

# **Western Canada Lottery Corporation**

## **Review of Prize Claim Policies and Practices**

May 2007

**Note** – This report is confidential and is intended solely for the use of Western Lottery Corporation. It should not be provided to any other party without our prior written consent. Our report has not considered issues relevant to third parties and we shall have no responsibility whatsoever to any third party which obtains a copy of this report. Any use such a third party may choose to make of this report is entirely at its own risk.

**Confidential**

# Western Canada Lottery Corporation

## Review of Prize Claim Policies and Practices

### Contents

---

<b>I. Introduction .....</b>	<b>2</b>
<b>II. Scope.....</b>	<b>2</b>
1. Consumer-Facing Features and Practices.....	2
2. Complaint Handling (re: Prize claims) .....	2
3. Win Investigation Procedures.....	3
<b>III. Approach.....</b>	<b>3</b>
<b>IV. Findings.....</b>	<b>4</b>
A) General.....	4
1. Common Practices.....	4
2. WCLC and the PMOs .....	4
3. Monitoring and updating Policies and Practices .....	5
B) Specific Findings.....	5
1. Consumer-Facing Features and Practices.....	5
2. Complaint Handling (re: Prize Claims).....	7
3. Win Investigation Procedures.....	7

## I. Introduction

As requested, Ernst & Young has completed a review of the Western Canada Lottery Corporation's (WCLC) prize claim policies and practices. The objective of the review was to analyse the relevant policies and practices, and identify any areas where the risk associated with retailer and employee prize claims do not appear to be fully addressed. This report summarizes the scope, approach, and results of the review.

## II. Scope

The review focussed on the policies and practices associated with retailer and employee prize claim processes and, in particular, the following processes, which are intended to help safeguard the integrity of prize claims:

### 1. Consumer-Facing Features and Practices:

- Use of and consumer and retailer communication and awareness regarding the following:
  - Winning number information
    - Newspapers
    - [www.wclc.com](http://www.wclc.com)
    - Winning number recordings
    - LUCK magazine
    - Retailer post/display
  - Prize Messaging
    - Ticket checkers
    - Validation slip
    - Customer display unit
    - Retailer post/display
  - Ticket ownership
    - Back of ticket claim form

### 2. Complaint Handling (re: Prize claims):

- Mechanisms available for submission of complaints
- Complaint volume and other metrics
- Investigation practices and guidelines
- Follow-up practices and guidelines
- Documentation

### **3. Win Investigation Procedures:**

- Prize office claim processes, interview questions, and documentation
- Additional investigative steps and/or relevant decision points considered as part of:
  - a major prize claim
  - a retailer claim
  - an employee claim
  - suspicion of fraud
  - other
- Prize claim dispute handling – identification, review, and resolution

### **III. Approach**

During the review, we:

- identified and obtained copies of relevant documentation (policies, procedures, forms, messages, publications, call/complaint metrics);
- reviewed the documentation and metrics provided in order to become familiar with the procedures, information available and relevant call/complaint metrics;
- interviewed WCLC management personnel who are familiar with the Consumer-Facing Features and Practices, Complaint Handling (re: Prize Claims) and Win Investigation Procedures;
- compiled an inventory of the relevant policies and practices, including procedures that have been designed but not (fully) implemented;
- reviewed the recommendations in the March 2007 report of the Ombudsman of Ontario on the Investigation into the Ontario Lottery and Gaming Corporation's (OLG) Protection of the Public from Fraud and Theft, which was posted on the Ombudsman's website;
- compiled a list of risks associated with retailer and employee claims;
- analysed the policies and practices and assessed whether they addressed the risks; and
- identified the risks which do not appear to be addressed.

The review was carried out in March/April 2007.

## **IV. Findings**

### **A) General**

#### **1. Common Practices**

Common or standard practices are evident in the lottery sector. In the area of prize claims, the following WCLC/Provincial Marketing Organizations (PMO) policies and practices are consistent with the policies and practices at many other lotteries:

- The rules and regulations do not preclude retailers and employees (and others associated with the lottery, such as major suppliers) from participating in lotteries and claiming prizes;
- The threshold above which additional validation procedures are conducted for claims made by those who are identified as retailers and employees is set at \$10,000; and
- Retailers are not always subject to background checks before they are contracted to act on behalf of the lottery.

However, some lotteries have adopted different policies and practices on these matters.

#### **2. WCLC and the PMOs**

WCLC works with the PMOs to conduct, manage and operate lotteries in the provinces and territories. The comments below are based on the documents provided by WCLC and our discussions with WCLC personnel.

WCLC is responsible for the establishment of prize payment procedures but, in two of the provinces, prizes are paid by the PMO and they are responsible for following the WCLC procedures.

The following activities, which could impact the prize claim process, are handled primarily or exclusively by the PMOs:

- Retailer selection;
- Retailer training;
- Investigations;
- Retail directives and related POS material;
- Retailer compliance and enforcement programs; and
- Placement (i.e., in-store location) of the ticket checkers (CATT) and (future) customer display units (CDU).

WCLC and the PMOs collaborate and co-operate on an on-going basis and topics such as those listed above are now receiving additional consideration, given the national focus on prize claim matters.

Consumer complaints can be received by either WCLC or the PMOs and in many cases both parties are involved in addressing the complaints. Procedures are being reviewed and revised where appropriate, to minimize the risk that complaints are not resolved in a timely fashion.

### **3. Monitoring and Updating Policies and Practices**

WCLC reviews its policies and practices on a regular basis. Following the recent national focus on prize claim policies and practices, including the release of the Ontario Ombudsman's report and the KPMG report commissioned by OLG, WCLC initiated another comprehensive review of its policies and procedures. A number of initiatives have been undertaken or are in progress, as identified in the specific findings. In addition, WCLC is collaborating with the other Canadian lottery jurisdictions to ensure that WCLC practices reflect consideration of ongoing industry developments.

#### **B) Specific Findings**

The following section addresses the findings associated with the three processes which were reviewed:

1. Consumer-Facing Features and Practices;
2. Complaint Handling (re: Prize Claims); and
3. Win Investigation Procedures.

For each process, the findings are divided between:

- Projects Completed or in Progress; and
- Other Improvement Opportunities.

#### **1. Consumer-Facing Features and Practices**

##### **a) Projects Completed or in Progress**

In conjunction with the PMOs, WCLC:

- is replacing its retailer terminals and upgrading the telecommunications network which connects the retailer locations to the central systems. As part of this project, lottery transaction displays (customer display units or CDUs) will be installed at all retailer locations. The CDUs will display information indicating whether a ticket which is being validated by the terminal is a winner. In addition, when a winning ticket is validated, the new terminals will make a 'sound' to alert the player that their ticket is a winning ticket. The sound will be set at the terminal's maximum volume level and the retailer will not be able to adjust the volume.
- is reviewing the adequacy and communication of required operations and obligations expected of retailers and their employees, and is considering the development of a Retailer

Code of Conduct.

- is collaborating with the other Canadian lottery jurisdictions to ensure WCLC practices reflect consideration of ongoing industry developments.
- has initiated a review of retailer communications to determine their effectiveness with respect to ensuring that:
  - the claimant has printed their name on the back of the ticket before accepting the ticket for validation;
  - the player is provided with the Validation Slip (which is generated when tickets are checked through the terminal); and
  - non-winning tickets are returned to players.
- has enhanced communications to consumers to raise awareness on ways they can protect their tickets (e.g., print name on back, check the ticket to the winning numbers, etc.).
- has initiated a review to determine whether additional tickets checkers should be installed at retail locations to allow players to check their own tickets (the ticket checkers can be used for all products except Scratch 'N Win).

#### **b) Other Improvement Opportunities**

As it continues to revise and enhance its prize claim policies and practices, WCLC should consider:

- Making it mandatory, through a directive, that a retailer confirms that a player's name is printed on the back of the ticket before it is checked through the terminal.
- Making it mandatory, through a directive, that a retailer provides the player with the Validation Slip when the retailer checks their ticket.
- Redesigning the back and adding a message on the face of the ticket to suggest that the purchaser enter their name at the time of purchase.

The back of the ticket contains a prize claim information section, including an instruction that the claimant complete the claim form section (where the claimant writes his/her name, address and telephone number) which follows. While other documents (e.g., Lotto Facts) suggest that purchasers complete this section when they buy a ticket, the layout of and instructions on the back of the ticket do not reinforce this suggestion. In addition, purchasers could be reminded of the importance of this step by a message on the face of the ticket.

- Further expanding the consumer education efforts to advise players to take care of their tickets (e.g., print name on back, check the ticket to the winning numbers, etc.)
- Development of retail signage to accompany the new CDUs and terminals, to help ensure players are made aware of the new validation features.

## 2. Complaint Handling (re: Prize Claims)

### a) Projects Completed or in Progress

In conjunction with the PMOs, WCLC:

- has enhanced the complaint handling processes including logging, documentation, tracking, and disposition to ensure that all complaints by consumers are reviewed and responded to in a timely manner.
- has begun a review of call handling to determine whether calls received by Corporate Communications (which include customer complaints) and calls received by the Retailer 'Hotline' should be recorded and the routing is appropriate.
- has begun preparing specifications for a database application and processes that can be used to document, report, query and cross-reference winners, retailers, and complaints as required, including any relevant trend analysis.
- has created (and is recruiting for) a risk management position within the audit department. When this position is staffed, a formal risk management program will be developed and implemented.
- is collaborating with the other Canadian lottery jurisdictions to ensure WCLC practices reflect consideration of ongoing industry developments.

### b) Other Improvement Opportunities

- WCLC should consider enhancing the telephone system and logging/analysis procedures in Corporate Communications.

Consumer complaints are routed to the Corporate Communications department. However the telephone system and the call logging process do not facilitate monitoring of calls and the collection/analysis of data regarding calls.

## 3. Win Investigation Procedures

### a) Projects Completed or in Progress

In conjunction with the PMOs, WCLC:

- is developing Policies and Procedures for dealing with "associated parties wins". This includes defining "associated parties". The development process includes monitoring and/or collaborating with the approaches being developed in other Canadian jurisdictions.
- has added a number of questions to the Interview With Prize Winners form for retailer claims of \$10,000 or more and has reconfirmed that staff involved with the interview process are aware of required escalation processes to ensure qualified staff are engaged at the appropriate point.
- has added a step to the prize claim process for retailer and employee claims requiring that a

check be carried out in respect of claims of \$10,000 or more to identify previous claims submitted by this claimant and determine whether the claimant was associated with any rejected claims or prize/ticket related incidents.

- has added a clause to the legal release for all claims of \$10,000 or more wherein the claimant must swear under oath that they are, or are not, a retailer or employee.
- has initiated a review of the Rules and Regulations and Retailer Agreement to ensure that WCLC has the authority to conduct appropriate prize claim investigations. (This will include a review, with the other regions, of the Interprovincial Lottery Corporation's rules and regulations which apply to the national games.)
- is reviewing the adequacy and communication of required operations and obligations expected of retailers and their employees, and is considering the development of a Retailer Code of Conduct.
- has begun preparing specifications for a database application and processes that can be used to document, report, query and cross-reference winners, retailers, and complaints as required, including any relevant trend analysis.
- has created (and is recruiting for) a risk management position within the audit department. When this position is staffed, a formal risk management program will be developed and implemented.
- is collaborating with the other Canadian lottery jurisdictions to ensure WCLC practices reflect consideration of ongoing industry developments.

#### **b) Other Improvement Opportunities**

- Update the prize payout procedures documentation

Currently there are a number of procedure documents which are not linked or cross referenced and several forms and releases which are used in different scenarios but not included or directly cross referenced in the prize payout procedures. In addition, the definition of an employee, for purposes of prize claim investigations, is in the WCLC Employee Handbook but not in the prize payout procedure documents. While the current WCLC prize payout office personnel are experienced and aware of the different processes and controls, there is a risk, particularly if new personnel join the department, that the procedures and controls related to prizes of \$10,000 or more might be applied inconsistently or lapse.

It may also be possible to automate elements of the validation process such as linking certain forms and releases to the answers in a master checklist or building an interactive master interview questionnaire which would “customize” the questions, depending on whether the interviewee is an employee or a retailer.

- Record major winner interviews and retain the recording for review later in the event of a query regarding the ticket.

- Institute a “cooling-off” period for former retailers and employees

While tickets generally can be claimed up to one year after the draw, there is no transition (or “cooling-off”) period during which former retailers and employees are still considered to be retailers/employees for purposes of prize claim investigations.

- Review the definition of a retailer

A retailer is defined as “anyone who sells or cashes lottery tickets”. While it is under consideration, the definition does not include family members. The definition also does not include others who work at the retail location in another capacity.

- Provide additional training to prize payout personnel

Those involved in the retailer/employee prize claim interviews do not receive training in interview techniques (to help them detect situations where the interviewee may be evasive, unclear, etc.).

- Institute additional procedures to identify a retailer or employee

Claimants of prizes of \$10,000 or more are subject to an interview, in the course of which they are asked if they are an employee or a retailer. If they answer yes, the claim will be subjected to additional scrutiny and the claimant will be required to sign a release representing that he/she is the legitimate holder of the ticket. If the claimant answers no or avoids answering the question, WCLC does not conduct any other procedures to determine whether the claimant is an employee or a retailer. However, as mentioned elsewhere in the report, claimants must swear under oath that they are, or are not, a retailer or employee, and WCLC is investigating implementation of a database application which could be used to identify retailers.