

# 2012/13 ANNUAL REPORT

# AGCO

Alcohol and Gaming  
Commission of Ontario





**Alcohol and Gaming  
Commission of Ontario**

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**Commission des alcools  
et des jeux de l'Ontario**

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**ALCOHOL AND GAMING COMMISSION OF ONTARIO  
2012/2013 ANNUAL REPORT**

Memorandum to: The Honourable John Gerretsen  
Attorney General  
Ministry of the Attorney General

From: Eleanor Meslin  
Chair  
Alcohol and Gaming Commission of Ontario

I am pleased to present the Alcohol and Gaming Commission of Ontario's Annual Report covering the period April 1, 2012 to March 31, 2013.

Since its inception in 1998, the AGCO's mandate has gradually but significantly expanded with the addition of new accountabilities and in support of the general overall growth of the liquor and gaming sectors. Core AGCO oversight functions now include the regulation of government lotteries, ferment-on-premise facilities, manufacturers' retail stores and internet gaming, with further regulatory developments looming on the horizon such as the oversight of expanded private-sector involvement in gaming in Ontario and the potential for fundamental reforms to the province's liquor industry.

All of these changes are leading to the need for more sophisticated regulatory frameworks and organizational capacities which, in turn, require a more sophisticated regulator. Consistent with this theme, this year's Annual Report outlines the AGCO's ongoing progress in delivering its Transformation agenda that will help ensure that we have the appropriate people, processes and technology in place to be able to continue to regulate in a manner that effectively protects the public while supporting a competitive economic climate in Ontario.

Eleanor Meslin,  
Chair



# Vision

A LEADER IN THE ALCOHOL AND  
GAMING SECTORS THROUGH  
EFFECTIVE REGULATION AND  
SERVICES THAT ARE FAIR,  
RESPONSIVE AND IN THE BROADER  
PUBLIC INTEREST.

# Mandate

TO REGULATE THE ALCOHOL AND GAMING SECTORS IN  
ACCORDANCE WITH THE PRINCIPLES OF HONESTY AND  
INTEGRITY, AND IN THE PUBLIC INTEREST.



# Mission

THE AGCO COMMITS TO CONDUCTING BUSINESS IN A MANNER THAT WILL:

- DEVELOP, IMPLEMENT AND ENFORCE FAIR POLICIES AND PROCEDURES.
- ESTABLISH A FRAMEWORK OF CRITICAL REGULATORY CONTROLS IN THE PUBLIC INTEREST THAT ARE SENSITIVE TO THE ECONOMIC VIABILITY OF THE ALCOHOL AND GAMING INDUSTRIES.
- CREATE A SUPPORTIVE WORK ENVIRONMENT THAT RESPECTS AND VALUES AGCO STAFF CONTRIBUTIONS AND PROVIDES THEM WITH OPPORTUNITIES FOR GROWTH AND PROFESSIONAL ACHIEVEMENT.
- BE CUSTOMER FOCUSED IN THE WAY WE RESPOND TO AND MANAGE CUSTOMER AND STAKEHOLDER NEEDS.
- EDUCATE CUSTOMERS AND STAKEHOLDERS, AND DEVELOP PARTNERSHIPS.



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**ELEANOR MESLIN**  
Chair

## Chair's Message

After two years of significant transition and change, 2012/13 has been a year of renewed focus for the AGCO Board of Directors. With the transfer of the Board's adjudicative function to the Licence Appeal Tribunal now complete, the Board is moving forward with its mandate of governance and oversight of the AGCO, and from the Board's perspective, this couldn't come at a more interesting time in the history of the organization. I'm pleased to report that the AGCO continues to initiate and implement new programs designed to enhance our regulatory effectiveness while making efforts to streamline processes and reduce red tape for those we regulate.

In 2012, the AGCO embarked upon a program of transformation with two primary goals; to become a top regulator and a top employer. The Board, as part of our governance and oversight role, is pleased to support the work associated with this important initiative, and I would like to highlight some of the work in which we are involved. This includes:

- Overseeing the AGCO's transformation into a standards-based and compliance-focused regulator, one of the organization's key strategic priorities;
- Overseeing the AGCO's work to provide the appropriate regulatory framework to support the Ontario Lottery and Gaming Corporation's gaming modernization initiative; and
- Supporting the AGCO executive and staff as they continue the process of transformation into a top employer that fosters a collaborative and diverse workplace environment and that continues to attract the best and brightest talent.

Strong working relationships with our stakeholders are a key priority for the AGCO, and one which the Board fully

supports. Numerous programs and initiatives have been implemented, and all are designed to enhance regulatory effectiveness while supporting business. One such program is the Best Bar None accreditation program. The Best Bar None international accreditation program for liquor sales licensees, who meet high standards for liquor service and operations, was piloted this year for the first time in Ontario. The successful design and launch of Best Bar None was the product of extensive cooperation between the hospitality industry, social advocacy groups, liquor manufacturers, local police, municipal government agencies, residents' associations, licensees and the AGCO.

The ground breaking educator, Helen Keller, once said that "Alone we can do so little; together we can do so much." Reflecting on that statement, I'm encouraged not only by the level of collaboration that the Board enjoys with the AGCO executive and staff, but also by the collaborative relationships that are built with our stakeholders. These are all relationships that we look forward to developing further.

The Board and I look forward to the challenges that 2013/14 will bring, and I'm confident that based on the strength of our relationships with staff and stakeholders, the AGCO will continue to excel in achieving excellence in the regulation of the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.

A handwritten signature in black ink, appearing to read 'E. Meslin'.

Eleanor Meslin,  
Chair

## Chief Executive Officer's Message

Theodore Roosevelt once said, "The most important single ingredient in the formula of success is knowing how to get along with people." Extending this sentiment, I do not believe that any organization can ever create too many partnerships or foster too much cooperation to enable it to continually improve its performance.

To that end, you will notice two recurring strategic engagement themes throughout the AGCO's Annual Report for 2012/2013: (1) a focus on building stronger relationships with liquor and gaming stakeholders to support the modernization of these two important sectors, and (2) working with stakeholders, partners and staff to support the AGCO's transformation agenda and identify opportunities to provide enhanced service and improve regulatory effectiveness and efficiency.

As the AGCO continues to modernize its regulatory approaches, we are committed to building strong partnerships, alliances and relationships locally, provincially, nationally and globally. These connections are allowing us to leverage others' experiences, especially in regulatory areas new to us such as internet gaming (iGaming), integrate international leading practices, improve our regulatory assurance activities and enhance our educational programs.

On the liquor side, numerous important projects launched or expanded last year are dependent on strong relationships and partnerships to succeed, including:

- The Community Alcohol Safety and Enforcement Program, or C.A.S.E., designed and promoted in partnership with the Ontario Association of Chiefs of Police, sees AGCO Inspectors teaming up with local police from across the province in two annual, high-profile inspection campaigns of licensed establishments to promote responsible drinking; and
- The "Last Drink" pilot program, under which selected local police services inform the AGCO where drivers involved in alcohol-related offences name a particular establishment as the location where they consumed their last drink. This information provides the AGCO with the opportunity to meet with and educate licensees who may be putting the public at risk.



**JEAN MAJOR**  
Chief Executive Officer

Working closely with stakeholders has also been a driver for success on the gaming side. For instance:

- In order to implement the standards-based approach to gaming regulation, the Registrar's Standards for Gaming are being developed through extensive consultations and focus groups with operators and other stakeholders from across the casino, slot machine facility, charitable, lottery and responsible gambling sectors. Thanks to this collaborative approach, the Registrar's Standards for Gaming are anticipated to be released in 2013; and
- The AGCO is taking an enhanced role in responsible gambling and has established a provincial Responsible Gambling Policy Roundtable that includes the Ontario Lottery and Gaming Corporation and multiple responsible gambling stakeholders. The Roundtable acts both as a forum to collectively evaluate and improve the Registrar's Standards for Gaming and to discuss areas of shared interest and recent advancements in responsible gambling.

As you can see, the AGCO is committed to taking a meaningful and comprehensive approach to strategic engagement that will help us to remain a modern and effective regulator moving forward. I would like to thank our partners and stakeholders for a year of very productive collaboration and progress and I look forward to further continuing our important work in 2013/2014.

Jean Major,  
Chief Executive Officer





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## Overview

The Alcohol and Gaming Commission of Ontario (AGCO) is an arm's-length regulatory agency of the provincial government which was established February 23, 1998 under the *Alcohol and Gaming Regulation and Public Protection Act, 1996*. As of August 2010, the AGCO reports to the Ministry of the Attorney General. Through a Memorandum of Understanding (MOU), the accountability relationships between the Chair and Chief Executive Officer of the AGCO, Minister and Deputy Minister are formalized. The MOU also requires the AGCO to operate within specified Management Board Directives which govern agencies, including the Agency Establishment and Accountability Directive.

The AGCO is responsible for administering and enforcing the rules set by the Ontario government in order to regulate the following activities:

- The sale and service of beverage alcohol;
- Lotteries operated by the Ontario Lottery and Gaming Corporation (OLG) on behalf of the government of Ontario;
- Gaming conducted and managed by the OLG including casinos, slot machine facilities and internet gaming;
- Charitable bingo halls conducted and managed by OLG; and
- Lottery schemes conducted by charitable, not-for-profit and religious organizations.

The AGCO's main objectives in regulating the sale and service of beverage alcohol are to:

- Ensure that alcohol is sold and served responsibly and in the broader public interest;
- Ensure that residents are provided an opportunity to have their interests considered during the licensing process;
- Permit Ontarians and visitors to the province the opportunity to enjoy alcohol within an economically viable hospitality and tourism sector;
- Promote fairness, equity and a level playing field for the industry through consistent enforcement of the regulations; and
- Focus enforcement/compliance activities on promoting compliance with the law and maintaining public safety.

The AGCO's main objectives in regulating gaming activities in the province are to:

- Ensure that gaming is operated with honesty and integrity and in the broader public interest;
- Facilitate a competitive and flexible operational

environment for Ontario's gaming facilities while not reducing or lowering standards of operation and regulation while maintaining the highest standards of regulation;

- Ensure that all games are fair and appear to be fair;
- Maintain public confidence in the integrity of the games;
- Establish a safe and secure environment at all gaming facilities; and
- Protect the assets of the Crown.

The principles which guide the AGCO's activities are prescribed in the AGCO's governing legislation and require the AGCO to exercise its powers and duties in the public interest and in accordance with the principles of honesty and integrity, and social responsibility. In fulfilling its regulatory mandate, the AGCO strives to be transparent in its operations and achieve a fair and appropriate balance among the interests and perspective of its stakeholders to ensure its regulatory activities support the economic viability of the alcohol and gaming industries, while maintaining public safety and confidence in these industries.

### Our Vision

A leader in the alcohol and gaming sectors through effective regulation and services that are fair, responsive and in the broader public interest.

### Our Mandate

To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.

### Our Mission

The AGCO commits to conducting business in a manner that will:

- Develop, implement and enforce fair policies and procedures;
- Establish a framework of critical regulatory controls in the public interest that are sensitive to the economic viability of the alcohol and gaming industries;
- Create a supportive work environment that respects and values AGCO staff contributions and provides them with opportunities for growth and professional achievement;
- Be customer focused in the way we respond to and manage customer and stakeholder needs; and
- Educate customers and stakeholders, and develop partnerships.

## Key Activities

The AGCO is responsible for the administration of the following:

- *Liquor Licence Act* (LLA);
- *Wine Content and Labelling Act, 2000*;
- *Liquor Control Act* [Section 3(1)b, e, f, g and 3(2)a];
- *Gaming Control Act, 1992* (GCA);
- Lottery Licensing Order-in-Council, 1413/08 (as amended); and
- Part I of the *Alcohol and Gaming Regulation and Public Protection Act, 1996* (AGRPPA).

The administration of these Acts and the Order-in-Council involves the following core activities:

### Regulating the Alcohol and Gaming Sectors

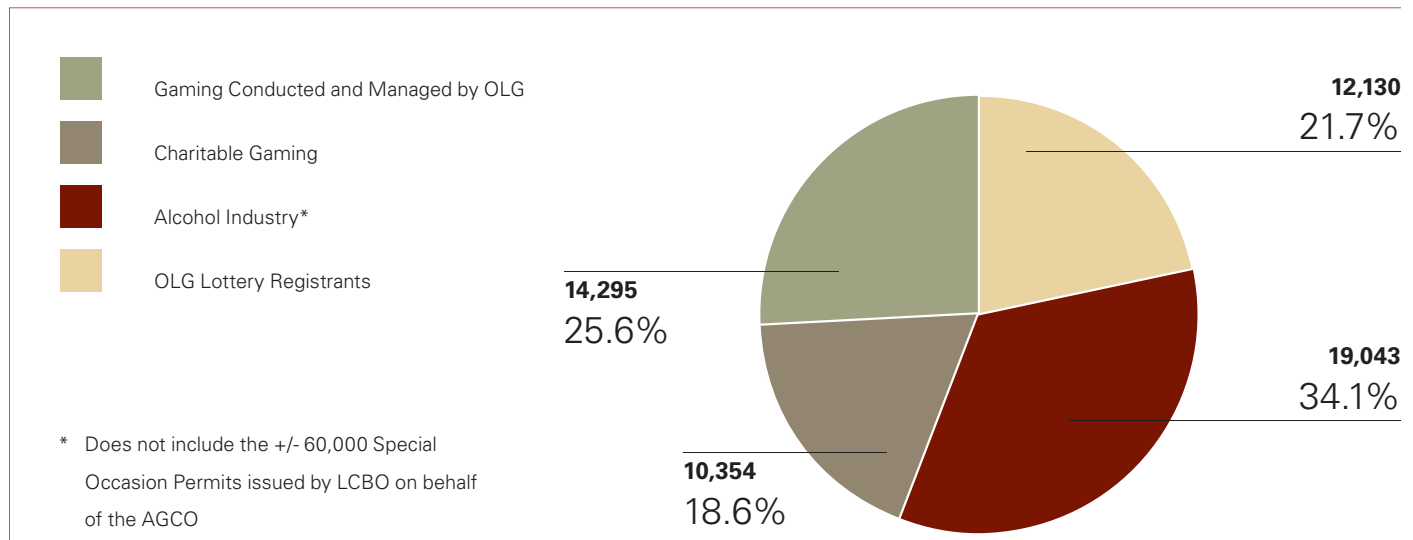
- Licensing and regulating establishments that sell or serve liquor, liquor delivery services, liquor manufacturers and their representatives, representatives of foreign manufacturers, and ferment-on-premise facilities in Ontario;
- Administering the Special Occasion Permit (SOP) program which is delivered through designated Liquor Control Board of Ontario (LCBO) retail stores;
- Authorizing manufacturers' retail stores, which includes on-site and off-site winery retail stores, on-site distillery retail stores, brewery retail stores and Brewers Retail Inc. stores (The Beer Store);
- Registering commercial suppliers and gaming employees of charitable gaming events, casinos, slot machine facilities and internet gaming (iGaming);
- Registering suppliers and retailers of OLG lottery products;
- Administering, in partnership with municipalities, the regulatory framework governing the issuance of charitable lottery licences (e.g. bingo, raffle and break open ticket events);
- Licensing games of chance at fairs and exhibitions;
- Approving rules of play or changes to rules of play for games conducted and managed by OLG; and
- Excluding persons from accessing gaming premises in the province of Ontario pursuant to the GCA and its Regulation.

### Investigating, Inspecting and Monitoring

- Inspecting and monitoring liquor sales licensed establishments to ensure compliance with the LLA and its Regulations;
- Inspecting/monitoring casinos, slot machine facilities, charitable gaming events/facilities and retail locations where OLG lottery products are sold for compliance with the GCA and its Regulation and licensing and registration requirements;
- Conducting eligibility assessments on individuals and companies seeking registration and licensing under the GCA and LLA;
- Providing police presence at casinos and slot machine facilities;
- Developing and implementing Registrar's Standards for the conduct, management and operation of gaming sites, lottery schemes or related business and services;
- Conducting audits of companies registered and licensed under the GCA and LLA;
- Monitoring internal control, surveillance and security systems, and other operational systems for casinos and slot machine facilities for compliance with regulatory requirements;
- Testing, approving and monitoring gaming equipment such as slot machines, gaming management systems and iGaming platforms; and
- Investigation of insider wins involving lottery retailers/ systems managers or lottery equipment suppliers.

### Adjudication

- Arbitrating disputes between two or more claimants for a lottery ticket prize.

**FIGURE 1 – AGCO LICENSEES AND REGISTRANTS**

### Social Responsibility

The AGCO continues to develop and refine its role in the promotion of social responsibility in the alcohol and gaming sectors. As a regulator, the AGCO exercises its powers and duties in the public interest, and in accordance with the principles of honesty, integrity and social responsibility. To this end, there are a number of provisions in the Acts and Regulations the AGCO administers that are specifically directed at promoting social responsibility, such as ensuring that minors cannot access gaming sites or be served liquor. Although the responsibility for the development of a provincial responsible gambling strategy rests with the Ministry of Health and Long Term Care, the AGCO continues to proactively work with multiple governmental, industry and public interest partners to enhance its contribution in this important area. For example, amendments made to the GCA in June 2012 have enabled the AGCO to set standards and assume a broad-based oversight in a multitude of areas,

including responsible gambling (RG). Over the past year, the AGCO, RG stakeholders and OLG have been collectively discussing an enhanced and consistent regulatory role and approach for responsible gambling across all gaming sectors. The draft standards that have resulted address various areas including advertising and marketing, player information, self-exclusion and game design.

The AGCO, in collaboration with OLG, established an RG Policy Roundtable that serves as a platform to discuss and evaluate the Registrar's Standards as they relate to RG and provide a forum to discuss areas of shared interest and recent advancements in RG practices. The RG Roundtable also supports the AGCO's broader Transformation Framework by adopting key elements such as forming strong partnerships with key stakeholders and a focus on evidence-based policy and best practices.

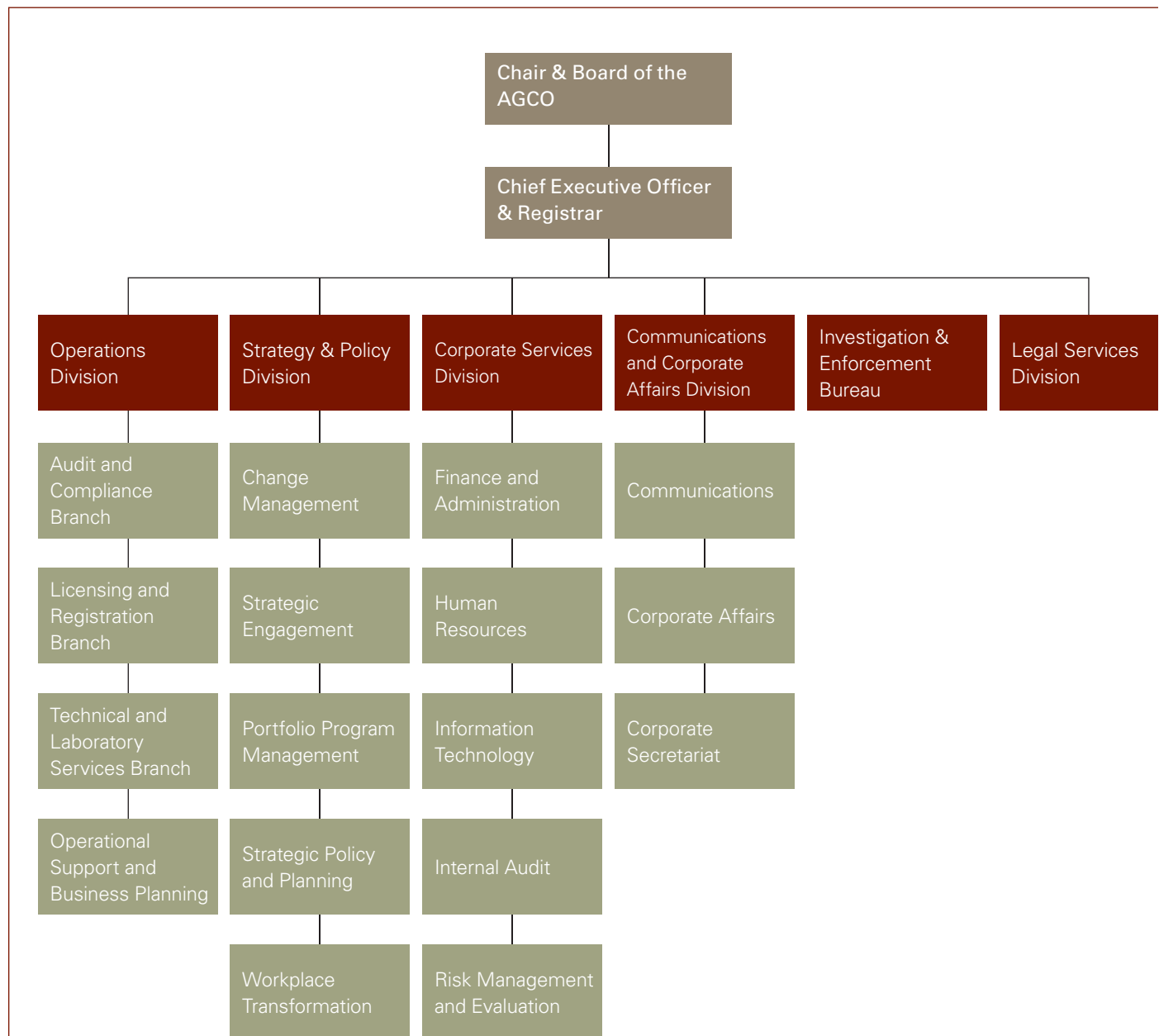
## Corporate Overview

### Organizational Structure

The AGCO's organizational structure is based on functional responsibilities and consists of six Divisions, each of which

is led by a member of the Executive Committee reporting directly to the Chief Executive Officer.

**FIGURE 2 – ORGANIZATIONAL STRUCTURE OF THE AGCO**





## Board of Directors

The *Alcohol and Gaming Regulation and Public Protection Act, 1996* (AGRPPA) constitutes the AGCO as a corporation without share capital and requires that the AGCO have a Board of Directors of at least five (5) members. Board members are appointed by the Lieutenant Governor in Council, through Order-in-Council.

The Board is responsible for the overall governance of the Commission and meets as a Board of Directors on a monthly

basis. In exercising its governance functions, the Board sets goals and develops policy and strategic directions for the Commission to fulfill its mandate. This involves working with the Chief Executive Officer and Senior Management on Regulatory Governance and Corporate Governance activities.

The list below reflects the members of the Board as at March 31, 2013, including their original appointment dates.



**ELEANOR MESLIN**  
**CHAIR (PART-TIME)**

First Appointed: November 2000  
Appointed Interim Chair: February 2011  
Appointed Chair: February 2013  
Term Expires: February 2014



**KIRSTI HUNT**  
**VICE-CHAIR (PART-TIME)**

First Appointed: April 1997  
Term Expires: April 2013



**BERYL FORD**  
**MEMBER (PART-TIME)**

First Appointed: September 2004  
Term Expires: September 2014



**BRIAN FORD**  
**MEMBER (PART-TIME)**

First Appointed: September 2004  
Term Expires: September 2014



**S. GRACE KERR**  
**MEMBER (PART-TIME)**

First Appointed: July 2007  
Term Expires: July 2013



**BRUCE MILLER**  
**MEMBER (PART-TIME)**

First Appointed: December 2008  
Term Expires: December 2014

### Transfer of the Adjudicative Function to the Licence Appeal Tribunal (July 1, 2011)

On March 7, 2011, the Ontario Legislature passed the *Good Government Act, 2011*, one of the provisions of which transferred responsibility for the adjudication of liquor and gaming matters under the LLA, GCA, *Wine Content and Labelling Act, 2000* and the *Vintners Quality Alliance Act* from the Board of the AGCO to the Licence Appeal Tribunal (LAT) effective July 1, 2011. This change was made to increase efficiencies, focus the AGCO on its primary role of regulating the alcohol and gaming sectors, and allow the Board of the AGCO to concentrate on internal corporate governance and policy oversight.

Effective July 1, 2011, hearings on Notices of Proposal, Notices of Proposed Order and appeals of Orders of Monetary Penalty were no longer held before the Board of the AGCO. An exception to this is the continuation of hearings/appeals that were already before the Board of the AGCO prior to July 1, 2011.

In 2012/13, the Board of the AGCO heard the sole outstanding matter before it, which was in relation to a Notice of Proposal to suspend a liquor sales licence. In 2011/12, the Board heard 42 liquor-related matters and five gaming-related matters.

**TABLE 1 – ALCOHOL-RELATED SETTLEMENTS WITHOUT A HEARING \***

	2011 / 12	2012 / 13
Number of Settlements agreed to without a hearing (Notices of Proposal and Orders of Monetary Penalty)	283	253

\* These settlements are negotiated by the AGCO's Legal Services Division, based on instructions from the Registrar of Alcohol and Gaming.

**TABLE 2 – ALCOHOL-RELATED PUBLIC MEETING CONFERENCE CALLS \*\***

	2011 / 12	2012 / 13
Number of Public Meeting Conference Calls	27	28

\*\* This is an alternative dispute resolution process.

**TABLE 3 – GAMING-RELATED SETTLEMENTS WITHOUT A HEARING \*\*\***

	2011 / 12	2012 / 13
Number of Settlements agreed to without a hearing (Notices of Proposed Order and Orders of Monetary Penalty)	10	7

\*\*\* These settlements are negotiated by the AGCO's Legal Services Division, based on instructions from the Registrar of Alcohol and Gaming.

## Strategic Direction

For the past several years, the AGCO has adopted an approach to regulation which is risk-based and compliance-focused to ensure compliance by focusing resources effectively and proactively working with licensees and registrants.

Our strategy to date has been to establish an operating approach that supports the advancement of five key priorities:

- Build More Effective Communications;
- Strengthen Our Business Processes and Information Technology Management Capabilities;
- Modernize the Alcohol and Gaming Regulatory Environment;
- Maximize Our Employee Potential; and
- Enhance AGCO's Corporate Accountability.

Several initiatives and projects have been implemented since 2006 under this strategic framework aimed at maintaining the long-term sustainability of the organization and supporting the ongoing Transformation of the AGCO. For example, programs such as risk-based licensing and enforcement in the alcohol sector and risk-based registration and the development of Registrar's Standards for the gaming sector have begun to fundamentally transform how the AGCO does business.

However, these initiatives were by design limited in scope and discrete in nature, focused and applicable only to their particular lines of business. Over the next several years, therefore, the AGCO will build on past successes towards a strategy of convergence to bring together change initiatives either implemented or underway. This initiative is referred to as "the Transformation", and it will achieve a new level of integration and alignment of objectives and priorities across the agency. An "End State Vision" has been developed which describes the strategic outcomes that the organization is working towards through the Transformation and with which all activities will be aligned. The End State Vision includes:

- Providing integrated service delivery to our customers, using best-in-class technology and tools;
- Being a "best practices" organization, using the most effective methods and systems;

- Operating through a compliance-based regulatory approach, using risk-based and standards-based practices, to increase public safety and maintain public confidence;
- Being able to demonstrate, with evidence, that we are effective and are considered a top regulator;
- Having a reputation of being a top employer, recognized for the way we treat our employees;
- Operating as cost-recoverable and financially sustainable;
- Using clearly defined performance criteria in the delivery of services to our customers and each other;
- Developing strong partnerships internally and externally with our key stakeholders;
- Strengthening and maintaining the valued partnership between the AGCO and the Ontario Provincial Police (OPP); and
- Having a strong governance structure aligned with evidence-based best practices.

With the AGCO's ongoing shift to become a more strategy-driven organization, future endeavors will be characterized by augmented and robust strategic planning processes, strategic prioritization of AGCO resources and a focus on the current major initiatives underway, namely the AGCO Transformation, OLG Modernization, the Standards-Based Approach, Gaming Regulatory Reform and Liquor Modernization.

Following from the AGCO's Request for Interest to staff in 2012, the AGCO will continue to explore opportunities to involve staff members who have expressed interest in developing or applying existing skills, competencies, knowledge and experience to support the AGCO's Transformation initiative.

With this overall vision in mind, the following strategic priorities continue to guide the AGCO's planning:

### **1. Continue the Ongoing Transition to Risk-Based, Standards-Based and Compliance-Focused Regulation**

#### **Risk-Based Regulation**

The AGCO continued to move towards a risk-based and standards-based approach to regulating its current and future lines of business and is implementing a compliance-based and customer-focused operating framework. Building on its

experience with foundational programs such as risk-based licensing and registration, and risk-based enforcement, and consistent with its strategy of integration and convergence, the AGCO developed a framework to guide the consistent use of risk-based methodologies and approaches across all of the AGCO's lines of business.

The overall regulatory assurance framework is intended to provide the AGCO with the right mix of tools to help licensees and registrants understand their obligations and secure regulatory compliance, rather than solely focusing on an enforcement-based approach.

A governance structure has also been established within the AGCO to plan and coordinate the key activities needed to successfully implement Registrar's Standards across targeted gaming segments, including overseeing the development of operators' control environment and the AGCO's regulatory assurance activities.

### **Managing Risk**

Changes to the Government's Agency Establishment and Accountability Directive, and the provincial government's business planning requirements, were introduced in 2011 and required agencies to employ risk management methodologies in managing their operations. The AGCO has mitigated the risk of regulatory failure through checks and balances built into its oversight and governance structure, including internal audits, external reviews by the Auditor General of Ontario, as well as accountability to the Board of the AGCO.

The AGCO also developed an Enterprise Risk Management Framework/Strategy that forms the basis of a systematic, disciplined and integrated approach to comprehensive control and management of risk. Enhanced accountability and governance is achieved across the organization through sustainable approaches to risk identification, mitigation and monitoring. The Enterprise Risk Management Strategy and methodologies form a foundation to guide management decision-making processes when developing strategic plans and corporate priorities. This ensures that the AGCO understands its business and operational risks and manages them to an acceptable level of exposure given its priorities and objectives.

### **Internal Audit**

The AGCO views consistent assessment, change and enhancement of its control environment as fundamental to the effective operation of its regulatory functions. Enhanced and/or changed control activities aim to augment corporate governance through measures that will strengthen internal checks and balances, deter inappropriate activities such as fraud, and ultimately strengthen corporate accountability and transparency.

Consistent with recommendations provided by an independent audit firm in 2007, the AGCO conducted annual and spot audits to verify the operating effectiveness of internal controls and processes implemented to support key areas of the organization.

The internal audit function contributes to better governance by operating within a strategic framework established by the Board and the Executive Committee, and by addressing enterprise-wide risk and control issues. Accordingly, the AGCO's Enterprise Risk Management Framework/Strategy forms a key input in determining areas of priority for Internal Audit. A five-year strategic audit plan was developed and is reviewed on a semi-annual basis. Audits/reviews can be of specific program areas or be corporate/enterprise in nature.

## **2. Functional Integration of Business Delivery**

The next phase of the AGCO's Transformation initiative has focused on integrating and streamlining operations. Through a structured approach to assessing, reviewing, modifying and integrating core business processes, a foundation for achieving the End State Vision and ultimately enhance its effectiveness as a regulator was developed. It also set the stage for the launch of a new enterprise-wide I.T. system to support more effective and efficient delivery of the AGCO's regulatory assurance activities, from application processing through to compliance assurance. In addition, templates, tools and methodologies developed for internal use will provide a consistent approach for the management and reporting of activities throughout the AGCO and support movement towards integrated and informed service delivery.

### **3. Build the Foundation to be Recognized as a Top Public Sector Employer**

This priority built upon the existing multi-year Human Resources strategy which (1) focuses on investing in staff to build both experience and skill levels, and (2) looks to develop a positive work environment that recognizes the importance of employee wellness and a healthy work/life balance. Ultimately, the goal is to establish the AGCO as a “top employer” both in the eyes of our own staff and supported through benchmarking against top public sector employers.

In March 2013, the position of Director, Workplace Transformation, was created to drive this initiative. This position will play a key role in developing strategies and tactics designed to position the AGCO as a Top Employer and be able to attract, retain and enable our employees and ensure we have the skills and resources necessary to meet current and future challenges. A Steering Committee has also been established to inform the work of the Top Employer initiative comprised of representatives from Human Resources, Communications and OPSEU Local 565 (see also Employee Development and Wellness, page 28).



## Government Initiatives and Priorities

Part of the AGCO's overall strategic direction is to adapt to and coordinate with the government's public policy priorities and fiscal objectives. The AGCO continued to review its priorities for consistency with government direction and resource availability to provide cost-effective services. Examples of government initiatives which have had an impact on AGCO internal operations from strategic, structural and financial perspectives are described below.

### Public Sector Delivery Review

On February 14, 2012, the Commission on the Reform of the Public Service, chaired by Don Drummond, former Associate Deputy Minister and chief economist to TD Bank, released its report recommending long term, fundamental changes to the way government delivers services. As part of this initiative, the Commission was tasked to look at programs that are no longer serving their intended purpose and could be eliminated or redesigned; areas of overlap and duplication that could be eliminated to save taxpayer dollars; and areas of value in the public sector that could provide a greater return on the investment made by taxpayers. This report follows an earlier announcement by government to reduce the number of agencies in the province by 5%, and informed the development of the 2012/13 Budget which was presented on March 27, 2012.

### Open for Business

This ongoing government-wide initiative is designed to minimize the burden of regulation on Ontario businesses, foster competitiveness and welcome new business to Ontario.

Internally, the AGCO continued to work on a number of projects which support the overall goals of this program by reducing administrative burdens and using a regulatory approach intended to support business. The gaming modernization initiative and the shift towards a standards-based framework in the gaming sector, for example, is intended to allow operators and businesses more flexibility to adapt to marketplace changes and ultimately to increase their competitiveness. The achievement of these goals is also enhanced through the AGCO's continued efforts to build strategic partnerships and share information with government ministries and agencies including the Ministries of Finance and Revenue, OLG and the LCBO.

Amongst projects undertaken in 2012/13 to support the Open for Business strategy was participating in the development of the Open Ontario Compliance Initiative pilot project which will launch in April 2013. This initiative includes a number of Ontario regulatory bodies. Specifically, the goal of Open Ontario is to demonstrate how municipal and provincial organizations can achieve greater coordination and collaboration, how risk-based compliance activities can be used effectively, and how the inspection process might be made less onerous for businesses. Through an inspection process focused on high risk establishments and the use of education to promote compliance, the goal is to achieve a higher compliance rate for businesses (see Open Ontario Compliance Initiative, page 48).

## Government Oversight and Agency Accountability

Accountability and transparency in the agency sector has been a key government priority over the last several years, with the government taking steps to strengthen its oversight of arm’s-length agencies. New and enhanced accountability mechanisms continue to be implemented, including new procurement directives and the disclosure of expenses incurred by Board members and senior executives.

As with other agencies, the AGCO is subject to review and audit by government to ensure funds are being spent wisely and taxpayers are receiving value for money. The AGCO has undergone several such audits and reviews over the past several years, including a value for money audit by the Auditor General on casino gaming regulation in 2010. In 2012, the Auditor General conducted a follow-up audit, the results of which are included in the Auditor General’s 2012 Annual Report.

The 2010 audit examined whether the AGCO has adequate policies, procedures and systems in place to ensure that gaming at facilities is conducted in accordance with established policies and legislation. The Auditor General concluded, among other things, that the AGCO has put into place a regulatory framework that is comprehensive and that its regulatory oversight of the casino gaming industry is one of the strongest and most effective regimes in North America. At the same time, he made five recommendations touching on various areas in which the AGCO is already taking a proactive approach through our risk-based registration and enforcement initiatives.

The follow-up audit, which was released in December 2012, found that the AGCO had taken action on several of the 2010 audit’s recommendations, and that the AGCO’s standards-based approach to the regulation of gaming, once implemented, will address the rest.

## Performance Measures

The 2012/13 year-end results for performance measures established for the AGCO were effectively on target.

TABLE 4 – AGCO PERFORMANCE MEASURES – 2012/13

Satisfied Customers				
Goal	Output Measures	Outcome Measures	Targets for 2012/13	Results
To provide appropriate, fair and courteous customer service to all licensees, registrants and the general public.	Implementation of newly developed feedback/complaints process.	Increase in the number of channels and/or ease which licensees, registrants and the public can provide feedback/complaints.	100% of complaints investigated and resolved/closed.	Target met. 100% of complaints received were assigned and investigated.
			100% of feedback used to improve customer services and training initiatives.	Target met. 100% of feedback used to improve customer services and training initiatives.

**TABLE 4 – AGCO PERFORMANCE MEASURES – 2012/13**

<b>Effective and Efficient Resource Management</b>				
<b>Goal</b>	<b>Output Measures</b>	<b>Outcome Measures</b>	<b>Targets for 2012/13</b>	<b>Results</b>
To ensure business processes are operating as efficiently and effectively as possible.	Improved turnaround time for issuance of low risk applications.	Greater resource focus placed on assessing impact of high risk applications on public safety and public interest.	Consistent application of meaningful criteria based on assessed risk level, used to promote licensee compliance and mitigate risk.	Consistent application of risk-based criteria has resulted in improved turnaround times for low risk applications with more in-depth investigations being used for high risk applicants.  Target met. With continued application of Risk-Based Licensing, average processing time for liquor licences in 2012/13 has improved by 10% to an average of 28 days from 31 days in 2011/12.
	Increase use of compliance tools recently enacted to achieve licensee/registrant compliance.	Reallocation of AGCO enforcement resources to more serious public safety and integrity issues.	Significant increase in the resolution of compliance matters through the use of new compliance tools.	The number of Letters of Incident (LOI) sent and subsequent use of compliance tools has increased from 2011/12 to 2012/13.  Target met. The resolution of compliance matters through the LOI Process increased in 2012/13, with 9% of 667 LOI cases resulting in a request for hearing compared to 13% of 564 cases in 2011/12.  Target met. The use of Orders of Monetary Penalty (OMPs) for liquor has increased to 186 issued in 2012/13 from 164 in 2011/12. A new schedule of Gaming Monetary Penalties was approved in January 2013.
<b>Internal Staff Development and Satisfaction</b>				
<b>Goal</b>	<b>Output Measures</b>	<b>Outcome Measures</b>	<b>Targets for 2012/13</b>	<b>Results</b>
To provide an environment that promotes open and free communication for staff.	Complete and analyze the output information garnered through the communication audit.	Implement the significant recommendations resulting from the communications audit.	A significant increase in staff satisfaction determined through a staff engagement survey.	Note: Follow-up staff engagement survey has not yet been administered.

**TABLE 4 – AGCO PERFORMANCE MEASURES – 2012/13**

<b>Internal Staff Development and Satisfaction</b>				
<b>Goal</b>	<b>Output Measures</b>	<b>Outcome Measures</b>	<b>Targets for 2012/13</b>	<b>Results</b>
To provide an environment that promotes key learning and development opportunities for staff.	A strong commitment to focused learning and development opportunities.	Implementation of development plan to increase middle management's strategic leadership capacity and capability.	An increase in new management development opportunities for middle management staff.	<p>Target met. During 2012/2013, there was a total of approximately 600 days of training and development for management staff through internal and external training opportunities as well as conferences and continuing education programs.</p> <p>Target met. Developmental opportunities for staff increased in 2012/13 with 12.2% of staff in promotional or developmental opportunities, compared to 9.5% in 2011/12.</p>
<b>Business / Operational Excellence</b>				
<b>Goal</b>	<b>Output Measures</b>	<b>Outcome Measures</b>	<b>Targets for 2012/13</b>	<b>Results</b>
Risk Management strategies employed across the AGCO.	Implementation of Enterprise Risk Management Strategy (corporate, branch and initiative specific strategies).	Risk strategies are employed by all areas to reduce organizational exposures and improve decision making (consistency/ process).	All major organizational initiatives are reviewed/audited for effectiveness of implementation and risk mitigation.	<p>Target met. The agency is using a phased approach to implement the Enterprise Risk Management framework. Activities completed during the fiscal year include a risk assessment and preparation of a corporate risk profile. Action plans and strategies were also developed to remedy significant findings and reduce key risk exposures.</p> <p>Risk-based Registration, a major organizational initiative, was audited during the year, while planning for the Special Occasions Permit audit was initiated. In addition, an organizational assessment was also completed leading to recommendations to improve organizational effectiveness and identification of opportunities to realign the agency's structure/ operational functions.</p>
Internal Control strategies employed across the organization.	Development of Internal Control strategies.	Internal Control activities and strategies are employed across the organization to increase corporate accountability and governance.	Recommendations from Internal Controls Audit implemented.	Target met. Recommendations arising from audits/reviews were implemented including process changes, updates to policy and procedure manuals and program improvements. Other recommendations will be implemented as part of the wider agency Transformation and/or as an input to comprehensive program reviews.

**TABLE 4 – AGCO PERFORMANCE MEASURES – 2012/13**

<b>Business / Operational Excellence</b>				
<b>Goal</b>	<b>Output Measures</b>	<b>Outcome Measures</b>	<b>Targets for 2012/13</b>	<b>Results</b>
			All significant internal controls reviewed/ audited on a 4 year rotational basis.	Target met. A comprehensive review and reorganization of the Internal Audit and Risk Management functions was conducted to better support the agency achieve its strategic and operational objectives, while strengthening accountability to the Ministry. Planning activities were undertaken to define audits and evaluations that will be carried out by both functions over the next 5 years, and were prioritized and sequenced based on the corporate risk profile and consultation with the AGCO Board and Executive Committee.

## Internal Operations and Fiscal Environment

Over the past several years, the AGCO has been implementing an ambitious strategic plan to transform the agency's operating framework to one that is more risk-based and compliance- and customer-focused. This strategic realignment has taken place during a period of expanded responsibilities in both the liquor and gaming sectors. This Transformation agenda includes an internal realignment of responsibilities to increase efficiencies, reducing executive office costs and ensuring that our internal structure and processes are organized in a way that provides the most flexibility to manage any future change and growth in the liquor and gaming sectors. This restructuring will be an ongoing process over the coming years and coincide with, leverage and support other modernization initiatives currently underway, such as our transition to a standards-based model of regulation.

At the same time, developments within the gaming sector (e.g. marketplace growth and evolution) as well as government initiatives and legal and regulatory reforms

(e.g. gaming modernization) have continued to expand the AGCO's regulatory mandate. In 2008, the AGCO became responsible for the regulation of lottery products managed by the OLG, adding over 12,000 new registrants to the AGCO's client base, and the AGCO's mandate has again expanded to include regulation of iGaming.

This regulatory expansion and related pressures have been cumulative and have been absorbed by the AGCO. To help manage, the AGCO has been proactively implementing changes to improve efficiencies in its operations. Initiatives undertaken over recent years include an enterprise wide risk assessment, over a dozen program audits and the implementation of a long term I.T. strategy which includes plans to gravitate towards an electronic service delivery model. On July 1, 2011, the AGCO's adjudicative function was transferred to the Licence Appeal Tribunal, allowing the AGCO Board to concentrate its time and resources on internal corporate governance and policy oversight.



## Operating Budget – 2012/13 Fiscal Year Revenue and Expenditures

The AGCO is currently funded from a combination of allocations through the Results Based Planning process and recoveries, primarily from the Consolidated Revenue Fund (CRF) and OLG. The AGCO also collects fee revenue from a variety of licensing and registration activities which is remitted to the CRF and helps to offset the allocation given to the agency. The AGCO operates within a separate budget allocation contained in the government's printed estimates.

In 2010, an activity-based costing review was conducted to provide an analysis of the AGCO's operations, cost drivers and key issues. The review concluded that there are a number of challenges under the AGCO's current funding model, including the level of base funding received and the different areas that fund the AGCO's operations. Although the AGCO has proactively and vigorously identified and taken advantage of opportunities for modernization and cost-saving

activities, the report concluded that present funding was inadequate to meet its regulatory mandate.

In October 2010, Treasury Board approved an expenditure increase to the AGCO's budget in 2010/11 and 2011/12 to address AGCO's critical funding needs as identified by the activity-based costing report. As part of the approval for the expenditure increase, the Ministry of the Attorney General was directed to report back through the 2012/13 Results Based Planning process on several areas, including opportunities for fee structure review options. Ultimately, the goal is to secure a sustainable budget that allows the agency to carry on its day-to-day operations and uphold the high standard of regulation that is expected by both the government and the people of Ontario, as well as to adequately implement its important modernization initiatives in both liquor and gaming.

**TABLE 5 – 2012/13 FISCAL YEAR REVENUE AND EXPENDITURES**

Revenues	2011 / 12	2012 / 13
Fees and Levies	\$29,508,781	\$27,693,089
<b>Total</b>	<b>\$29,508,781</b>	<b>\$27,693,089</b>
Expenditures	2011 / 12	2012 / 13
Salaries and Benefits	\$51,470,017	\$52,064,143
Other Direct Operating Expenses *	\$13,676,257	\$10,206,728
Total program expenditures	\$65,146,274	\$62,270,871
Less Recoveries **	(\$30,733,987)	(\$31,577,167)
<b>Total</b>	<b>\$34,412,287</b>	<b>\$30,693,704</b>

\* AGCO accommodation lease costs of \$3,312,600 transferred to the Ministry of the Attorney General effective April 1, 2012.

\*\* Recoveries for 2012/13 include monies received from liquor licence application advertisements, eligibility review investigations (applicants billed directly or indirectly for costs; includes iGaming eligibility review investigations) and for the registration and regulation of casinos and slot machine facilities, OLG lotteries and iGaming (paid for by OLG).



# AGCO CORPORATE ACTIVITIES AND PROGRAMS

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## Information Technology Plan

The AGCO's overall strategic direction of enhancing customer service, strengthening business processes and improving information technology capabilities is supported by a Strategic Information Technology (I.T.) Plan. The goal of the Strategic I.T. Plan is to provide an integrated enterprise information system that will provide better customer service, improve the flow of information, automate manual processes and provide increased availability of information throughout the organization and to external clients and stakeholders. This plan was implemented following an Information Architecture Review to assess the current infrastructure and determine the approach to I.T. planning and investments.

Significant I.T. projects completed in 2012/13 include:

- Implementation of Monitoring system (SCOM) to monitor the health and performance of all systems;
- Upgrade of the Blackberry Enterprise Server;
- Desktop and laptop upgrade to include Windows 7, bit locker security system and Office 2010;
- Modifications to various database systems to accommodate regulatory changes;
- Development of a SharePoint collaboration solution;
- Intranet portal optimization; and
- Server upgrade implementation.

## Communications

The AGCO considers effective and timely communications to stakeholders, the public and internally to staff members as critical to its mandate.

By the end of 2011/12, the AGCO had implemented all the recommendations from Hill & Knowlton's 2008 review of agency communications and the agency's own three-year implementation strategy to improve internal and external communications. This strategy focused on:

- Redesign of the internet and intranet sites with a view to supporting electronic service delivery;
- Public affairs and educational programs to support the AGCO's compliance strategy;
- Renewed focus on staff training and development and information sessions; and
- Improved customer service.

### Customer Service Improvements

As part of its service delivery program, the AGCO provides customers and members of the public with a personal "one-stop shopping" service through its Customer Service Department. During 2012/13, the department responded to 113,149 customer contacts providing assistance regarding licensing and registration issues including inquiries and complaints for all AGCO business areas. This is in addition to responding to 14,084 walk-in customers at the AGCO's head office Customer Service Desk, and 26,642 customers who were able to gather information themselves through the AGCO's integrated voice messaging system. The Customer Service department also responded to 7,158 email inquiries. In total, more than 161,000 contacts were handled.

### Issues Management

An integral part of the AGCO's communications strategy and issues management process is to ensure that potentially contentious issues are identified as early as possible and addressed in a timely and proactive manner. This allows the agency to respond to and provide accurate, timely and factual information to the Board, the Minister, stakeholders and the public, as appropriate. Typical issues may relate to anticipated reactions to changes in legislation, regulation or policy and compliance measures taken or proposed by agency staff.

### Media Relations

The AGCO's media strategy aims to communicate with media outlets (print, radio, television, online publications) in a clear and timely fashion in order to inform and educate the public, licensees, registrants and other stakeholders about the AGCO's responsibilities and activities relating to regulation of Ontario's liquor and gambling industries. Key activities in this area include responding to interview requests by the media relating to changes to liquor and gaming legislation, regulations and policy, and communicating regularly with local media in regards to orders by the Registrar of Alcohol and Gaming (Registrar) suspending or revoking liquor licences and other regulatory activities.

In 2012/13, the AGCO responded to 170 requests for information by various media outlets.

### AGCO Website

The AGCO is committed to providing its stakeholders with accurate and timely information through a number of different communications channels, including the internet.

The AGCO's website ([www.agco.on.ca](http://www.agco.on.ca)) provides stakeholders and the general public with timely and easily accessible information about liquor and gaming policies administered by the AGCO. Users of the site have access to all of the registration and licensing application forms, instruction guides, as well as all publications, reports and newsletters made available by the AGCO. The website is one of the foundational pieces for the AGCO's broader I.T. Strategy, and will eventually offer Electronic Service Delivery for stakeholders.

In 2012/13, there were 384,988 visits to the AGCO website.

### Stakeholder Publications

The AGCO regularly publishes materials to provide licensing/registration, educational and compliance information to stakeholders and the public. Examples include:

- **Licence Line** is a newsletter for liquor sales licensees published at least four times a year in English and French. Licence Line focuses on providing information on recent changes to liquor legislation and regulations, as well as articles aimed to assist licensees in remaining compliant with the law and articles of a topical or seasonal nature;
- **Lottery Line** is a newsletter for OLG lottery retailers and lottery retailer managers, and is issued a minimum of three times a year in English, French and Korean. Lottery Line provides information and tips to educate lottery retailers on the laws and regulations governing the sale of OLG lottery products and break-open tickets;
- The AGCO issues **Information Bulletins** and **Important Notices** as required, providing information to liquor and gaming stakeholders impacted by decisions of the Registrar and Board and/or by changes to the regulatory frameworks governing these two sectors. A variety of channels are used to distribute Bulletins and Notices, including posting to the AGCO's website and distribution to stakeholder associations and municipalities;
- **Toolkits for liquor sales licensees** continued to be produced and distributed. These kits include Know the

Liquor Laws staff and owner guides, Responsible Service Tip Sheets, Sandy's Law poster, mini CD of Ontario's liquor laws and regulations, and other material geared towards educating licensees and their staff. These toolkits complement the Know the Liquor Laws seminars (see below), and are also distributed by AGCO Inspectors during inspections at licensed establishments. More than 2,700 toolkits were distributed in 2012/13; and

- The AGCO issues a publication entitled "**Liquor Enforcement in Ontario: A Guide for Police Officers**" which is distributed to front-line police officers across Ontario to assist them in understanding their role in liquor enforcement, and how they can work cooperatively with the AGCO to reduce alcohol-related harm in their communities.

All AGCO educational materials can be obtained free of charge through the AGCO website, at trade shows and seminars, directly from AGCO Inspectors and upon request through the Customer Service Department.

### Front-Line Public Affairs Program for Licensees and Registrants

As part of its transition to a compliance-focused and risk-based regulatory model, the AGCO has increased its front-line public affairs program for liquor sales licensees to assist them in remaining compliant with their obligations under the law.

The "Know the Liquor Laws" free educational seminars continued for the third year in 2012/13. These two and a half hour training seminars provide liquor sales licensees, management and staff with information to better understand their responsibilities regarding the sale and service of alcohol. These seminars also include information regarding changes to the regulations under the LLA and provide those in attendance with the opportunity to ask questions and seek clarification. In order to make the seminars as accessible as possible to a broad cross section of licensees, a number of smaller communities were chosen as locations for seminars this year. Results of the 2012/13 seminars are as follows:

- 52 seminars hosted;
- 34 communities visited;
- 2,013 people attended (71% owners and managers, 69% with more than 5 years in the industry);

- 834 establishments represented;
- Positive feedback from those attending — 91% found it useful, 88% learned something, 85% would recommend the seminar; and
- 17,786 pieces of educational material were distributed at the seminars.

Again in 2013, the AGCO hosted a booth at the Canadian Restaurant and Foodservices Association Trade Show. AGCO representatives with extensive knowledge were on hand to answer questions, and educational materials were made available. Many licensees and their staff took advantage of stopping by the booth in order to get both general and specific questions answered.

#### **Partnerships with Law Enforcement Agencies**

The AGCO is committed to building and enhancing its partnerships with law enforcement agencies across Ontario and beyond in order to maximize its effectiveness as a regulator. Whether through regular contact between members of the AGCO's Investigation and Enforcement Bureau and local Ontario police services, specialized educational seminars and materials on liquor enforcement for front-line police officers, information sharing on liquor and gaming investigations, or carrying out joint forces operations, the AGCO values its relationships with law enforcement agencies as an important means of achieving more effective and efficient results in the sectors we regulate (see also Enhancing Compliance – Partnerships With Municipalities and Law Enforcement Agencies, page 48).

#### **Internal Communications**

The AGCO has more than 550 employees with diverse expertise and backgrounds working in more than 30 local offices and gaming sites across Ontario. For this reason, the agency continues to enhance internal communications using a variety of channels, including an enhanced intranet site, regional Town Hall meetings, web-based tools, Managers' Forums, information sessions, Divisional and Branch meetings, NewsFlashes and internal newsletters.

## **Environmental Initiatives**

The AGCO continues to create a more environmentally-friendly workplace, reduce costs, and contribute to the well-being of the environment at large through the activities of its Eco Committee.

In the last fiscal year, the Eco Committee developed and implemented initiatives and programs that encourage employees to reuse, reduce and recycle, including the electronic dissemination of a regular internal environmental newsletter, Lunch and Learn opportunities for staff, and participation in Toronto's "20 Minute Cleanup".

Corporately, the AGCO has also been streamlining its operational processes with a view to reducing paper usage without compromising the integrity of the services we provide. This includes double sided printing for documents, reducing distribution lists for hard copies, scanning and emailing documents rather than copying them, reducing hard copy fax approvals and replacing them with email approvals, creating electronic manuals rather than paper ones, etc. It is estimated that these efforts have saved in excess of 100,000 sheets of paper per year since these changes were implemented.

## **Human Resources**

The AGCO allocates sufficient resources to handle business requirements delivered through its divisional operations. The AGCO recognizes that capable and motivated employees are critical to achieving its business goals and to increasing its capacity and capability to better deliver services, ensuring an environment where:

- Employees believe contributions are valued;
- Employees, supported by their managers, recognize and accept the responsibility for their own career and personal development; and
- Creativity and openness to giving and receiving feedback are encouraged.

#### **Employee Development and Wellness**

The AGCO continues to invest in executive leadership, management and training programs to ensure skills are enhanced and remain current. Secondment and development



opportunities are also provided to staff and management as part of the AGCO's recruitment, retention, and staff development strategy.

As part of the commitment to leadership development, the AGCO has introduced leadership competencies which will support our organization moving forward. Every leader in the AGCO is taking part in a 360 assessment which is based on the competencies that have been identified as most critical to succeed at certain levels/positions in the organization. The results of this assessment will help directors, managers and supervisors to understand their strengths and areas for development, and focus learning and development plans on the areas that will have the most impact.

Additionally, all AGCO staff members undergo a Performance Development Review (PDR) on an annual basis.

As an initial step in a review of the PDR Program (which will continue over 2013/14), several staff focus groups were held and a review of best practices in this area was undertaken. In April 2012, the AGCO launched EVOLVE, a pilot job shadowing program developed by the Staff Engagement and Wellness Committee to provide staff with an opportunity to observe the work environment, characteristics, responsibilities and tasks for various positions across the AGCO. EVOLVE is intended to aid in better developing career paths and provide insight into work performed in current jobs. Fourteen different positions were selected to "shadow", and 25 employees participated. The program was very well received and results of the pilot are currently being reviewed and feedback is being incorporated into the development of the ongoing program.

The AGCO also continues to explore programs which recognize the importance of employee wellness in achieving a positive work environment. Health Workplace Month was recognized through various activities including the AGCO's second annual Wellness Fair. A permanent Staff Engagement and Wellness Committee has also been established in order to address the overall health and well-being of our employees, and is currently focusing on career pathing and flexible work schedule initiatives as a priority.

## Workforce and Labour Relations

The Board of the AGCO is responsible for establishing terms and conditions of employment for bargaining unit and management staff upon recommendation from the CEO. The AGCO's objective in the area of overall employee compensation is to establish pay and benefit policies that are competitive.

In 2011, the AGCO negotiated a new Collective Agreement with OPSEU from January 2011 to December 2014. In that agreement the AGCO successfully negotiated a 0% increase in 2011 and a 0% increase in 2012 in order to follow broader government direction and the intent of the *Public Sector Compensation Restraint Act*. The AGCO continues to consult with OPSEU Local 565 on a quarterly basis through the Joint Consultation Committee on matters of mutual interest.

The AGCO has also been preparing for anticipated recruitment challenges, particularly in regards to the resources and specialized skills and expertise required for OLG modernization, upcoming implementation of iGaming, and regulation of other potential new lines of business.

## Diversity and Inclusion

Created in 2008, the Ontario Public Service's Diversity Office is responsible for leading the government's strategy to create a more diverse, accessible and inclusive Ontario Public Service. The aim of the government's strategy is to build diversity into all OPS policies, programs and services, to build a healthy workplace free from harassment and discrimination, to reflect the public we serve at all levels of the OPS workforce and to respond to the needs of a diverse Ontario population. The AGCO is in the process of developing a comprehensive Diversity and Inclusion Plan and continues to explore ways to build diversity and inclusion into its operations and activities in the coming years.

The AGCO focused on four key elements in developing its Diversity and Inclusion Plan: People, Processes, Services and Results, with each aspect playing an integral role in the overall program. "People" refers to the investment made in the continuous learning of staff and management to build their cultural competencies and responsiveness. "Process"

focuses on examining organizational processes, policies and practices for barriers that prevent full participation in all aspects of society, including physical barriers, communications barriers, attitudinal barriers, economic barriers, and technological barriers. The “Services” component speaks to improving current service delivery to better ensure inclusiveness, fairness, and responsiveness. Finally, “Results” is about what will actually be measured and reported in terms of progress year over year.

The AGCO’s Diversity and Inclusion Plan has identified opportunities in all these areas and accordingly, the AGCO has made strong commitments for each, including naming an Executive Sponsor, assessing all of the AGCO’s policies and practices, ensuring all staff have received training on AGCO service delivery standards, and the development of meaningful performance measures, as well as many others. The AGCO will also offer regular learning opportunities in the areas of diversity, accessibility and inclusion. Progress has already been made on certain initiatives such as information and training on the AGCO’s Workplace Discrimination and Harassment Policy, and the assessment and posting of AGCO employees’ language capabilities to better service customers (31 languages identified).

#### ***Accessibility for Ontarians with Disabilities Act, 2005***

The *Accessibility for Ontarians with Disabilities Act, 2005* (AODA) was created with the goal of developing standards that would improve accessibility for people with disabilities across the province. To date, accessibility standards have been developed in the areas of customer service, employment, information and communications and transportation, with a standard for the built environment currently in the works. The customer service standard came into effect January 1, 2008 and all public bodies were required to be in compliance by January 1, 2010.

The Integrated Accessibility Standards Regulation (IASR) is the second regulation to be made under the AODA. This regulation came into effect on July 1, 2011 and sets out the requirements for three new accessibility standards: transportation, employment and information and communications. All public bodies were required to be in compliance with certain provisions by January 1, 2012 and January 1, 2013. Additional requirements will be phased in gradually until 2021.

The AGCO has met all requirements under the AODA and the IASR to date and will continue to implement policies and plans to meet and address the upcoming accessibility standards and needs.

# REGULATING THE LIQUOR AND GAMING SECTORS

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## Regulation of the Alcohol Sector

### Liquor Regulatory Framework Reform

For the past several years, the government has championed an agenda of reform of the *Liquor Licence Act* (LLA) and regulations to support a more risk-based approach to regulation as well as changes that strengthen public safety, improve service delivery and enhance consumer choice. Key programs such as risk-based licensing, risk-based enforcement and monetary penalties were introduced over the last several years as part of a comprehensive re-tooling and modernization of Ontario's liquor laws in support of the government's Open for Business initiative.

Through 2012/13, the AGCO continued to move forward on modernizing its liquor regulatory framework with a further review of AGCO policies with respect to liquor manufacturers, liquor delivery and manufacturers' representatives. The intention of the review is to identify opportunities to streamline policy and thereby enhance the economic opportunities for, and provide greater flexibility in, the business operations of liquor manufacturers and relevant stakeholders in Ontario, while continuing to protect the public safety.

### Special Occasion Permit Program Reform

On July 1, 2012, the AGCO implemented changes to Regulation 389/91 (Special Occasion Permits) of the LLA. These changes were subsequent to those made in 2011, and followed extensive consultation with a wide range of liquor industry stakeholders, law enforcement agencies, public health organizations and other interested parties. The changes were intended to:

- Remove barriers and restrictions for permit holders, special events and festivals;
- Provide flexibility to businesses;
- Improve tourism and local economies;
- Strengthen Ontario's economy and create new opportunities for jobs; and
- Expand compliance tools for violations of Ontario's liquor laws.

Specifically, the changes were as follows:

- The number of SOP types was reduced from nine to three: Private Events, Public Events and Industry Promotional Events;
- Customers can apply for SOPs at any LCBO SOP service store. Applicants are no longer required to submit the application to the closest LCBO store to the event;
- SOPs can now be issued for multiple day events if:
  - each event is one of a series of events,
  - the application is for all event dates,
  - the nature, purpose, location and target audience are the same for all events (dates), and
  - the applicant is not using the permit to operate an ongoing business, or does not appear to be doing so;
- Applicants can apply for an SOP for premises with tiered seating (bleachers or stadium seating); and
- Conditions (such as a restriction on the hours of sale and service of alcohol) may be attached to an SOP, based on a risk analysis of the event and the applicant. Other compliance tools, including the assessment of monetary penalties, are also available to the AGCO for permit holders who have breached the LLA or regulations.

### Liquor Delivery Services

Changes to Ontario Regulation 718 of the LLA, which took effect January 1, 2013, allowed licensed liquor delivery services with charitable purposes to enter into an agreement with manufacturers to deliver the manufacturers' product. The intention of these changes was to streamline policy and thereby enhance the economic opportunities for, and provide greater flexibility in, the business operations of liquor manufacturers, licensed delivery services and other relevant stakeholders in Ontario while continuing to protect the public interest.

## Regulation of the Gaming Sector

### Overview

The AGCO currently regulates the following gaming activities in Ontario:

- Gaming conducted and managed by OLG, comprising 10 casinos 14 slot machine facilities and 11 bingo halls;
- OLG provincial lotteries, which include such products as scratch tickets, and games where customers select numbers and their tickets are individually dispensed through a terminal (Pick 4, Pro Line, etc.);
- Charitable gaming; and
- In 2012/13 the AGCO began the process for developing the regulatory framework for the anticipated introduction of internet gaming (iGaming).

The AGCO's multifaceted approach to regulation, which includes registration or licensing of industry participants, compliance and inspection activities, equipment testing (i.e. slot machines), audit and investigations is a collaborative, partnership approach working with key stakeholders to ensure that gaming activities operated in Ontario are conducted in the public interest in accordance with the principles of honesty, integrity and social responsibility.

Over the past few years, the AGCO has been focused on amending the regulatory framework and its operations related to the gaming sector in order to (1) reduce red tape and/or duplication and provide flexibility to gaming operators in such a way that does not adversely impact the integrity, fairness and transparency of the games, and (2) enable OLG's modernization program, including the introduction of iGaming as well as electronic gaming products developed for the charitable gaming sector (cGaming).

In 2012/13, the AGCO achieved many milestones in the regulation of gaming in Ontario, as noted below.

### Amendments to the *Gaming Control Act, 1992* and Regulations

Marketplace changes, consumer demands and public expectations all continue to shape the overall gaming environment in Ontario. Greater competition, increased border controls and the slow economic recovery have all contributed to a reduction of the number of people visiting Ontario's gaming facilities which factored into the

government's decision to close three of OLG's gaming facilities (Fort Erie Racetrack, Hiawatha Horse Park and Windsor Raceway) on April 30, 2012. For the charitable gaming industry in particular, limited product offerings, changing demographics and competition from new products have also contributed to declines in this sector.

In June 2012, therefore, statutory and regulatory amendments under the GCA came into force to support the Government's initiative to modernize gaming and enhance the flexibility of gaming operations in the province. A principal component of these amendments was the introduction of a single, comprehensive regulation – O. Reg. 78/12 – for all gaming sectors to replace the several previous regulations which treated each sector separately. This new regulatory framework supports the government's Open for Business initiative by streamlining regulations and providing a more straightforward and flexible regulatory system that can be better tailored to changes in the industry while preserving the integrity of gaming and social responsibility standards.

Highlights of the new regulation include:

- Increased consistency and efficiencies between gaming sectors;
- Streamlining the number of registration classes from 24 down to 7 so that individuals and businesses may supply goods and services across all gaming sectors without having to obtain multiple registrations;
- Increased monetary exemption threshold for non-gaming-related suppliers, thereby providing the OLG and other gaming operators with greater flexibility and latitude to transact with low risk suppliers which will create efficiencies and enhance overall business competitiveness and opportunities in the province;
- Regulatory framework for new lines of gaming business not contemplated by previous regulations, such as iGaming and cGaming; and
- Establishing a standards-based approach to gaming regulation, permitting a more risk-based approach by providing the Registrar with the authority to put in place standards to address key areas of concern, including surveillance, security, access to gaming sites, protection of players and responsible gambling.

### **Transition to Standards-Based Regulation**

Statutory and regulatory amendments made to the GCA in June 2012 provided the Registrar with authority to put in place risk-based standards to address various key areas of regulatory concern such as surveillance, security, access to gaming sites, protection of players and responsible gambling.

Under the AGCO's standards-based regulatory model, the regulatory focus shifts from requiring operators to comply with a prescriptive set of rules and regulations – a "command and control" regulatory approach – to providing standards or outcomes (and in some cases, requirements) that operators must achieve. This is a fundamental change that delivers a modernized approach to gaming regulation and allows the AGCO to focus its resources on key risks and maintaining game integrity, while providing a degree of business flexibility and efficiencies for the industry.

Development of the Registrar's Standards for Gaming continued throughout 2012/13, based upon a comprehensive risk assessment conducted in consultation with key gaming industry stakeholders, including OLG, public interest groups, operators of casinos and charitable gaming sites and other governmental partners. Their feedback is helping to inform the content of the standards which will be finalized in 2013/2014.

The standards developed for each industry segment will be streamlined where possible, with an aim to develop a comprehensive set of standards across casinos, slot machine facilities, iGaming and cGaming sites, and industry-specific standards where necessary to address identified risks unique to that sector. A governance structure has also been established within the AGCO to plan and coordinate the key activities needed to successfully implement these standards across the targeted gaming segments in the coming year, including overseeing the development of the operators' control environment and the AGCO's regulatory assurance activities.

### **OLG Modernization**

The AGCO continues to work with OLG as it moves forward in its efforts to modernize and transform lottery and gaming in Ontario per its March 12, 2012 proposal to the Minister of Finance entitled "Modernizing Lottery and Gaming in

Ontario". This report identified three key recommendations: (1) become more customer-focused; (2) expand regulated private sector delivery of lottery and gaming; and (3) renew OLG's role in oversight of lottery and gaming. Implications of OLG modernization will include the introduction of new gaming channels, multi-lane lottery sales, new gaming sites, the establishment of Gaming Zones, the end of the Slots at Racetracks program, rationalization of gaming operations in general, and a greater focus on consumer protection and responsible gambling. The first phase of this plan was announced on March 14, 2012 and involved the permanent closure of OLG Slots at Windsor Raceway, Fort Erie Racetrack and Hiawatha Raceway in Sarnia effective April 30, 2012.

OLG's modernization plan has a significant impact on the AGCO, and as a result the AGCO has been adopting a more sophisticated regulatory approach, requiring enhanced internal expertise, capacity and skill sets to respond to the rapidly changing environment. The AGCO anticipates that an expanded private sector role, as envisioned by OLG, will lead to an increased number of eligibility assessments of those private sector entities seeking to enter gaming in Ontario, and a greater complexity in the eligibility assessments. In response, in 2012/13, the AGCO procured additional resources to provide expertise and assistance to conduct the necessary eligibility assessments in a timely manner to support the OLG's implementation timelines. These additional resources will operate within the AGCO's newly developed team-based approach to eligibility assessments.

The AGCO is also working towards a modernized regulatory framework – one that is focused on regulatory risk and flexible enough to support OLG's modernization efforts while ensuring that the public interest is protected at all times. Throughout this process, the AGCO's focus is on ensuring that the gaming industry in Ontario continues to be regulated to the high standards that the government and the public has come to expect, that any additional privately operated gaming facilities continue to operate with honesty and integrity, and that Crown assets are protected.

OLG estimates that their modernization process will be complete by 2018.



## Gaming Conducted and Managed by OLG

### Casinos and Slot Machine Facilities

Casinos and slot machine facilities generate significant revenues for the province and provide thousands of direct and indirect jobs to the provincial economy. Casinos and slot machine facilities are traditionally a successful tool for promoting the tourism and hospitality sectors and serve as a catalyst for local and regional economic development. The AGCO registers employees, approves electronic gaming equipment and rules of play, conducts compliance inspections, launches investigations and undertakes audits, both scheduled and ad hoc, at Ontario's casinos and slot machine facilities to help ensure regulatory compliance and to maintain strong public confidence in gaming in Ontario. Gaming activities at these facilities are conducted and managed by OLG.

### Auditor General's Report on Casino Regulation

In 2010/11, the Auditor General conducted a value for money audit on casino gaming regulation to assess the efficiency and effectiveness of the AGCO's regulatory activities in this area.

In his report, the Auditor General recognized that the AGCO has put into place a regulatory framework that is comprehensive and that its regulatory oversight of the casino gaming industry is one of the strongest and most effective regimes in North America.

The audit assessed whether the AGCO had adequate policies, procedures and systems in place to ensure that gaming at facilities is conducted in accordance with established policies and legislation. The audit also examined the AGCO's organizational capacity to measure and report on the effectiveness of all regulatory activities established to meet the principles of honesty, integrity and operation in the public interest. The audit concluded that the AGCO has adequate systems, policies and procedures in place to ensure that casinos and slot machine facilities are run fairly and honestly, that employees are honest and effectively overseen, and that the games are run fairly. A copy of the full audit report is available at [www.auditor.on.ca](http://www.auditor.on.ca).

Five recommendations were made by the Auditor General relating directly to the regulation of casino gaming. These recommendations touched on areas where the AGCO is

already taking a proactive approach through our risk-based registration and enforcement initiatives, which the report notes the Auditor General supports.

### Standards-Based Regulation of Casinos and Slot Machine Facilities

As noted previously, the AGCO has actively undertaken an approach to modernizing its regulatory approach to better balance present-day risks and provide more flexibility for casino and slot machine facility operators through the standards-based approach. This approach affords operators a greater degree of flexibility in operating their businesses, thereby allowing them to be more competitive and adaptable to changing market conditions. At the same time, it allows the AGCO to more effectively target its resources to areas identified as being higher risk.

In November 2012, two casinos implemented the standards-based approach under a pilot program in the area of security and surveillance. The standards-based model is also being tested in the area of marketing and advertising (launched February 2011). Both pilots will continue to be monitored, refined and evaluated in 2013/14.

Feedback from the marketing and advertising pilot has confirmed that operators have a greater degree of flexibility in managing their markets while ensuring that risks identified by the regulator are being mitigated appropriately. This has led to increased opportunities for operators on the marketing and advertising front as well as administrative cost savings for the operator. The AGCO has also benefited from an operational perspective, allowing resources on the compliance front to be targeted in higher risk areas.

### Closure of Slot Machine Facilities

The OLG Slots at Windsor Raceway, Fort Erie Racetrack and Hiawatha Raceway in Sarnia permanently closed effective April 30, 2012. AGCO Compliance and Electronic Gaming staff ensured that the closure of these facilities was carried out in full compliance with the directives developed for the cessation of operations of OLG gaming sites. The activities undertaken by the AGCO in regards to closing a gaming facility include:

- Reviewing and approving detailed orderly site closure plans for all departments to ensure its appropriateness

from three aspects: maintaining gaming integrity, safeguarding assets and ensuring the safety of all parties involved before and after the site closure;

- Developing a comprehensive assurance program to facilitate and uphold the aforementioned objectives from a regulatory perspective, which encompasses three phases: before, during and after the closure;
- Continuing to protect OLG assets through risk-based spot inspections and multiple Inspector presence at each gaming site;
- Ensuring implementation of outstanding ticket redemption plans for patrons after closing;
- Financial reconciliation of all progressive games and inspection of games at the receiving locations ensuring the correct transfer of progressive funds; and
- Financial audit of all games to ensure they have met the Ontario minimum payback requirement prior to closing.

## Internet Gaming (iGaming)

The Ontario Government's decision to launch iGaming in Ontario will add another line of business to the AGCO's mandate. The AGCO continues to develop and implement a robust regulatory framework that will ensure an international "gold standard" for responsible gambling, game integrity and system security. Extensive research of other jurisdictions has been completed to identify best practices for iGaming regulation, including sources of information about potential suppliers that can inform the eligibility assessment process.

The new regulatory structure incorporates the various regulatory improvements and elements that are being

implemented elsewhere across the agency, including applying a risk-based approach to the eligibility assessment and registration process, testing of the iGaming solution and games, and employing a standards-based approach to the regulatory framework. Development of data analytics capabilities will allow the AGCO to leverage and analyze large and disparate data sources to uncover insights, trends, patterns and relationships, and predict future outcomes in order to effectively target regulatory oversight and resources in the data-rich environment of iGaming.

In order to streamline activities and ensure a robust and effective review of potential suppliers, the AGCO has developed a new governance structure for a team-based approach to eligibility assessments which was employed in the assessment of OLG's iGaming primary service supplier. This team-based approach has proven successful for iGaming and will be extended to the OLG modernization process.

Registrar's Standards for iGaming were developed as part of the broader Registrar's Standards for gaming and will be implemented as this new gaming product is introduced by OLG.

Following a risk-based approach and strategy, testing of the OLG gaming solution and games will continue, as will the registration process for secondary suppliers. The AGCO will continue to develop its regulatory assurance plan, and, in cooperation with OLG and its suppliers, develop control activities and ensure compliance with the iGaming standards.

## OLG Lotteries

As noted in the section entitled “OLG Modernization” on page 34 of this report, the AGCO has been working with OLG to prepare for anticipated changes to its lottery business, specifically with reference to the expanded role of the private sector and OLG’s role in oversight of lottery. The AGCO has been further enhancing the lottery regulatory framework, in conjunction with OLG modernization, which will include migrating to the standards-based approach in 2013/14. Amendments to the regulatory framework will continue to be made as required to ensure that this business segment continues to be operated with honesty and integrity, and in a manner which ensures that Crown assets are protected.

## OLG Charitable Gaming Products and Partnerships (cGaming)

Given that opportunities for expansion within the current regulatory framework (i.e. *Criminal Code* (Canada)) are presently limited, the industry continues to focus efforts on enhancing its partnerships with OLG. In 2005, the Ontario government approved the launch of a pilot project to test the introduction of electronic versions of existing paper bingo and bingo-themed games at the charitable bingo centres in Sudbury, Barrie, Kingston, Peterborough and Windsor. With the successful results of the pilot project, the Ontario government directed OLG to launch a province-wide program, known as the Charitable Bingo and Gaming Revitalization Initiative, to modernize the industry.

Following direction from the provincial government in 2010, OLG, in collaboration with the Ontario Charitable Gaming Association and the Commercial Gaming Association of Ontario, embarked on a multi-year initiative to revitalize bingo in the province by expanding electronic products into existing and future facilities. New gaming products, such as electronic break open ticket dispensers, e-shutterboard and rapid draw bingo, have been developed by the charitable industry and OLG.

Under this model, OLG is responsible for conducting and managing the games, with charities receiving a portion of the proceeds. This change will benefit charities as they no longer have direct responsibility and liability for cash handling during games and will have reduced administrative costs and tasks. The charities continue to play an important role in promoting their good causes while volunteering their time to fundraise at their respective charitable bingo centres.

As the regulator of charitable gaming, the AGCO plays a key role in this revitalization effort and during 2012/13 worked along with the industry and OLG to develop processes, policies and a regulatory assurance structure that is aligned with the AGCO’s risk-based, standards-based and compliance-focused approach. The AGCO has also set standards for and reviewed and tested all electronic gaming products and equipment; this role will continue as OLG develops new electronic products and further expands operations to future sites.

To March 31, 2013, 11 existing charitable bingo halls had converted to the OLG cGaming model. The converted sites are operating under interim Registrar’s Standards for Gaming but will eventually be transitioned to the more comprehensive and common Standards being developed as part of the AGCO’s broader initiative to implement a standards-based approach in the gaming sector.

## Charitable Gaming

Charitable gaming revenues are an essential source of funding for a large number of worthy organizations. The AGCO continues to support the charitable gaming industry and provide opportunities to grow its business through modernization initiatives such as the bingo revenue model and changes to the break open ticket regulatory framework, and its work with the Charitable Gaming Strategic Working Group and Mega Raffle Working Group.

# OPERATIONAL PERFORMANCE

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## Licensing and Registration

### Liquor Licensing

The LLA and its Regulations provide the Registrar with the authority for regulating and licensing of the following: liquor sales licences, ferment on premise facility licences, liquor delivery service licences, manufacturer's licences and manufacturer's representative licences.

The AGCO is also responsible for overseeing the administration of SOPs. The LCBO, which is responsible for the retail sale of beverage alcohol at Ontario government stores, issues SOPs on behalf of the AGCO. SOPs are required for occasional private events such as weddings and receptions or public events, where beverage alcohol will be served and/or sold.

**TABLE 6 – TOTAL NUMBER OF LIQUOR LICENCES AND PERMITS**

	2011 / 12	2012 / 13
Liquor Sales Licensed Establishments	16,828	17,016
Ferment on Premise Facilities	584	576
Liquor Delivery Services	296	292
Manufacturers	281	308
Manufacturers' Representatives	810	851
<b>Total</b>	<b>18,799</b>	<b>19,043</b>
Special Occasion Permits issued	59,628	61,918

### Gaming Registrations

Gaming registrations must be obtained by any person or business wishing to:

- Provide goods or services to charitable or religious organizations to assist with the conduct and management of their licensed lottery event, or any business that manufactures bingo paper or break open tickets;
- Sell lottery products on behalf of OLG, or provide goods or services to OLG related to lottery products; or
- Provide goods or services to, or work for a casino, slot machine facility, or cGaming site.

In reviewing applications for registration, an investigation is carried out by the Registrar concerning the character, integrity and financial responsibility and competence of those persons or businesses and their suitability for registration.

In June 2012, statutory and regulatory amendments under the GCA came into force (see Amendments to the *Gaming Control Act, 1992* and Regulations, page 33). This included streamlining the number of gaming registration classes from 24 down to 7 so that individuals and businesses may supply goods and services across all gaming sectors without having to obtain multiple registrations. Table 7 indicates the number of registrations issued by the AGCO by category in 2011/12, and the number of registrations issued to March 31, 2013 under the new corresponding registration classes.

**TABLE 7 – NUMBER OF GAMING REGISTRATIONS ISSUED**

Registration Classes to June 1, 2012	2011/12	Registration Classes as of June 1, 2012	Line of Business	2012/13
Casino and Slot Machine Facilities - Gaming Suppliers (Operators)	29	Operators	Commercial Sector	<b>29</b>
Charitable Gaming - Bingo Hall Operators	71		Charitable Sector	<b>76</b>
Charitable Gaming - Break Open Ticket Sellers *	399	Sellers	Charitable Sector	<b>355</b>
OLG Lottery - Lottery Retailers	9,939		OLG Lottery Sector	<b>9,877</b>
Casino and Slot Machine Facilities - Gaming Suppliers (Gaming-Related Suppliers)	38	Gaming-Related Suppliers	Commercial Sector	<b>41</b>
Charitable Gaming-Gaming Service/ Equipment Suppliers & Manufacturers	90		Charitable Sector	<b>87</b>
OLG Lottery - Lottery Suppliers	34		OLG Lottery Sector	<b>37</b>
Casino and Slot Machine Facilities - Gaming Suppliers (Non-Gaming-Related Suppliers)	488	Non-Gaming-Related Suppliers	Commercial Sector	<b>367</b>
Casino and Slot Machine Facilities - Gaming Suppliers (Trade Unions)	15	Trade Unions	Commercial Sector	<b>14</b>
Casino and Slot Machine Facilities - Gaming Suppliers (Exempt Suppliers) **	1,803	N/A	N/A	<b>N/A</b>
Casino and Slot Machine Facilities - Gaming Employees (Gaming Key Employees)	2,855	Category 1 Gaming Assistants	Commercial Sector	<b>2,621</b>
Charitable Gaming - Gaming Assistants (Gaming Premises Managers)	433		Charitable sector	<b>502</b>
OLG Lottery - Lottery Retailer Managers	2,171		OLG Lottery Sector	<b>2,216</b>
Casino and Slot Machine Facilities - Gaming Employees (Gaming Employees)	12,154	Category 2 Gaming Assistants	Commercial Sector	<b>11,223</b>
Charitable Gaming - Gaming Assistants (Gaming Services Employees; Bingo Callers; and Croupiers)	2,434		Charitable Sector	<b>2,424</b>
<b>Total</b>	<b>32,953</b>			<b>29,869</b>

\* This figure represents the number of sites that only sell charitable break open tickets (no OLG lottery products). It does not denote the total number of sites that currently sell break open tickets. All lottery retailer registrants may sell break open tickets in addition to OLG lottery products.

\*\* As of June 1, 2012, the due diligence on Exempt Suppliers is being performed by OLG and/or Operators.



### Charitable Gaming Licences

The AGCO oversees the licensing of lottery events, including bingo, raffles and the sale of break open tickets, issues licences and registrations to individuals or businesses that wish to provide goods or services to the charitable gaming sector, and carries out inspection and compliance assurance activities to ensure that charitable gaming licensees and registrants are operating in accordance with the law and in the public interest.

The issuance of charitable lottery licences continues to be a two-tiered approach, with the AGCO and local municipalities both having a role in this program.

The AGCO is the licensing authority for:

- Charitable gaming events in pooling bingo halls;
- Bingo events (i.e., Special Bingo, Monster Bingo) with prize boards over \$5,500;
- Super jackpot bingo events;
- Progressive bingo game events and loonie progressive games;
- Social gaming events (i.e., table game event held in conjunction with a social event);
- Raffle lotteries for total prizes over \$50,000;
- Break open tickets sold by organizations with a provincial mandate;
- Lotteries held in conjunction with another gaming event, including break open tickets at bingo events;
- All lottery schemes conducted in unorganized territories; and
- Lottery schemes at designated fairs or exhibitions.

Municipalities issue lottery licences for the following:

- Bingo events with prize boards of up to \$5,500;
- Media bingo events with prizes up to \$5,500;
- Break open tickets for local organizations;
- Raffle lotteries for total prizes of \$50,000 and under; and
- Bazaar lotteries which include: wheels of fortune with a maximum bet of \$2.00, raffles not exceeding \$500, and bingo events up to \$500.

A municipality may attach terms and conditions to a licence, in addition to those established by the province, provided that they do not conflict with provincial terms and conditions or policies.

Overall, the charitable gaming industry has remained stable in 2012/13 from 2011/12. The variance in figures indicated in the table below reflects a shift in charitable gaming initiatives and administrative relief measures put in place to streamline processes, create efficiencies and provide better customer service for licensees.

**TABLE 8 – LOTTERY LICENCES ISSUED**

	2011 / 12	2012 / 13
Bingo	148	155
Charitable Gaming (Bingo Hall) *	6,961	6,425
Break Open Ticket (BOT) **	103	86
Raffle	179	210
Social Gaming Events	26	24
Other	4	5
<b>Total</b>	<b>7,421</b>	<b>6,905</b>

\* Due to modernization of charitable gaming, a further five bingo halls (in addition to six original pilot halls) converted to the cGaming model in 2012/13. As such, they are no longer licensed by the AGCO as the conduct and management of the halls falls under OLG. Figures for "Charitable Gaming (Bingo Hall)" will continue to decrease as more halls convert to the cGaming model.

\*\* The Break Open Ticket Modernization Initiative implemented on July 1, 2010 included the extension of licence periods, which equates to fewer licences issued throughout the year.

**High Value Raffles (“Mega Raffles”)**

High value raffles are lotteries conducted by charities where the total value of the prizes is one million dollars (\$1,000,000) or more. The AGCO continues to work with the stakeholders in this segment of the industry in order to identify opportunities to further enhance charitable fundraising opportunities.

In 2009/10, a pilot project was put into place to allow licensees more options to communicate the details of the operation of their raffle, including allowing the use of internet

technology to promote tickets sales, solicit ticket orders, and accept ticket order information. For example, online ordering is permitted, however this must be just one of a variety of channels to take orders, and online submission of payment information is permitted however payment fulfillment of ticket orders is not permitted and licensees must process payment in the same manner for existing sales channels (batch orders processed every 24-48 hours). The AGCO continued to monitor the pilot project and will review the results in 2013/14.

**TABLE 9 – ESTIMATES OF PROVINCE-WIDE CHARITABLE GAMING REVENUES**

	<b>Gross Wager</b>	<b>Net Revenues</b>	<b>Charity Profit</b>
Registered bingo halls operating under the Bingo Revenue Model (57 halls)	\$497,220,380	\$100,473,666	\$31,841,312
Electronic bingo halls operated by OLG (11 halls)	\$134,029,524	\$24,701,199	\$7,075,936
Break open tickets	\$288,308,872	\$94,498,384	\$37,828,072
Raffles (AGCO licensed)	\$244,439,599	\$160,603,500	\$71,312,067
Raffles (municipally licensed)	\$41,188,072	\$24,543,972	\$19,321,325
Total	\$1,205,186,447	\$404,820,721	\$167,378,712

## Electronic Gaming Equipment and System Approvals

### Testing of Electronic Gaming Equipment and Systems

The AGCO ensures that all electronic gaming equipment in the province meets rigorous standards aimed at ensuring its technical integrity. In that regard, all electronic equipment (slot machines, electronic table games, electronic bingo systems, Play-on-Demand games, card shufflers, break-open ticket dispensers, etc.) and gaming management systems (slot machine monitoring, cashless ticketing, progressives, etc.) are tested for technical integrity, security and audit capacity according to the Ontario Minimum Technical Standards established by the Registrar. This testing is carried out at the AGCO's in-house Gaming Laboratory (the lab) equipped with the exact equipment and systems that are currently used or are intended to be used at gaming facilities. Tests carried out by the lab include:

- Mathematical simulation and verification of game payback and award odds;
- Random Number Generator testing to ensure random game outcomes;
- Computer emulation of gaming equipment to ensure prize payouts; and
- System interoperability between ticketing, slot machine monitoring and progressive systems and the gaming equipment.

Based on the results of the testing, the Registrar determines if the equipment and/or systems are to be approved for installation in Ontario gaming facilities. Only equipment and systems approved by the Registrar can be installed and used at gaming sites. The AGCO continues to achieve an average 30 day turn-around time for approval of gaming equipment/systems.

The AGCO has Electronic Gaming Officers on-site at casinos and slot machine facilities responsible for inspecting new electronic gaming equipment, conducting random checks on approved electronic gaming equipment, and performing inspections on new installations and changes to slot machines.

In 2012/13, staff of the AGCO's Technical and Laboratory Services Branch inspected 45,790 electronic gaming devices, including slot machines, with minimum disruption to patron play. Of these inspections, 3,642 deficiencies were found as follows:

- 1,924 critical deficiencies were found in games which were being inspected prior to approving their availability for patron play (i.e. incorrect software installed, unapproved paytables enabled, etc.). These games were not allowed for play until corrective action was taken by the site and the games passed inspection; and
- 1,718 other non-compliance deficiencies were discovered during inspections of devices that were quickly remedied by the site (i.e. button panel not working, loose locks, etc.) so that the game could be made available for patron play once the deficiency was corrected.

**TABLE 10 – NUMBER OF SLOT MACHINES AND TABLE GAMES IN GAMING FACILITIES**

Casinos	# of Slot Machines	# of Table Games	Location	Open to Public
OLG Casino Brantford	543	57	Brantford	November 19/99
Great Blue Heron	537	60	Port Perry	May 5/00
OLG Casino Point Edward	452	27	Point Edward	April 20/00
OLG Casino Sault Ste. Marie	435	13	Sault Ste. Marie	May 23/99
OLG Casino Thousand Island	480	22	Gananoque	June 22/02
OLG Casino Thunder Bay	450	11	Thunder Bay	August 30/00
Casino Niagara	1,526	39	Niagara Falls	December 9/96
Niagara Fallsview Casino Resort	3,139	135	Niagara Falls	June 8/04
Casino Rama	2,503	121	Orillia	July 31/96
Caesars Windsor	2,292	83	Windsor	Interim: May 94 Permanent: July 29/98

Slot Facilities	# of Slot Machines	Location	Open to Public
Ajax Downs	800	Ajax	March 2/06
OLG Slots at Clinton Raceway	123	Clinton	August 26/00
OLG Slots at Dresden Raceway	116	Dresden	April 20/01
Flamboro Downs	804	Dundas	October 13/00
Georgian Downs	1,015	Barrie	November 29/01
Grand River Raceway	238	Elora	December 6/03
OLG Slots at Hanover Raceway	131	Hanover	February 21/01
Kawartha Downs Raceway	450	Peterborough	November 24/99
Mohawk Raceway	860	Milton	August 12/99
Rideau Carleton Raceway	1,279	Ottawa	February 18/00
Sudbury Downs Raceway	430	Sudbury	November 28/99
OLG Slots at Western Fair	756	London	September 30/99
Woodbine Raceway	2,999	Toronto	March 29/00
Woodstock Raceway	184	Woodstock	June 22/01

### Quality Assurance Program for Gaming Laboratory

A key AGCO initiative and strategy was the development of a formal Quality Assurance program for the lab and ISO accreditation, which was attained in August 2011.

This achievement sets the AGCO apart as the only known gaming regulator with an in-house accredited gaming lab.

An independent, in-house gaming lab is integral in policy development and providing public confidence that electronic gaming machines have technical integrity and are safe and secure.

The Quality Assurance program developed a formal quality system that will help to continually improve the quality of test results and the efficiency and effectiveness of the lab. Accreditation against an international standard provides a third party demonstration that the lab has the necessary capabilities to carry out the specific tests necessary to ensure gaming equipment and gaming management systems satisfy the requirements to operate in Ontario.

The recognized international accreditation standard for quality assurance of testing laboratories is ISO/IEC 17025:2005, which addresses quality management topics such as: the management system, document control, service delivery, control of non-conforming testing including preventative and corrective actions, control of records, internal audits and management reviews. It also addresses technical requirement topics such as: the technical competence of personnel, testing equipment and lab environment, test procedures and procedure validation, participation in proficiency testing with other laboratories, and guidance on the contents of generated test reports.

Accreditation to ISO/IEC 17025:2005 required an accreditation audit performed by an external assessor with technical expertise in the testing procedures and equipment that is being inspected. This audit, also performed biennially after accreditation is granted, ensures that conformance to the standard is being maintained. In 2012, the biennial audit was successfully completed. In addition to the biennial audit by an external auditor appointed by the Registrar of the Accreditation Lab, a formal internal audit of the lab's quality system will also be conducted on an annual basis to verify operations comply with the requirements of this standard.

## Investigation, Enforcement and Compliance

### Liquor

#### Overview

Since 2007, the AGCO has been shifting towards a regulatory strategy for liquor sales licensees which is compliance-focused and risk-based, rather than focusing only on enforcement after an infraction has been committed. The following programs form a multi-pronged approach to support this strategy:

- Risk-based enforcement, where the AGCO focuses more resources on those licensed establishments with a higher risk profile and/or previous compliance issues;
- Risk-based licensing, where applications for liquor sales licences are reviewed and assessed with a view to identifying and mitigating risks, including the use of conditions where appropriate;
- Monetary penalties, an administrative sanction where a licensee pays a certain amount as a consequence of a breach of the LLA, and where a more severe sanction is not warranted under the circumstances; and
- Public Affairs educational program, to assist licensees and registrants in remaining compliant with the law.

This approach is showing positive results. In all regions of Ontario, the introduction of risk-based, compliance-focused programs are helping liquor sales licensees achieve greater compliance with the laws governing the sale and service of alcohol.

LLA infractions have decreased sharply as licensees become more educated, AGCO resources are being used more effectively, and risks to public safety are being reduced. For example, in 2008/09 there were 13,046 infractions noted across the province. For 2010/11, that number had dropped to 8,549 — or a decrease of 34% — even though the number of inspections and AGCO Inspectors remained largely the same.

As infractions have declined, and with the introduction of monetary penalties as an alternative to suspensions for less serious offences, there has also been a substantive decrease in the number of liquor sales licence suspensions served in Ontario. In 2007, the year the AGCO introduced the first of

its risk-based programs (risk-based enforcement), 456 liquor sales licence suspensions were served across the province. By 2012/13, that number had declined to 121 suspensions.

The AGCO continues to refine its risk-based programs to further improve compliance rates and thereby enhance public safety.

### Compliance and Enforcement

To support corporate and government objectives, the AGCO continued in 2012/13 to refine compliance-based strategies that focus on prevention, communication and education to achieve a high rate of compliance. The AGCO also works closely with local law enforcement agencies in pursuing the responsible sale and service of alcohol across the province.

The AGCO's Investigation and Inspection Branch of the OPP Investigation and Enforcement Bureau assigned to the AGCO continues to implement a risk-based approach to conducting LLA inspections at licensed premises, monitoring liquor licensed premises for compliance with the LLA and investigating complaints and/or breaches of the LLA, often in partnership with local police services.

During 2012/13, the Inspection and Investigation Branch carried out 23,871 inspections of liquor sales licensed establishments, together with 2,702 joint forces projects, for a total of 26,943 liquor-related inspections.

Where evidence exists to support allegations of breaches of the LLA and its Regulations by a licensee, the Registrar may impose an administrative sanction, which can include a warning letter, monetary penalty, suspension of the licence or revocation of the licence.

**TABLE 11 – NOTICES OF PROPOSAL AND ORDERS OF MONETARY PENALTY ISSUED**

	2011 / 12	2012 / 13
Notices of Proposal	542	438
• Re applications (new, change, transfer)		
• Re compliance (suspend and/or add conditions, revoke)		
• Premises closed (revoke licence)		
• Other		
Orders of Monetary Penalty	164	186

**TABLE 12 – ALCOHOL ADVERTISING COMPLAINTS REVIEWED**

	2011 / 12	2012 / 13
Alcohol advertising complaints reviewed	4	1

### **Enhancing Compliance – Partnerships With Municipalities and Law Enforcement Agencies**

The AGCO continues to foster better coordination and relations with other provincial and local agencies with respect to liquor enforcement by providing assistance and advice to our partners in an effort to increase compliance rates and enhance LLA enforcement activities. This cooperative approach extends across the province, and has proven beneficial to communities overall.

In many municipalities, the AGCO is part of a formal Integrated Municipal Enforcement Team involving local police, fire, health, by-law and licensing authorities; in other municipalities, the AGCO carries out joint forces operations with local authorities as requested. This approach has been most formalized with regards to liquor enforcement in Toronto's Entertainment District, where a committee comprising representatives of the AGCO, the City of Toronto and law enforcement agencies continues to meet to share information and review issues.

### **Open Ontario Compliance Initiative**

The Open Ontario Compliance Initiative pilot project (to launch in April 2013) is designed to demonstrate how municipal and provincial organizations can achieve greater coordination and collaboration, how risk-based compliance activities can be used effectively, and how the inspection process might be made less onerous for businesses. Through an inspection process focused on high risk establishments and the use of education to promote compliance, the goal is to achieve a higher compliance rate for businesses.

This groundbreaking joint provincial/municipal project includes several bodies which have compliance responsibilities for restaurants, bars, OLG lottery / break open ticket retailers and convenience stores in the London area, including:

- Ministry of Community Safety and Correctional Services (Office of the Fire Marshall, Private Security & Investigative Services) which is leading the project;
- AGCO / OPP;
- Ministry of Health;
- Ministry of Finance (tobacco);
- Ministry of Economic Development and Innovation;
- Ministry of Consumer Services;
- Ministry of Labour;
- Service Ontario / Ministry of Government Services;

- City of London (Building, Licensing, Police, Fire, Property Standards, Business Liaison); and
- Middlesex-London Health Unit.

The project will see all participants use a risk-based, compliance-focused strategy to guide inspections – a process which is already employed by the AGCO throughout its operations. Through this approach, it is anticipated that, collectively, the participants will learn more about which businesses and circumstances pose higher non-compliance risks and use this information to inform inspection strategies and joint compliance activities.

Each of the participants will share information by providing, among other things, a short list of easily-spotted violations to the other participants. Participating entities will continue to fulfill their normal duties but will also share/refer information to others as appropriate. For example, information on unsanitary conditions at a licensed establishment discovered by an AGCO Inspector would be forwarded to the Health Unit.

At the end of the six month pilot project, the results will be analyzed to see where improvements can be made to the overall inspections regime in Ontario, and what types of administrative relief might be made available to businesses which remain compliant with the law.

### **Last Drink Program**

The AGCO is committed to enhancing its already strong partnerships with local police services across the province, and to providing regulatory oversight that is collaborative in nature and serves the public interest. To that end, the AGCO implemented a six month pilot program entitled "Last Drink" designed to improve public safety and help reduce impaired driving on Ontario roadways.

Under the pilot project (July 1, 2011 to January 1, 2012), four Ontario police services (Sudbury, Durham, London and Ottawa) informed the AGCO about any alcohol-related driving offences where the drivers named a licensed establishment as the last place where they consumed alcohol. This information allowed the AGCO to identify educational opportunities to work with licensees so that they could better meet their regulatory obligations. In some limited cases, the



AGCO focused additional regulatory attention on licensed establishments named in multiple reports.

The pilot project results were encouraging on multiple fronts. Overall, licensees expressed appreciation over having been made aware of the additional information brought to their attention by the program, while the participating police services also saw Last Drink as a good complement to other programs which target impaired driving.

The Last Drink program expanded in Fall 2012 with four new partners: York Region, Cornwall, Sault Saint Marie, Deep River. Four OPP detachments (Collingwood, Sault Saint Marie, Wawa and Wellington County) also joined the program.

Pilot results of the Last Drink Program will be announced to the Ontario Association of Chiefs of Police traffic committee and working group in May of 2013, with the hopes of further expanding the program throughout the Province. An Operational Shift Briefing is also being designed for front-line policing members outlining the Last Drink Program as well as Mandatory Reporting guidelines. Finally, the AGCO is working with the Ministry of Transportation to explore if the Last Drink Program may be able to interface with its Suspension Information and Management Systems.

#### **Award for Outstanding Liquor Enforcement**

The AGCO, working with the Ontario Association of Chiefs of Police (OACP), sponsors an annual award to recognize police agencies that have increased their efforts with regards to enforcement of the LLA. Two Awards for Outstanding Liquor Enforcement can be presented annually, one to an agency with more than 500 officers, and one to an agency with fewer than 500 officers. On June 19, 2012, the Waterloo Police Service (over 500) was recognized for the work of its 2011 Oktoberfest Policing Unit, whose focus is to provide enhanced public safety and a proactive police presence of Fest Halls, community events, and ceremonies throughout this world famous 10-day festival and cultural celebration.

#### **Educating Front Line Police Officers on Liquor Enforcement**

In 2012/13, the AGCO continued to provide informational seminars to front-line police officers on liquor enforcement in Ontario and how they can work with the AGCO to reduce harm to the community from local establishments that violate the liquor laws.

The AGCO also distributes a pocket-sized brochure entitled "Liquor Enforcement in Ontario: A Guide for Police Officers" to assist front-line officers in their duties. The brochure provides details on the laws governing the responsible sale and service of alcohol for liquor sales licensees and Special Occasion Permits, as well as their powers as a police officer with regards to those laws.

#### **Community Alcohol Safety and Enforcement Program (C.A.S.E.)**

In August 2012, the AGCO launched the Community Alcohol Safety and Enforcement Program (C.A.S.E.) in partnership with the Ontario Association of Chiefs of Police, in which police officers across the province team up with AGCO Inspectors and OPP members in two annual, high profile inspection campaigns of licensed establishments: one in the fall as post-secondary students return to school, and one in the spring to coincide with the beginning of patio and boating season.

The Fall 2012 campaign proved very successful, generating substantive media coverage across the province on the joint efforts of the AGCO and local police services to reduce the risks of under-aged and excessive drinking.

#### **Best Bar None International Accreditation Program for Liquor Sales Licensees**

The AGCO's partnerships in the liquor sector extend outside of Ontario, as well. The recent partnership with Britain's "Best Bar None" program to initiate a similar accreditation and awards program promoting responsible management of liquor licensed establishments in Ontario is a good example of the AGCO's proactive approach in this respect.

In October 2012, the liquor industry, in collaboration with stakeholders, community members, operators, business associations and the AGCO, launched Ontario's Best Bar None pilot program in Toronto's Entertainment District. Under the pilot program, liquor sales licensees in the specified area could apply for accreditation to indicate to patrons, neighbours, and members of the public that they adhere to the highest operating standards and have implemented industry best practices that promote public safety. The list of establishments attaining accreditation and the Best Bar None Ontario Award winners will be announced in Spring 2013.

Gaming

Gaming Registrations

Where there is evidence that a casino or slot machine facility registrant has breached the GCA, the Registrar may impose an administrative sanction where appropriate. This may include a monetary penalty, a suspension of the registration or a revocation of the registration.

TABLE 13 – ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO REGISTRANTS IN CASINOS AND SLOT MACHINE FACILITIES

	2011 / 12	2012 / 13
Orders of Monetary Penalty	0	1
Notices of Proposed Order	8	16

AGCO Audits of Casinos and Slot Machine Facilities

The AGCO’s Audit and Compliance Branch conducts compliance inspections and audits at casinos and slot machine facilities, both scheduled and ad hoc, to ensure compliance with the GCA, LLA, Rules of Play, approved policies, terms and conditions of registrations, and anti-money laundering and terrorist financing measures. The Branch also approves and monitors applicable internal control measures, and surveillance and security policies and procedures, to help protect honesty, integrity and the public confidence in casino operations in Ontario. The AGCO also investigates and responds to complaints that pertain to regulatory issues at individual gaming sites.

The AGCO has adopted and implemented a risk-based audit approach that will continue to enhance the effectiveness of audit engagement by allowing gaming facilities to be assessed individually for risk. A multi-phase, industry-wide risk assessment was undertaken and completed in order to identify the necessary risk indicators that have informed the individual site-specific risk profiles.

In 2012/13, the Audit and Compliance Branch carried out 2,948 gaming-related inspections and 44 liquor inspections. Any findings noted during gaming- and liquor-related inspections (including non-compliance issues that are either self-reported or discovered by AGCO Compliance Inspectors) are indicated on a Corrective Action Report (CAR). A number of CARs relate to internal control procedural errors and are resolved at the time of the incident. When areas of non-compliance are identified, the department works proactively with gaming sites to address the concerns. Occasionally, for very serious breaches, administrative action is pursued. In 2012/13, 661 gaming-related CARS and 21 liquor-related CARS were created.

Audit and Memorandum of Understanding (MOU) with FINTRAC

As part of the AGCO’s overall approach to working collaboratively with other government agencies, the AGCO worked closely with the Financial Transaction and Reports Analysis Centre of Canada (FINTRAC) to help combat money laundering and terrorist financing at gaming facilities. An MOU was signed between both parties in 2004. The collaboration between the organizations continues to be refined and enhanced in an effort to develop stronger communication channels, sharing of information in appropriate circumstances and to assist both the AGCO and FINTRAC in meeting their regulatory mandates.

In carrying out an audit at a casino or slot machine facility, the AGCO auditor ensures that it fulfills the requirements under the GCA, the Proceeds of Crime (Money Laundering) and *Terrorist Financing Act, 2001*, and all of the related regulations. In 2012/13, 15 audits were conducted at Ontario’s gaming facilities. The AGCO works with the gaming facilities on developing plans to address any issues raised through the audit process. Follow up audits are conducted to ensure plans are implemented and are effective.

### Casino Enforcement Unit

The AGCO's Casino Enforcement Unit (CEU) comprises members of the OPP assigned to provide 24/7 police presence at all casinos and also to police slot machine facilities.

The CEU has a mandate to protect Crown assets and investigate Cheat at Play offences, ensuring that the honesty and integrity of the games is maintained and that public safety at facilities is maintained. CEU officers are also responsible for conducting regulatory investigations for the Registrar. These involve investigations of casino employees that are required to be registered under the GCA based on the job function they perform.

Officers assigned to the CEU are the first responders to any incidents that occur at a casino or slot machine facility. For those occurrences that are not gaming-related, the CEU then works with the respective police services of that jurisdiction.

### Occurrences at Casinos and Slot Machine Facilities

During 2012/13, there were approximately 5,874 total occurrences at casinos and slot machine facilities which were responded to by the CEU. Of these, 2,073 were *Criminal Code* offences, including 115 alleged incidents of Cheat At Play (53 Cheat At Play charges laid). Other *Criminal Code*-related occurrences include Fraud, Theft and Assault investigations.

There were an additional 3,801 non-*Criminal Code* related occurrences. These occurrence types could involve any Provincial statute investigation or violation, including the LLA, *Trespass To Property Act*, and *Mental Health Act*. Other examples could include a suspicious person investigation that may not necessarily fall into any specific offence category, missing persons investigations, as well as assistance to other police agencies. This could include assistance with intelligence gathering, or general inquiries/assistance for an outside investigation.

The 5,874 occurrences noted previously are in addition to assisting local police with non-gaming related investigations. Only those events that result in a report being filed are considered by the AGCO's Investigation and Enforcement Bureau to be reportable occurrences. The number of occurrences has increased slightly from approximately 5,442 occurrences in 2011/12.

## OLG Lotteries

### Compliance Inspections

During 2012/13, 15,141 Lottery Compliance Inspections were conducted at registered lottery retailer locations by AGCO Inspectors.

Where there is evidence that a registered retailer of OLG lottery products has breached the GCA, the Registrar may impose an administrative sanction where appropriate. This may include a monetary penalty or a proposal to suspend or revoke the registration.

**TABLE 14 – ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO SELLERS OF OLG LOTTERY PRODUCTS**

	2011 / 12	2012 / 13
Orders of Monetary Penalty	1	0
Notices of Proposed Order	20	25

### Audits of OLG Lotteries

The AGCO approves and monitors applicable internal control measures, and security policies and procedures, to help protect honesty, integrity and the public confidence in lottery operations in Ontario.

In carrying out an OLG lottery audit, the AGCO auditor ensures that the requirements under the GCA and all of the related regulations are fulfilled. In 2012/13, 4 OLG lottery audits were conducted. The AGCO works with the lottery business units on developing plans to address any issues raised through the audit process. Follow up audits are conducted to ensure plans are implemented and are effective.

As of January 1, 2008, the OPP Investigation and Enforcement Bureau assigned to the AGCO began investigating lottery insider wins (retailers or related persons) and suspicious wins. OLG screens all prize claims above \$10,000 and forwards insider claims to either the OPP or a third party investigation firm for investigation. Within the category of "related parties" (or "insiders") the OPP investigates wins by: (1) registrants (retailers, manufacturers,

etc.), (2) key OLG personnel with significant decision-making authority, and (3) retailers’ employees involved in the sale and redemption of tickets. The remaining persons defined as “insiders” (e.g., remaining OLG employees) are investigated by a third party investigation firm as per procedures approved by the AGCO.

During 2012/13, the OPP carried out a total of 183 lottery-related investigations, comprising 38 insider wins over \$10,000, 36 suspicious wins, and 109 various complaints about possible thefts, frauds, etc.

Charitable Gaming

AGCO Inspectors are trained to conduct inspections at Break Open Ticket seller locations across Ontario, and have also been cross-trained to inspect bingo facilities to ensure compliance with the GCA. In 2012/13, 2,306 Charitable Gaming inspections were conducted by AGCO Inspectors.

Where there is evidence that a charitable gaming registrant has breached the GCA, the Registrar may impose an administrative sanction where appropriate. This may include a monetary penalty, or a proposal to suspend or revoke the registration.

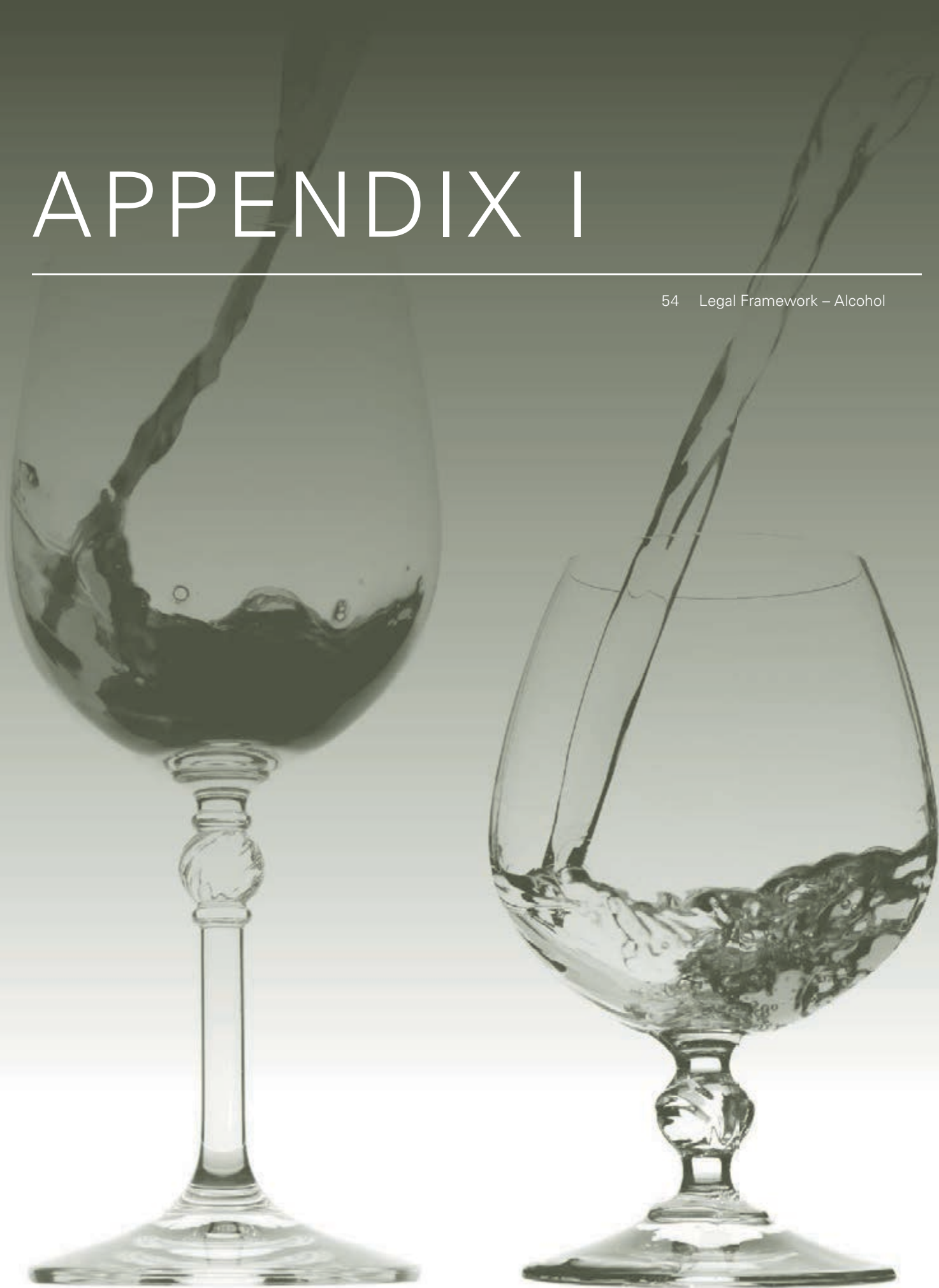
TABLE 15 – ORDERS OF MONETARY PENALTY AND NOTICES OF PROPOSED ORDER ISSUED TO CHARITABLE GAMING REGISTRANTS

	2011 / 12	2012 / 13
Orders of Monetary Penalty	0	0
Notices of Proposed Order	7	4

# APPENDIX I

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54 Legal Framework – Alcohol



## Legal Framework – Alcohol

### **Liquor Licence Act**

The *Liquor Licence Act* (LLA) establishes the licensing and regulatory regime for the sale and service of beverage alcohol in Ontario, except for retail sale to the public by the Liquor Control Board of Ontario (LCBO).

Various classes of licences and permits are established including:

- Licence to sell beverage alcohol;
- Licence for ferment-on-premise facilities;
- Licence for liquor delivery service;
- Manufacturer's licence;
- Licence to represent a manufacturer of beverage alcohol; and
- Special occasion permits for the sale and service of beverage alcohol on special occasions (for example, cash bars at fundraising events, weddings and receptions).

The LLA and regulations also establish the rules for sale and service of beverage alcohol, including:

- No sale or service to persons under the age of 19;
- No sale or service to persons who appear to be intoxicated;
- No sale of beverage alcohol before 11:00 a.m. or after 2:00 a.m. (unless otherwise stipulated);
- No sale of illegal beverage alcohol; and
- Where beverage alcohol may be consumed (residence, licensed premises, private place).

The LLA and regulations provide for an inspection and enforcement regime to ensure that licensees and permit holders are in compliance with the law and regulations relating to the sale and service of beverage alcohol.

### **Changes to Regulation 389/91 of the *Liquor Licence Act* (Special Occasion Permits)**

Effective July 1, 2012, changes included:

- **Customers can apply at any LCBO SOP Service Store**  
– Applications for SOPs are now processed at LCBO SOP service stores. Applicants are no longer required to submit the application to the closest LCBO store to the event.

- **Number of SOP types reduced** – The types of events for which an SOP can be issued have been reduced from nine to three: Private Events, Public Events and Industry Promotional Events.
  - Private Event SOPs are for invited guests only (cannot be open to the general public), such as birthdays, funerals, bridal shower, etc. The event must not be advertised to the public, and there can be no intent to profit from the sale of alcohol at the event. Private Event SOPs can be either a Sale permit (e.g. to allow for recovery of the cost of serving alcohol) or a No Sale permit (which allows alcohol to be served, but not sold, and the permit holder is responsible for the cost of the alcohol entirely).
  - Public Event SOPs are issued for events that are open to the general public, such as charity fundraisers, outdoor street festivals, community festivals, etc. A Public Event permit holder may advertise the event and can fundraise or profit from the sale of alcohol.

An SOP for a Public Event can be issued to:

- a charity registered under the *Income Tax Act* (Canada); or
- a non-profit organization or association, with its own constitution and by-laws, and organized to promote charitable, educational, religious or community objects.

An individual or business may also apply for a Public Event SOP if organizing or conducting an event of:

- “provincial, national or international significance”, as agreed to by the Registrar of Alcohol and Gaming, or
- “municipal significance” for which a municipal resolution or letter from the municipal clerk or designated authority which designates the event as one of municipal significance is required.

- Industry Promotional Events – This is a new category intended to promote a manufacturer's products. These events may be open to the general public or for invited guests only. They can be either Sale or No Sale events. There can be no intent to profit from the sale of alcohol at the event.

Samples for tasting at the event may be provided to those attending the event, and orders for alcohol may be taken. Samples at these events must be provided by a manufacturer or AGCO licensed representative of a manufacturer or an event organizer acting on behalf of either. All orders must be processed through authorized government retail stores.

An Industry Promotional event can also be for the purposes of conducting market research on a product. Market research events must be held by a manufacturer, or by an AGCO licensed representative of a manufacturer, or on behalf of a manufacturer by another party authorized by the manufacturer to represent them. If an event organizer or an AGCO licensed representative is conducting the market research or providing samples on behalf of a manufacturer, the event organizer must make available upon request a letter from the manufacturer authorizing them as their representative to conduct market research.

- **Multiple day events** - SOPs can now be issued for multiple day events if:
  - each event is one of a series of events;
  - the application is for all event dates;
  - the nature, purpose, location and target audience are the same for all events (dates); and
  - the applicant is not using the permit to operate an ongoing business, or does not appear to be doing so.

Examples of events which qualify are monthly social club or monthly book club meetings.

A permit holder with a multiple day event permit may store alcohol between days of the event if:

- the alcohol is stored in a secure area that is not a dwelling;
- the alcohol is not stored with other alcohol not purchased under the SOP;

- the permit holder identifies on the application form the location where the alcohol will be stored, and provides a list of persons with access to that location; and
- the alcohol is made available to police and AGCO Inspectors upon request.

- **Tiered Seating** – Applicants can now apply for an SOP for premises with tiered seating (bleachers or stadium seating).

The applicant is required to notify municipal authorities of the event. All events are reviewed by the AGCO, and conditions may be attached to the permit to mitigate any risk that may be associated with the event.

- **Compliance** – The AGCO employs a risk-based approach to the issuance of SOPs designed to assess and mitigate risks to public safety and the public interest. Based on a risk analysis of the event and the applicant, conditions may be attached to an SOP such as a restriction on the hours of sale and service of alcohol.

**Change to Regulation 718 under the *Liquor Licence Act***  
Effective January 1, 2013, the change included:

- **Liquor manufacturers and liquor delivery services operated by an organization with a charitable purpose may now enter into business relationships** – This change will benefit local charities that are assisted as a result of new arrangements between liquor manufacturers and liquor delivery services.

Specifically, the amendment exempts the holder of a liquor delivery service licence with a charitable purpose from two subsections of the legislation, Subsection 10(5) of the *Liquor Licence Act*, and Section 20 of Regulation 718, which are meant to prevent exclusivity between manufacturers and liquor delivery services to ensure that a variety of types of liquor is available to the delivery service's customers.



**Liquor Control Act [Section 3(1)b, e, f, g and 3(2)a]**

Effective July 3, 2001, the AGCO assumed responsibility from the LCBO for the following:

- To control the delivery of liquor to the public;
- To authorize manufacturers of beer and spirits and wineries that manufacture Ontario wine to sell their spirits, beer or Ontario wine in stores owned and operated by the manufacturer or winery and to authorize The Beer Store to operate stores for the sale of beer to the public;
- To control and supervise the marketing methods and procedures in stores owned and operated by manufacturers and wineries;
- To determine, subject to the LLA, the municipalities within which stores owned and operated by manufacturers and wineries referred to in bullet 2 shall be established or authorized and the location of such stores in municipalities;
- To establish conditions, subject to any regulation, with respect to authorizations for stores owned and operated by manufacturers and wineries referred to in bullet 2; and
- To establish conditions, subject to any regulations, with respect to authorizations granted with respect to the delivery of liquor to the public.

**Wine Content and Labelling Act, 2000**

The *Wine Content and Labelling Act, 2000* specifies that an Ontario winery may manufacture and sell wine in the province using imported grape or grape products. If an Ontario winery uses imported grapes or grape products in manufacturing its wine, the content of each bottle of wine manufactured by the winery must be no less than 25% Ontario grapes or grape product and the winery must use an average of 40% Ontario grapes or grape product in manufacturing all such wine.

# APPENDIX II

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58 Legal Framework – Gaming



## Legal Framework – Gaming

### ***Criminal Code (Canada)***

The *Criminal Code* (Canada) (the Code) establishes what types of gaming activities are legal, and the provinces are assigned responsibility for operating, licensing and regulating legal forms of gaming.

Part VII of the Code prohibits gaming in general, while Section 207 (1) allows for a number of exceptions to the general prohibition. Specifically, it permits “lottery schemes” provided that they are:

- “Conducted and managed” by the province in accordance with any law enacted by that province;
- “Conducted and managed” by a licensed charitable or religious organization provided that the proceeds of the lottery scheme are used for a charitable or religious purpose; and
- “Conducted and managed” by a licensed board of a fair or exhibition or by an operator of a concession leased by that board.

“Lottery schemes” are defined under the Code but do not include: three-card monte, punch board or coin table; book-making, pool selling or the making or recording of bets; and games operated through a computer, video device or slot machine, unless the lottery scheme is managed and conducted by the province (Sec. 207(4)).

Only the government of a province can operate lottery schemes on or through a slot machine, video device or computer or use dice.

### ***Gaming Control Act, 1992***

The *Gaming Control Act, 1992* (GCA) provides for the regulation of gaming operations, suppliers and gaming assistants/employees of casinos, slot machine facilities, charitable gaming events, and registration of OLG lottery retailers, lottery retailer managers, and lottery suppliers.

#### *Changes under the Gaming Control Act, 1992*

Effective June 1, 2012, statutory and regulatory amendments under the GCA came into force, including a new regulation, O. Reg 78/12, that covers all the gaming sectors under the AGCO’s responsibility (i.e. charitable gaming; casinos, slot machine facilities and lotteries conducted and managed by

the OLG, as well as the new internet and electronic charitable gaming products that are being developed by OLG).

The amendments support the Ontario government’s initiative to modernize gaming and enhance flexibility for gaming operations in the province. The new regulation is expected to benefit Ontario’s gaming industry and the broader public interest in several ways.

- **More consistency and efficiencies between gaming sectors** – The previous regulatory framework was developed in stages over the last two decades, with regulations added as each new form of gaming entered the Ontario marketplace. This resulted in inconsistencies across gaming sectors, additional costs to business and unnecessary red tape. The amendments will eliminate these “silos” between the previous regulations, thus developing more consistency and efficiencies across gaming sectors and reducing costs for gaming employees, businesses and government.
- **Streamlining of registration classes** – Gaming registrations are no longer classified separately by sector. This change means that individuals and businesses are able to supply goods and services across all sectors without having to obtain multiple registrations. For example, a single registration as a “gaming-related supplier” allows a business to supply goods and services to casinos and slot machine facilities, bingo halls and to the OLG lottery sector. Under the previous framework, a separate registration was required to supply each type of gaming activity.

The previous 24 classes of gaming registration have been streamlined into 7 main types:

- Operators of gaming sites;
- Gaming-related suppliers;
- Non-gaming-related suppliers;
- Gaming assistants with supervisory/decision-making responsibility (Category 1 assistants);
- Gaming assistants with operational responsibility (Category 2 assistants);
- Sellers of lottery and break open tickets; and
- Trade unions.

A single streamlined registration framework will simplify the processing of applications and reduce red tape for those looking to be employed in or provide goods or services to the gaming industry.

- **Increased threshold for supplier exemptions** - The regulatory changes have increased the monetary exemption threshold for non-gaming-related suppliers. By definition, these suppliers are not involved in any significant manner in the operation of a gaming site. For instance, they might provide a gaming site with non-gaming-related goods and services such as furniture or flowers.

Under the new regulation, a business may be eligible for an exemption from registration as a “non-gaming-related supplier” if the value of the goods or services it is supplying to OLG and/or other gaming operators in the province in a 12 month period will be less than \$750,000, and OLG has carried out a due diligence investigation of the business that is satisfactory to the Registrar of Alcohol and Gaming (the Registrar).

By increasing the scope and monetary threshold of such exemptions, the new regulation provides the OLG and other gaming operators with greater flexibility and latitude to transact with low risk suppliers, thereby saving government money and enhancing overall business competitiveness and opportunities in the province. At the same time, exempt suppliers are still required to comply with any standards and requirements established by the Registrar, and the Registrar can still take administrative action against them in cases of noncompliance.

- **More effective regulation of new lines of gaming business and oversight of responsible gambling** - The new framework was developed to accommodate new forms of gaming in Ontario not contemplated by the previous regulations, such as internet gaming and OLG’s partnership with the charitable gaming sector at bingo centres.

In addition, amendments to the GCA allow the Registrar to set standards and assume a broad-based oversight responsibility in the area of responsible gambling. As

the regulator of gaming, the AGCO’s goal is to ensure that gaming is provided in Ontario in ways that seek to minimize potential harm and that supports a safe and responsible gaming environment.

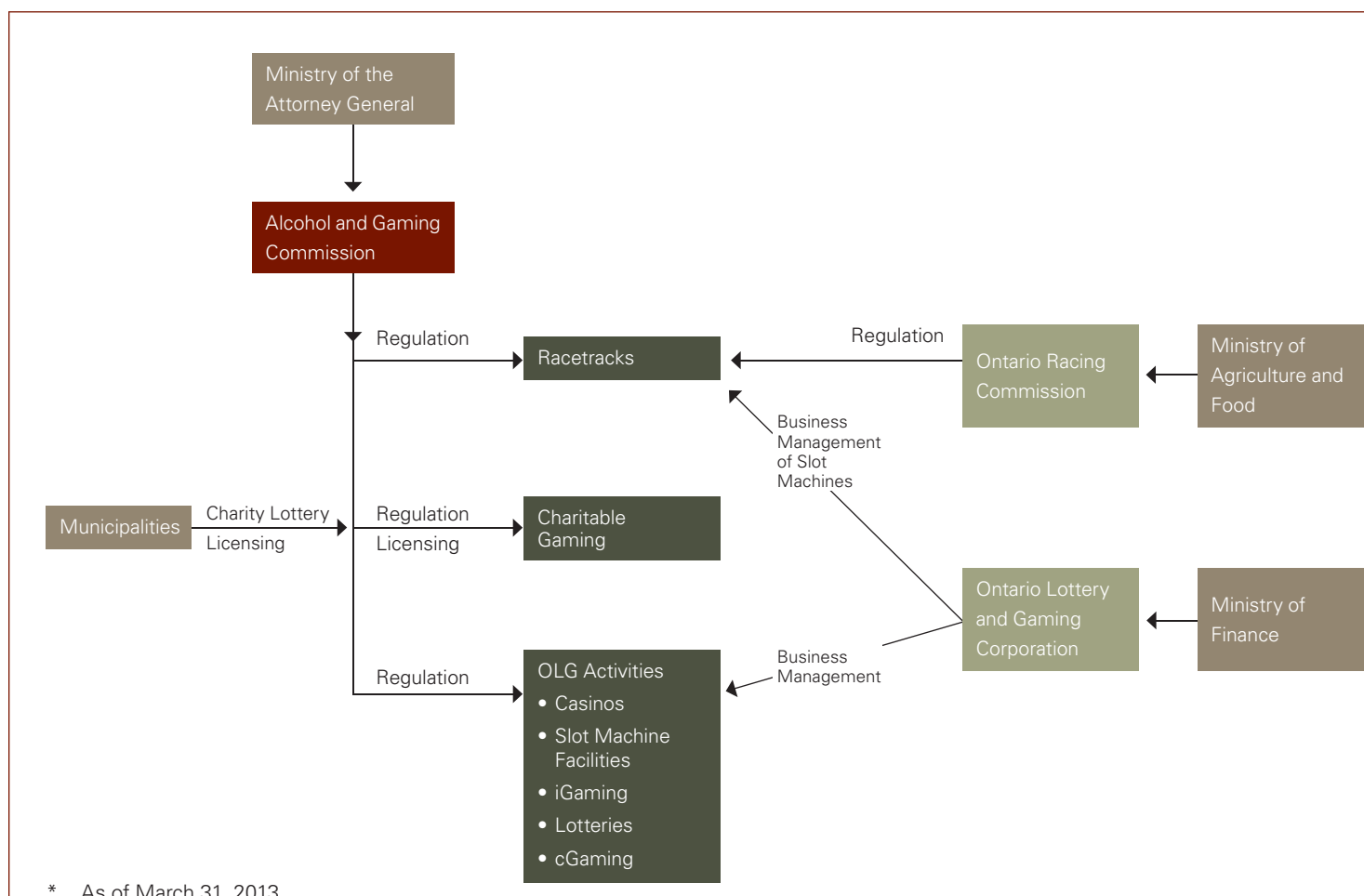
- **Standards-based approach to gaming regulation** – The statutory and regulatory amendments permit the introduction of a more risk-based approach to regulation of Ontario’s gaming sector. Specifically, the changes provide the Registrar with authority to put in place risk-based standards to address various key areas of regulatory concern such as surveillance, security, access to gaming sites, protection of players and responsible gambling. These standards replace the prescriptive, rules-based approach taken in the previous regulations. The objective is to allow for a more flexible regulatory system that is more responsive to market conditions and can be better tailored to changes in the gaming industry, while at the same time ensuring that the integrity of gaming is preserved. This provides operational flexibility to OLG, casino operators and many thousands of charities raising funds through charitable gaming activities.

#### **New Schedule of Monetary Penalties (Gaming)**

Effective January 16, 2013, a new schedule of monetary penalties was established by the Board of the AGCO and approved by the Attorney General of Ontario.

The new schedule was developed to reflect and align with statutory and regulatory amendments made to the GCA in June 2012. Since the previous schedule of monetary penalties was based on regulations which have been revoked, a new schedule was required.

The new schedule establishes penalties for infractions of both the GCA and Regulation 78/12. The penalty ranges are intended to be meaningful and appropriate for the different classes of registrants (operators of gaming sites, sellers of lottery products, gaming assistants, etc.). Maximum penalties have been established to provide the AGCO with sufficient flexibility to deal with those exceptional cases where very serious and/or repeated infractions may occur. The amounts listed in the new schedule are maximums only, and most penalties will actually fall lower in the potential range, based on individual circumstances.

**FIGURE 3 – ONTARIO GAMING RELATIONSHIPS\*****Order-in-Council 1413/08**

Order-in-Council 1413/08 (OIC) clarifies the rules and responsibilities of the AGCO and municipalities in lottery licensing. Additional changes were made to take into account the new bingo revenue model. The OIC provides that charitable organizations may be licensed to conduct and manage lottery events by either the Registrar appointed under the *Gaming Control Act, 1992* (the Registrar) or, depending on the type of charitable gaming event and the value of prizes to be awarded, by a municipal council. The OIC outlines terms and conditions that apply to lottery licences. The OIC also provides that the Registrar may attach additional terms and conditions to any licences he or she issues, and that municipal councils may attach terms and conditions to licences they issue provided they do not conflict with those of the Registrar. A number of First Nations have been designated by the OIC to issue lottery licences for charitable organizations.

In order to qualify for a lottery licence, an organization must have a “charitable object or purpose”. Charitable object or purpose is defined at common law and under the OIC as any object or purpose relating to:

- The relief of poverty;
- The advancement of education;
- The advancement of religion; or
- Any other purpose beneficial to the community.

**First Nations Lottery Licensing**

In 1998, the government approved a First Nations lottery licensing framework, which delegates authority comparable to that of municipalities to individual First Nations. An Order-in-Council (OIC) is issued to each participating First Nation. The OIC provides First Nations with authority to issue licences to religious and charitable organizations to conduct lottery schemes.