
	▶ Retailers or their employees are not permitted to purchase tickets at their location while working. (This would appear to be very difficult to enforce and monitor compliance).	23.5 OLG will contact the British Columbia Lottery Jurisdiction (a jurisdiction with this policy) to review this programs effectiveness.	Research Completed. OLG will continue to permit retailers to play under specific requirements
	▶ If an employee wins any amount from \$3,000 to \$10,000, an investigation may be conducted. If an employee wins over \$10,000, a full investigation will be conducted.	23.6 OLG limit is \$10,000+ in adherence to KPMG recommendation #4	Completed.
		23.7 OLG will review its threshold with other jurisdictions on a regular basis.	Completed.
		23.8 OLG will record and monitor all "insider" wins of between \$1,000 and \$9,999.	Completed.

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### PRACTICES FROM OTHER JURISDICTIONS

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	<ul style="list-style-type: none"> <li>▶ Current policy allows British Columbia Lottery Corporation to subject a retailer to additional review procedures to substantiate the legitimacy of the claim. A budget and treasury department as well as a security check are done to ensure that there are no complaints against the retailer</li> </ul>	23.8a OLG has a similar procedure for \$10,000+ claims that involves security and financial checks.	Completed.
	<ul style="list-style-type: none"> <li>▶ Any win of \$10,000 or over by an employee or an immediate family member is considered an “insider” prize claim. Payment is on hold until an investigation is performed to determine that there are no irregularities.</li> </ul>	23.9 OLG has revised its Insider Wins policy for single ticket wins of \$10,000+. All Insider Wins are subject to review and no payment will be made until the investigation process is complete.	Completed.
		23.9a OLG will record and monitor all “insider” wins of between \$1,000 and \$9,999.	Completed.
	<b>UNITED STATES:</b>		
	Insider play: Oregon, Colorado, West Virginia, Missouri, Ohio and Delaware – Statutes prohibit employees and family members of the lottery corporation to play lottery	23.10 OLG reviewed and revised its “Insider Wins” policy. The revised policy determined that OLG employees will continue to be allowed to play. OLG will continue to monitor best practices regarding employees playing the lottery.	Completed.
	<ul style="list-style-type: none"> <li>▶ Oklahoma, Maine, Connecticut – Employees are not allowed to play lottery.</li> </ul>	23.11 OLG reviewed and revised its “Insider Wins” policy. The revised policy determined that OLG employees will continue to be allowed to play. OLG will continue to monitor best practices regarding employees playing the lottery.	Completed.
	<ul style="list-style-type: none"> <li>▶ Arizona – Employment contract prohibits employees to play. Their name and social security number are tracked to detect and prevent employees playing or claiming the tickets.</li> </ul>	23.12 OLG reviewed and revised its “Insider Wins” policy. The revised policy determined that OLG employees will continue to be allowed to play. OLG will continue to monitor best practices regarding employees playing the lottery.	Completed.

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	<p>► Pennsylvania – Lottery employees are prohibited from purchasing or sharing in lottery tickets. No spouse, child, brother, sister or parent residing as a member of the same household as the lottery employee may purchase or share lottery tickets.</p>	<p>23.13 OLG reviewed and revised its “Insider Wins” policy. The revised policy determined that OLG employees will continue to be allowed to play. OLG will continue to monitor best practices regarding employees playing the lottery.</p>	<p>Completed.</p>
	<p><b>EUROPEAN</b></p>		
	<p>At least one European jurisdiction is considering implementation of a player identification card system that could link a player to an on-line ticket purchase. This card would be swiped prior to the processing of a ticket purchase. The key benefit of this would be to link the actual ticket purchase to a specific individual. It is unlikely that every person purchasing a ticket would want this feature; but if implemented all “insiders” could be required to use it. We do not have access to the cost estimates or implications of such a system on gaming and/or its level of acceptance by ticket purchasers to assess the practicality and effectiveness of this initiative. OLG may wish to explore the Implementation of a Player Identification Card. It must be recognized that if all purchasers signed their tickets at the time of purchase, there may not be a need for this control feature.</p>	<p>23.14 OLG will identify and investigate jurisdictions with player's cards and determine the relative benefits for added security and integrity.</p>	<p>Completed.</p>

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### PHASE III RECOMMENDATIONS (February 26, 2007)

#### SUMMARY

#	KPMG Recommendation (As per KPMG Reports)	OLG Action	Implementation Status at March 27, 2008	
24	<b>INSTANT TICKET PROCESSES</b> <ul style="list-style-type: none"> <li>▶ Instant Ticket processes be formally documented and approved and the inter-departmental communications and approvals be retained in one location</li> <li>▶ OLG develops a performance management scorecard across the Instant Ticket processes</li> <li>▶ OLG enhances certain processes in its vendor management function for the Instant Ticket business, and</li> <li>▶ OLG establishes a formal protocol of documented policies and procedures for maintaining its testing standards for Instant Tickets.</li> </ul>	24.1 All Instant Ticket processes have been detailed.	Completed.	
		24.2 Enhanced formal documentation will be completed.	Completed.	
		24.3 Current performance tracking will be enhanced and standardized to create an overall scorecard for management use.	Completed.	
		24.4 OLG will review Vendor Management processes and incorporate into overall process improvements.	Complete.	
		24.5 Protocol for Testing Standards in place	Completed.	
		24.6 Documentation of policies and procedures are being developed.	Completed.	
		<b>OVERALL CONTROL ENVIRONMENT</b> <ul style="list-style-type: none"> <li>▶ Internal Audit conducts a periodic risk, process and control analysis of the Instant Ticket gaming area</li> </ul>	24.7 Internal Audit will conduct a periodic risk, process and control analysis of the Instant Ticket area and will incorporate this into the risk assessment of the lottery Business Unit.	Completed.
		<ul style="list-style-type: none"> <li>▪ Internal Audit includes in its annual plan (approved by Senior Management and Audit and Risk Management Committee) procedures and testing which are focused on the inherent and residual risks in the Instant ticket business</li> </ul>	24.8 All audits identified in the annual Audit Plan will be approved by Audit and Risk Management Committee and will focus on the adequacy and effectiveness of controls.	Completed.
		<ul style="list-style-type: none"> <li>▶ The reporting and governance relationship for Ticket Security be reviewed and the current reporting structure be reconsidered</li> </ul>	24.9 Ticket Security will report to Senior Vice President of Lottery Business Unit and Corporate Security and Surveillance.	Completed.
			24.10 Further structural enhancements to support the process are currently being reviewed	Completed.

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# Status of OLG Action In Response to KPMG Recommendations

## Phase I, II, III Recommendations

### PHASE III RECOMMENDATIONS (February 26, 2007)

#### SUMMARY

#	KPMG Recommendation (As per KPMG Reports)	OLG Action	Implementation Status at March 27, 2008
	▶ A periodic report of the Ticket Security activities be made available to Audit and Risk Management Committee.	24.11 Quarterly reporting of Internal Audit coverage and reportable findings to the Audit and Risk Management Committee has now been established.	Completed.
		24.12 Internal Audit will be incorporating Ticket Security activities into the annual risk assessment and audit planning process.	Completed.
	▶ The testing plan for Ticket Security be formally approved by senior management	24.13 The testing plan for Ticket Security will be formally approved by senior management	Completed.
	▶ OLG considers creating a position which is focused on assessing and managing the comprehensive risks of its lottery activities (focusing on Instant Tickets, first, followed by other lottery activities) to provide a corporate-wide view of risk management for Lotteries	24.14 OLG will create a position which is focused on assessing and managing the comprehensive risks of its lottery activities.	Completed.
	▶ OLG periodically updates their policies and measure compliance, and	24.15 As part of the overall document and risk management process, OLG will periodically update their policies and measure compliance	Completed.
	▶ OLG continues public education relating to the protection and security of Instant Tickets.	24.16 Initial campaign launched ("Sign Your Ticket", Newspaper, in-store, website, etc.). OLG committed to continued public education relating to Instant Tickets.	Completed.

# Status of OLG Action In Response to KPMG Recommendations

## Phase I, II, III Recommendations

<b>INSTANT TICKET INTEGRITY</b>			
<b>#</b>	<b>KPMG Recommendation (As per KPMG Reports)</b>	<b>OLG Action</b>	<b>Implementation Status at March 27, 2008</b>
<b>25</b>	<b>INSTANT TICKET BARCODES</b> <ul style="list-style-type: none"> <li>▶ We recommend that OLG should undertake to review its current encryption, barcodes and related technologies and compare them to those of available leading practices.</li> </ul>	25.1 OLG is consulting with ticket manufactures, industry experts and other jurisdictions to determine the optimum barcode encryption and related technologies.	Research Completed. Future launch September 2008.
<b>26</b>	<b>EXPOSED VARIABLE DATA GAMES</b> <ul style="list-style-type: none"> <li>▶ We recommend that OLG implements similar risk management procedures for all new game types, security features and /or printing techniques.</li> </ul>	26.1 Incremental risk management procedures similar to those currently utilized on some games will be extended to all new game types, security features and / or printing techniques.	Completed.

# Status of OLG Action In Response to KPMG Recommendations

## Phase I, II, III Recommendations

<b>INSTANT TICKET PROCESSES</b>			
<b>#</b>	<b>KPMG Recommendation (As per KPMG Reports)</b>	<b>OLG Action</b>	<b>Implementation Status at March 27, 2008</b>
<b>27</b>	<b>INSTANT TICKET DESIGN &amp; DEVELOPMENT</b> <ul style="list-style-type: none"> <li>Establish and formally document the ticket security processes. These policies should be continuously reviewed and updated based upon changes in technologies and known threats to ticket security. The business case for adopting new technologies as they become available (such as, new inks and other materials) should be reviewed on a portfolio basis and then incorporated into the design standards.</li> </ul>	27.1 All Instant Ticket processes have been detailed	Completed.
		27.2 Formal documentation will be completed	Completed.
		27.3 OLG will continuously monitor breaking trends in technology/innovations	Completed.
	<ul style="list-style-type: none"> <li>Formalize the role of the Ticket Security department and its interaction with the Design and Development team.</li> </ul>	27.4 Roles between Ticket Security and Design Development are formalized	Completed.
		27.5 Documentation to reflect these roles will be completed	Completed.
	<ul style="list-style-type: none"> <li>Adopt a control process for Design that provides for the rigorous review and approval by other departments including Ticket Security. Document approvals and maintain a log of all comments as well as, how those comments are addressed. Such logs can be used for future planning, decision-making and analysis.</li> </ul>	27.6 Control process for Design exists that provides for rigorous review and approval by other departments including Legal and Marketing. Ticket Security sign-off will be incorporated into the process.	Substantial progress has been made.
	<ul style="list-style-type: none"> <li>Consider the periodic need for advanced mathematics or statistical expertise as part of the OLG design team. This would assist in identifying any issues with the mathematical elements of the game and provide a cross check of the printer's mathematical design. Current quality assurance protocols may cover the majority of this risk through independent audits and reviews conducted by the printer.</li> </ul>	27.7 OLG will investigate additional advanced mathematics or statistical expertise for incorporation into the process of ticket design. Current Quality Assurance checks on programming and design exist through audits conducted by the printer and by OLG's external auditor.	Completed.
		<ul style="list-style-type: none"> <li>Migrate to a more secure form of correspondence with the printer and/or internally (such as encrypted email).</li> </ul>	27.8 OLG is currently investigating secure form of correspondence with the printer including the OLG encryption pilot which is currently in progress.

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# Status of OLG Action In Response to KPMG Recommendations

## Phase I, II, III Recommendations

<b>INSTANT TICKET PROCESSES</b>			
<b>#</b>	<b>KPMG Recommendation (As per KPMG Reports)</b>	<b>OLG Action</b>	<b>Implementation Status at March 27, 2008</b>
28	<b>INSTANT TICKET PRODUCTION PROCESS</b> ▶ A performance management scorecard be established and maintained that effectively identifies and assesses printer performance to expectations. Where appropriate, expectations of both OLG and the printer should be documented in the supply agreement.	28.1 Scorecard is being developed and performance expectations will be incorporated into contract terms.	Completed.
	▶ A member of OLG senior management team, independent of OLG's Lottery Group should be assigned to guide the vendor negotiations, monitoring and vendor management processes. This individual should have experience in vendor management, printing production, quality management systems and ticket testing. This individual would be part of an overall governance structure established with participation from its preferred printer.	28.2 OLG's CFO will lead a group that includes representation from the Finance and Administration Division (Procurement), Legal and Compliance. This group is charged with ensuring a corporate-wide view of risk management for Lotteries are an integral part of the vendor negotiation, management and monitoring processes.	Completed.
	▶ OLG conducts a review of sampling procedures for production testing to ensure that the testing sample is random and the sample size is statistically significant.	28.3 OLG will review sampling procedures with both internal and external audit and production specialists in order to meet or exceed industry best practices.	Completed.
29	<b>INSTANT TICKET GAME LOAD &amp; LAUNCH</b> ▶ We recommend that the representative from Draws Audit walk along with the IT Operations employee to keep the CD within their vision.	29.1 Draws Audit now accompanies the IT Operations employee to transport the CD to ensure Audit retains care and custody.	Completed.
30	<b>INSTANT TICKET PRODUCTION TESTING</b> ▶ The Ticket Security department report through to the SVP of Lotteries outside of the Marketing Department. The reporting lines should include someone who can: <ul style="list-style-type: none"> <li>- Provide guidance on testing standards, data analysis and vendor management, and</li> <li>- Provide a strong and independent voice regarding ticket security issues.</li> </ul>	30.1 Ticket Security will report to Senior Vice President of Lottery Business Unit and Corporate Security and Surveillance.	Completed.
		30.2 Further structural enhancements to support the process are currently being reviewed	Completed.

# Status of OLG Action In Response to KPMG Recommendations

## Phase I, II, III Recommendations

<b>INSTANT TICKET PROCESSES</b>			
#	KPMG Recommendation (As per KPMG Reports)	OLG Action	Implementation Status at March 27, 2008
	<ul style="list-style-type: none"> <li>▶ The Ticket Security department establish a protocol of documented policies and procedures for maintaining its testing standards and procedures. This may include:                             <ul style="list-style-type: none"> <li>– External and internal training curriculum</li> <li>– Formalized knowledge sharing, and</li> <li>– Benchmarking with other jurisdictions and testing laboratories including private labs, government labs and printers' labs</li> </ul> </li> </ul>	30.3 Protocol for Testing Standards is in place.	Completed.
		30.4 Documentation of policies and procedures, including the possible areas of inclusion referenced in the KPMG report, will be completed.	Completed
	<ul style="list-style-type: none"> <li>▶ OLG document the criteria for failing a game as a result of multiple marginal test results and formalize the escalation process for raising concerns.</li> </ul>	30.5 Documentation of evaluation criteria and escalation procedures are within the scope of the documentation of the Protocol for Testing Standards referenced above.	Completed.
	<ul style="list-style-type: none"> <li>▶ OLG establishes standardized criteria for selecting or certifying external testing labs and for ongoing performance monitoring of those external labs.</li> </ul>	30.6 Criteria for the selection of testing labs are standardized through the Request for Proposal process currently utilized.	Completed.
		30.7 Performance monitoring criteria is within the scope of the documentation of the Protocol for Testing Standards referenced above.	Completed.
	<ul style="list-style-type: none"> <li>▶ OLG build a succession plan for the Ticket Security department. We understand that succession planning is currently a high priority within OLG corporately.</li> </ul>	30.8 Succession planning for the Ticket Security Department is in progress as part of a corporate-wide initiative.	Completed.
<b>31</b>	<p><b>TICKET DISTRIBUTION</b></p> <ul style="list-style-type: none"> <li>▶ We recommend that, although the printed manifest provides appropriate control for the distribution and pick-up process, OLG should consider equipping their internal drivers with handheld devices that can manage the shipping list and provide real time tracking of the packages and on-line access to the signatures of the Retailers receiving the product. This would improve service and aid in the tracking of any misplaced tickets.</li> </ul>	31.1 OLG will investigate hand held technology to track product movement	Research completed, No action planned.

# Status of OLG Action In Response to KPMG Recommendations

## Phase I, II, III Recommendations

<b>INSTANT TICKET PROCESSES</b>			
<b>#</b>	<b>KPMG Recommendation (As per KPMG Reports)</b>	<b>OLG Action</b>	<b>Implementation Status at March 27, 2008</b>
	<ul style="list-style-type: none"> <li>As part of ongoing continuous improvement, OLG should consider further opportunities to improve the picking and packing processes through automation. Opportunities such as cross-checking the contents of every pouch by weighing each pouch prior to shipping in order to confirm that the contents weight is correct based upon the items listed in the Retailer's order will further improve order accuracy.</li> </ul>	31.2 Currently OLG utilizes an electronic Inventory Management System which has the capability to determine if orders are not picked in accordance with the order requested. This system allows the OLG to confirm the items listed in the retailer's order. OLG will continue to investigate improvements as technologies change.	Research completed, No action planned.
<b>32</b>	<b>TICKET RETURNS</b>		
	<ul style="list-style-type: none"> <li>Modify the retail processes and technology to have the Retailer "deactivate" single ticket returns as part of the return authorization process</li> </ul>	32.1 Deactivation of single ticket returns by retailers will be investigated.	Research completed. Future deliverable
	<ul style="list-style-type: none"> <li>Consider incorporating a process where all single ticket destruction is counted, inspected and witnessed by two people simultaneously, and</li> </ul>	32.2 This will be implemented utilizing the onsite security officer at our two distribution facilities	Completed.
	<ul style="list-style-type: none"> <li>OLG should consider elimination of single ticket returns.</li> </ul>	32.3 OLG will consider disallowing single ticket returns from retailers.	Research completed, No action planned.
<b>33</b>	<b>INSTANT TICKET RETAIL PROCESSES</b>		
	<ul style="list-style-type: none"> <li>OLG continues to develop a customer self-service ticket checker solution for Instant Tickets and deploy when ready.</li> </ul>	33.1 Instant Ticket functionality is currently in development to provide the capability to check Instant Tickets at retail.	Research Completed. Future launch planned September 2009
	<ul style="list-style-type: none"> <li>OLG continues to work on a solution for transitioning away from the ITD (Instant Ticket Device) technology and onto a more secure and transparent validation system for low-volume Instant Ticket-only Retailers. As a minimum, OLG should ensure that the ITDs are visible at the retail location and that all retail validation procedures are conducted in plain sight of the customer.</li> </ul>	33.2 Approximately 1,900 retailer locations utilize a scaled down lottery terminal used only to activate and validate instant lottery tickets. This is called an instant ticket device.	Completed.
		33.3 OLG will issue a Request for Information to determine alternative technology solutions that will replace the current Instant Ticket Devices at retail.	Completed. No action planned.
	33.4 All Instant Ticket Devices will be visible at retail locations.	Completed.	

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## Phase I, II, III Recommendations

<b>INSTANT TICKET PROCESSES</b>			
<b>#</b>	<b>KPMG Recommendation (As per KPMG Reports)</b>	<b>OLG Action</b>	<b>Implementation Status at March 27, 2008</b>
	<ul style="list-style-type: none"> <li>▶ OLG improves the system up-time for on-line and off-line terminals. Terminals are off-line from approximately 2am to 5am. During this time period, a Retailer cannot activate or validate tickets. This may lead to batch validation of tickets and issues with the accuracy of prize payouts for 7-24 operations at select locations. Alternatively, establish a policy for no redemptions during the 2:00 am to 5:00 am period.</li> </ul>	33.5 As part of the new validation procedure, retailers have been instructed not to redeem winning tickets when the gaming systems are not operating.	Completed.
	In the longer-term, consider newer terminals where the Instant Ticket being checked is only handled by the ticket-holder.	33.6 When OLG begins to develop requirements for its next generation terminal, OLG will investigate functionality of ticket only being handled by ticket holder	Research Completed. Future action to be planned.
	<p>In addition, we recommend the following activities as part of the ongoing improvement of the retail environment for instant gaming:</p> <ul style="list-style-type: none"> <li>▶ Continue to focus on and improve Retailer compliance to policies and procedures, and</li> </ul>	33.7 Retailer education and training will continue and Corporate Security and Surveillance will independently audit retailer compliance on prize validation procedures.	Completed.
	<ul style="list-style-type: none"> <li>▶ Electronically monitor all retail terminal activity to identify any unusual patterns for follow-up and/or investigation.</li> </ul>	33.8 Software to monitor unusual retailer validation activity has been developed	Completed.
		33.9 Unusual activity will be investigated by Corporate Security and Surveillance.	Completed.
<b>34</b>	<p><b>INSTANT TICKET PRIZE REDEMPTION</b></p> <ul style="list-style-type: none"> <li>▶ To further enhance the reconstruction processes, we recommend that OLG institutes a formal documented tracking mechanism with expanded reason codes to identify any possible trends in the reasons for reconstructions. This information will assist in identifying further improvements in ticket design or production.</li> </ul>	34.1 Data capture forms will be modified to incorporate and expand reason codes for reconstruction. This will be used for trend tracking analysis	Completed.

# Status of OLG Action In Response to KPMG Recommendations

## Phase I, II, III Recommendations

### OVERALL CONTROL ENVIRONMENT

#	KPMG Recommendation (As per KPMG Reports)	OLG Action	Implementation Status at March 27, 2008
<b>35</b>	<b>INTERNAL AUDIT</b> <b>We recommend that Internal Audit:</b> <ul style="list-style-type: none"> <li>▶ Conducts a periodic risk, process and control analysis of the Instant Ticket processes</li> </ul>	35.1 Internal Audit will conduct a periodic risk, process and control analysis of the Instant Ticket area and will incorporate this into the risk assessment of the Lottery Business Unit.	Completed.
		35.2 All audits identified in the annual Audit Plan will be approved by Audit and Risk Management Committee. The audits will be focused and will assess adequacy and effectiveness of controls.	Completed.
		35.3 All audits identified in the annual Audit Plan will be approved by Audit and Risk Management Committee.	Completed.
		35.4 Internal Audit will communicate findings and recommendations to Senior Management.	Completed.
			35.5 Quarterly reporting of Internal Audit coverage and reportable findings to the Audit and Risk Management Committee has now been established.
<b>36</b>	<b>REPORTING RELATIONSHIPS</b> <ul style="list-style-type: none"> <li>▶ A reporting relationship be established such that findings and conclusions from work conducted by Ticket Security flow outside the Lottery Group</li> </ul>	36.1 Ticket Security will report to Senior Vice President of Lottery Business Unit and Corporate Security and Surveillance.	Completed.
		36.2 Further structural enhancements to support the process are currently being reviewed.	Completed.
	<ul style="list-style-type: none"> <li>▶ A periodic summary of findings and conclusions from testing be provided to Senior Management and Audit and Risk Management Committee, and</li> </ul>	36.3 A periodic summary of findings and conclusions from testing will be provided to Senior Management, Internal Audit and the Audit and Risk Management Committee.	Completed.

# Status of OLG Action In Response to KPMG Recommendations

## Phase I, II, III Recommendations

### OVERALL CONTROL ENVIRONMENT

#	KPMG Recommendation (As per KPMG Reports)	OLG Action	Implementation Status at March 27, 2008
	<ul style="list-style-type: none"> <li>▶ The Audit and Risk Management Committee should annually approve the testing plan for Instant Tickets.</li> </ul>	36.4 The testing plan for Ticket Security will be formally approved by the Audit and Risk Management Committee.	Completed.
37	<p><b>LINKING THE KEY LOTTERY FUNCTIONS</b></p> <p>We recommend that OLG should consider creating a position focused on managing the comprehensive risks of the lottery activities. We believe the first focus should be Instant Tickets given its complexity. Over time, consideration should be given to including On-line gaming.</p>	37.1 OLG will create a position which is focused on assessing and managing the comprehensive risks of its lottery activities.	Completed.
38	<p><b>PROCESS DOCUMENTATION &amp; CONTINUOUS IMPROVEMENT</b></p> <ul style="list-style-type: none"> <li>▶ Documents all of its policies and procedures as it relates to lottery operations</li> </ul>	38.1 All Instant Ticket processes have been detailed	Completed.
		38.2 Enhanced formal documentation will be completed	Completed.
	<ul style="list-style-type: none"> <li>▶ Incorporates quality management principles and approaches into its Instant Ticket procedures (these could include statistical analysis, process management, process measurement and continuous improvement), and</li> </ul>	38.3 This recommendation will be within the scope of the complete policy and procedure approach and documentation referenced above.	Completed.
	<ul style="list-style-type: none"> <li>▶ Periodically reviews and updates its policies based on:                             <ul style="list-style-type: none"> <li>○ Changes to technology</li> <li>○ Industry trends</li> <li>○ Internal risk assessments, and</li> <li>○ Input from third-party specialists</li> </ul> </li> </ul>	38.4 This recommendation will be within the scope of the complete policy and procedure approach and documentation referenced above.	Completed.
39	<p><b>PUBLIC EDUCATION</b></p> <ul style="list-style-type: none"> <li>▶ We recommend that OLG continues its public education awareness programs with a focus on the above key messages. Awareness campaigns for new enhancements should be implemented on a timely basis.</li> </ul>	39.1 In progress as part of OLG 7-Point Trust and Security Action Plan and as part of the development of future campaigns to communicate new enhancements on a timely basis.	Complete

# Status of OLG Action In Response to KPMG Recommendations

## Phase I, II, III Recommendations

### PRACTICES FROM OTHER JURISDICTIONS

#	KPMG Recommendation (As per KPMG Reports)	OLG Action	Implementation Status at March 27, 2008
40	<b>USE OF EXTERNAL LAB TESTING</b> <ul style="list-style-type: none"> <li>▶ Considers its level of resources within Ticket Security after having its annual plan approved by the Audit and Risk Management.</li> </ul>	40.1 OLG will review staffing levels within Ticket Security based on the approved annual plan.	Completed.
	<ul style="list-style-type: none"> <li>▶ Has its Audit and Risk Management:                             <ul style="list-style-type: none"> <li>○ Approve the mix of internal and external testing</li> </ul> </li> </ul>	40.2 OLG will present and have approved the mix of internal and external testing to the Audit and Risk Management Committee.	Completed.
	<ul style="list-style-type: none"> <li>○ Consider the need for the comparison of external test results to internal results by a function outside of the Ticket Security department, and</li> </ul>	40.3 OLG will ensure that there is a periodic comparison of external test results to internal results made by the Internal Audit Department.	Completed.
	<ul style="list-style-type: none"> <li>○ Receive summary results of testing with management commentary.</li> </ul>	40.4 A periodic summary of findings and conclusions from testing will be provided to the Audit and Risk Management Committee.	Completed.