Summary Status Table in Response to the Report of the Auditor General of Ontario

Value-for-Money Audit: Alcohol and Gaming Commission of Ontario
2020 Annual Report of the Auditor General, issued December 7, 2020
Ministry of the Attorney General

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
Recommendation 2: In order to fully disclose the taxpayer's support of the horse-racing sector, we recommend that the Ministry of the Attorney General (MAG) record the unrecovered costs from regulating the horseracing sector as a subsidy in the Alcohol and Gaming Commission of Ontario's (AGCO) future audited financial statements.		The Ministry and AGCO have established a plan, and work is currently underway, to produce a financial statement (i.e. Statement of Operations) for the year ending March 31, 2021. Consideration of how best to disclose unrecovered costs from regulating the horseracing sector in AGCO's future financial statements continues.

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Recommendation 5: In order for the Alcohol and Gaming Commission of Ontario (AGCO) to be transparent and accountable, we recommend that the Ministry of the Attorney General: • in accordance with the Agency and Appointments Directive, require the AGCO to produce audited financial statements to be audited by the Office of the Auditor General of Ontario for inclusion in the AGCO's annual report for the year ending March 31, 2021; and • revisit the Alcohol, Cannabis and Gaming Regulation and Public Protection Act, 1996 (ACGRPPA) to incorporate the requirement for audited financial statements and for those financial statements to be audited by the Office of the Auditor General of Ontario.	A working group consisting of representatives from MAG, AGCO and the Office of the Provincial Controller's Division (OPCD) has been formed to address OAGO's financial statement requirements. AGCO received the Engagement Letter from the Office of the Auditor General for Ontario (OAGO) in Jan. 2021, to audit the financial statement (i.e., Statement of Operations) of AGCO for the years ending March 31, 2021 and March 31, 2020. While there is not an opportunity to amend the ACGRPPA to incorporate the requirement for audited financial statements at this time, the Ministry notes this requirement is outlined in the AAD, and will also be reflected in an updated MOU between the AGCO and the Ministry.	The Ministry and AGCO have established a plan to produce the requested financial statement (i.e. Statement of Operations) for the year ending March 31, 2021. The Ministry, AGCO and OPCD are working on an IT solution that will enable AGCO to produce full financial statements beginning in 2021-22 fiscal year. The AGCO and Ministry will work towards updating and executing the MOU between the two organizations, which will reflect the requirement for the AGCO to produce audited financial statements. Updates are expected to be finalized in Fall 2021 to align with the timing of the expansion of AGCO's mandate of regulating Ontario's online gaming market.

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<table>
<tr><th>Auditor's Recommendation</th><th>Completed undertaking</th><th>Outstanding undertaking (including timeline)</th></tr>
<tr><td>Recommendation 7:
In order to address the increase in the number and value of suspicious transactions in Ontario casinos that could be attributed to the presence of money laundering, we recommend that the Ministry of the Attorney General and the Ministry of Finance:
• prepare and present a detailed action plan to Treasury Board/Management Board of Cabinet on the steps to be taken to reduce the high risk of money laundering being conducted in Ontario casinos; and
• report regularly to Treasury Board/Management Board of Cabinet on the actions taken with respect to the plan.</td><td></td><td>Given the ongoing closures of Ontario casinos due to the COVID 19 pandemic, MAG and MOF are continuing to review the effectiveness of the measures currently in place to limit money laundering in Ontario Casinos, as well as ongoing and planned work in this area.

As noted in AGCO's responses to recommendations 6.2 and 6.3, the AGCO is undertaking several activities with respect to reducing the high risk of money laundering being conducted in Ontario casinos. For example:

The AGCO Anti-Money Laundering Director position was staffed in Q4 2020/2021.
AGCO plans to:
1. Hire additional resource to coordinate AML program development and oversight (Target: Q2 2021/2022)
2. Review and update casino risk assessments specific to AML considerations and compliance performance (Target: Q3 2021/2022)
3. Develop strategy to allocate appropriate resources to high-risk casinos (Target: Q4 2021/2022)
4. Implement strategy for high-risk casinos (Target: Q1 2022/2023 (dependent on pandemic))

In addition, the AGCO is directly engaging the OLG, FINTRACT and land-based operators with respect to the application of the draft AML Standards to land-based casinos. The AGCO plans to:
1. Consult with stakeholders on revisions to the AML Standards. (Target: Q1 2021-2022)
2. Revised AML Standards come into force (Target: Q3 2021/2022)
3. Begin preliminary assessments of operators' compliance with revised AML Standards (Target: Q1 2022/2023 (dependent on pandemic))

The Ministries continue working towards preparing and presenting a detailed action plan to Treasury Board/ Management Board of Cabinet on the steps they will take to reduce the risk of money laundering in Ontario casinos, and will report quarterly to TB/MBC on the actions taken when it is appropriate to do so, as the impacts of the pandemic continue to affect Ontario casino operations, which may affect timelines and any overall work in this area.</td></tr>
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Recommendation 9: To maintain the Alcohol and Gaming Commission's independent regulatory oversight and avoid any conflicts that could occur if it were to conduct and manage the new iGaming model through a subsidiary, we recommend that the Ministry of the Attorney General and the Ministry of Finance consider using a separate government organization to conduct and manage the online gaming model.	As noted in the Ministry's response to the Auditor General in December 2020, proposed amendments to the Alcohol, Cannabis and Gaming Regulation and Public Protection Act, 1996 and amendments to its successor legislation, the Alcohol and Gaming Commission of Ontario Act, 2019 were introduced on November 5, 2020, and require that the subsidiary have its own board of Directors. The AGCO Board is prohibited from delegating any powers and duties relating to oversight of the iGaming subsidiary to the Registrar/CEO, whose independence will remain unchanged. Regulations under the AGRPPA and AGCOA are currently being drafted, which will include provisions to address conflict of interest for the subsidiary. In addition, as part of the existing iGaming project, AGCO's Executive has approved a set of high-level principles for identifying and managing potential Conflicts of Interest for staff who may provide shared services to the new iGaming subsidiary or may be seconded for a defined period of time to the new iGaming subsidiary from the AGCO.	Draft regulations are currently being developed which will include provisions to address any potential conflict of interest concerns for the AGCO subsidiary. For example, regulations are being contemplated in the following areas: - Prescribed limitations to the subsidiary's natural person powers - Limits on cross-appointments from the AGCO Board to the subsidiary's board - Eligibility restrictions on subsidiary board membership - Approval of subsidiary established by-laws relating to investing or managing financial risks by Minister of Finance. - Conflict of interest provisions for subsidiary board members and staff Draft regulations will be posted for public comment on Ontario's Regulatory Registry in advance of going forward to Legislation and Regulation Committee on June 1, 2021. In addition, as part of the existing iGaming project, the high-level Conflict of Interest program framework is being developed and will be implemented across the AGCO ahead of the incorporation of the new iGaming subsidiary. The program will provide tools to: • Identify and document a potential conflict of interest, whether perceived or real; • Provide guidance and tools for mitigating conflicts; • Identify an escalation process for unclear situations. Target: Q3 2021/2022.

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AGCO Value for Money Audit
Standing Committee on Public Accounts – Status Update (April 2021)

The Office of the Auditor General of Ontario (OAGO) released its Value for Money (VFM) Audit of the Alcohol and Gaming Commission of Ontario (AGCO) as part of its December 7, 2020 Annual Report. The OAGO's VFM Audit Report contained 26 recommendations and proposed 62 action items, along with management responses from the AGCO and the Ministry of the Attorney General.

Following the release of the final report in December 2020, the AGCO established a VFM Audit Action Plan Project Team led by two C-Suite Executive Leads with the objective to coordinate, plan, and oversee implementation of a plan to address the OAGO recommendations over the course of the next two years. The Project Team meets monthly at a minimum or as otherwise required and reports to the C-Suite on a quarterly basis and to the AGCO Board of Directors' Finance, Audit and Risk Management Committee on the implementation of the audit action plan.

The AGCO is committed to its action plan, which is derived from the Auditor General's report and aligns with the AGCO's management responses. Status updates outlining the completed and outstanding undertakings for each recommendation are provided below.

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Recommendation 1 In order to become a self-sufficient regulatory agency, we recommend that the Alcohol and Gaming Commission of Ontario: 1.1 Set fees to fully recover the costs of regulating the alcohol and cannabis sectors, similar to the gaming sector; and 1.2 Set differential licensing fees depending on the location and/or purchase volumes of licensed establishments.		1.1 and 1.2 The AGCO will initiate a strategic fee review of the alcohol and cannabis sectors in Q3 2021/2022, with an expected completion date of Q4 2022/2023. The strategic fee review will propose fee levels that could recover the costs of regulating the alcohol and cannabis sectors. An analysis of the setting of differential licensing fees depending on the location and/or purchase volumes of licensed establishments will be included as well. AGCO fees require Minister and Treasury Board approval (this includes an accompanying Eurig analysis for any new fees that are set). The COVID-19 pandemic continues to cause significant economic harm to many of the sectors regulated by the AGCO, in particular the bar and restaurant sector. The AGCO's strategic fee review will look to balance the Auditor General's recommendation regarding regulatory fees with the economic realities facing Ontario businesses.

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Recommendation 3 To ensure information in the annual report is accurate and reliable, we recommend that the AGCO: 3.1 Create a data catalogue that identifies all of the data and data definitions; 3.2 Require information contained in the annual report to be signed off by senior management as evidence of their review; and 3.3 Maintain records and other supports to the annual report for at least seven years	**Complete: 3.1 Data Catalogue** A data catalogue has been created to maintain consistency and transparency of the AGCO's Annual Report. The process has been defined and will be used to support the 2020/2021 Annual Report process. (Q4, 2020/2021) **Complete: 3.3 Annual Report Records Management** (**AGCO Note:** This has commenced with the 2020/2021 Annual Report and will be done on a 7-year rolling basis moving forward) Records and supporting documentation used in the creation of the 2020/2021 Annual Reports will be maintained and stored on a shared drive maintained by the AGCO's Board Relations Unit within the Corporate Affairs and Strategic Policy Division for at least seven years.	Work is underway to support formal sign-off for the 2020/2021 AGCO Annual report which will be completed in Q1 2021/22 consistent with the Agency Accountability Directive timelines. **3.2 Annual Report Governance (Sign off)** Documentation of formal sign-off of Senior Management's review and approval will be implemented as part of the process to support the 2020/2021 Annual Report process. Target Q1 2021-22 .

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Recommendation 4 In order to effectively monitor and ensure intended regulatory outcomes are achieved, we recommend that the Alcohol and Gaming Commission of Ontario: 4.1 Develop meaningful performance indicators that focus on its effectiveness as a regulator; and 4.2 Set reasonable targets, compare against actual results and report the results publicly.		4.1 The existing performance measures library will be reviewed, in collaboration with representatives from relevant business units, with an initial focus on setting targets for measures that currently do not have one. Existing targets will also be reviewed and adjusted when required. Target completion: Q3 2021/2022 4.2 The AGCO will soon initiate work to develop of a series of performance measures that focus on additional areas of regulatory effectiveness. This project will include engagement with the Annual Report team to include these new measures, and targets for existing measures in the next report. Target completion: Q4 2021/2022

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Recommendation 6 In order to reduce the high risk of money laundering being conducted in Ontario casinos, we recommend that the Alcohol and Gaming Commission of Ontario (AGCO): 6.1 Require all casinos to provide it with all reports sent to the Financial Transactions and Reports Analysis Centre of Canada; 6.2 Allocate compliance resources, including the Ontario Provincial Police (OPP), to casinos assessed to be at high risk for money laundering;	6.1 Work completed – this recommendation will not be iimplemented due to the reasons outlined below. Suspicious Transaction Reports (STRs) are already lawfully provided to the OPP under the authority of the Criminal Code and Registrar's Standards. Beyond STRs, there are federal legislative restrictions on the AGCO's ability to receive prescribed Financial Transactions and Reports Analysis Centre of Canada;(FINTRAC) reports. Specifically, the authority for casinos to collect and report such information falls under the federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). FINTRAC has previously cautioned other organizations on collecting information mandated by the PCMLTFA and has recently issued policy guidance on the disclosure of reports, including the following: "*From FINTRAC's perspective, it is not in the public interest for [reporting entities] to disclose financial transaction reports and the information contained therein. Even beyond this, the collection or disclosure of financial transaction reports … without a valid purpose and authority, may infringe on legislated privacy protection obligations*."	Planning is in progress with a targeted completion in Q1 2022/2023. 6.2 – Partially Complete The AGCO created and filled a new Director of Anti-Money Laundering position in Q4 2020/2021, housed with the Operations Division. This position will play a central role in developing a go-forward plan to ensure compliance resources are appropriately allocated to casinos to assess AML risk. Next steps include: 1. Hire additional non-management resource to coordinate AML program development and oversight. Target: Q2 2021/2022 2. Review and update casino risk assessments specific to AML considerations and compliance performance. This assessment will provide an updated ranking of the highest risk gaming sites from an AML standpoint to guide the deployment of compliance and OPP resources. Target: Q3 2021/2022 3. Develop strategy to allocate appropriate resources to high-risk casinos, identified through the risk assessment process above.Target: Q4 2021/2022 4. Implement strategy for high-risk casinos. Target: Q1 2022/2023 (dependent on pandemic)

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
	(FINTRAC Policy Interpretation# PI-10662, July 15, 2020)	

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
6.3 Exclude from casinos individuals who come with a large amount of cash and are not able to prove the source of their funds;		6.3 – Partially Complete Revisions to the Registrar's Standards were developed in Q4 2020- 21 that specifically include source of funds and exclusion requirements. The proposed changes were included in recently-released draft Registrar's Standards for iGaming. In addition, the AGCO is directly engaging the OLG, FINTRAC and land-based operators with respect to the application of the draft AML Standards to land-based casinos. Next steps include: 1. Consult with stakeholders on revisions to the AML Standards. Target: Q1 2021-2022 2. Revised AML Standards come into force. Target: Q3 2021/2022 3. Begin preliminary assessments of operators' compliance with revised AML Standards Target: Q1 2022/2023 (dependent on pandemic)
6.4 Require the OPP to use all available tools to gather evidence on the sources of funds for patrons identified with suspicious transactions, including conducting source-of-funds interviews and updating the new data analytics system that the AGCO acquired to help determine patrons' risk ratings with all relevant data from all casinos		6.4 - Partially Complete OPP's Investigation and Enforcement Bureau (IEB) at the AGCO is reviewing their approach to this recommendation to establish the following: Develop an intake and review process between OPP and AGCO Legal to determine submissions for Direction to Exclude (DTE's) foridentified high risk patrons in

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
		relation to sources of funds for patrons identified with suspicious transactions. Target: Q1 2021/2022 Create analytic capabilities, to complete a risk analysis on individuals, transactions, and sources of funds to establish thresholds that will identify low, medium or high-risk individuals. Q2 2021/2022 Implement enhanced IEB AML Investigative strategies to include source-of-funds interviews for patrons identified with suspicious transactions. Q3 2021/2022 (dependent on pandemic) Create analytic capabilities to provide predictive analytics to enable investigators to engage individuals for source of funds interview to disrupt or deter the unwanted activities, and /or initiate a criminal investigation. Q4 2021/2022 (dependent on pandemic)

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6.5 Amend the Registrar's Gaming Standards to require gaming operators to verify the source of funds for patrons who bring into casinos large amount of cash; and		6.5 Partially Complete Revisions to the Registrar's Standards were drafted in Q4 2020- 21 that include source of funds and exclusion requirements. The proposed changes were included in recently released draft Registrar's Standards for iGaming. In addition, the AGCO is directly engaging the OLG, FINTRAC and land-based operators with respect to the application of the draft AML Standards to land-based casinos. Next steps include: 1. Consult with stakeholders on revisions to the AML Standards. Target: Q1 2021/2022 2. Revised AML Standards come into force. Target: Q3 2021/2022 3. Begin preliminary assessments of operators' compliance with revised AML Standards. Target: Q1 2022/2023 (dependent on pandemic)
6.6 Expedite the development and use of the data analytics system, including populating the database with accurate and complete information.		6.6 Partially Complete The intake and underlying analytical processes for STR data was significantly improved in Q3 2020/2021, which included

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
		• Moving from PDF to CSV files to allow for more accurate retrieval of data. • Enhancing analytical and query functionality. • Parsing the free text section of STRs to identify related parties that may not have been identified in other reporting fields. Next steps include: 1. Determine AML data analytics requirements and desired outcomes. Target: Q3 2021/2022 2. Update the AGCO's Memorandum of Understanding with FINTRAC to better reflect emerging risks and improve information sharing and analysis, without duplicating OLG's data collection and/or FINTRAC's data collection. Target: Q4 2021/2022

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Recommendation 8 In order to create greater awareness of risks of unregulated online gaming, we recommend that the Alcohol and Gaming Commission of Ontario (AGCO), along with the Ministry of the Attorney General: 8.1 list the risks of unregulated gaming on its website and provide a link to AGCO gaming standards and the PlayOLG website; and 8.2 work with credit card companies and financial institutions to block transactions with internet gaming sites not regulated by Ontario.	An iGaming promotional awareness vendor was secured March 8, 2021, which will assist with this work.	Website content and federal engagement is scheduled for Q3 2021/2022, as part of the communication and engagement approach when implementing the competitive iGaming market. 8.1 As part of the AGCO's development of its Regulatory Program for the pending opening of the competitive iGaming market, it will develop specific strategies to address the risks of unregulated online gaming. Strategy development will include specific consideration of the feasibility of the Auditor General's recommendation for payment blocking. Target: Q1: 2022/2023.

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Recommendation 10 In order to ensure that only approved software is operating on electronic gaming machines, we recommend that the Alcohol and Gaming Commission of Ontario: 10.1 Require all casinos to implement the new gaming system that allows for remote monitoring; 10.2 Require compliance officials to follow up and inspect electronic gaming machines that are identified as being offline while being on the gaming floor; 10.3 Periodically test the gaming management system for data security, reliability of connectivity and accurate reporting of machine details; and 10.4 Perform unannounced inspections based on risk (such as number of repairs and complaints, self-reporting frequency) in addition to self-reported notifications.		10.1 Planning is in progress to develop a compliance plan to ensure that remaining gaming sites implement Bally.x for remote monitoring with a target completion by January 31, 2022. For casino properties that have not transitioned to the new Gaming Management System (GMS), the AGCO is developing a compliance strategy that ensures GMS compliance with the Registrar's Standards for Gaming and Technical Standards. Target completion by May 31, 2021. 10.2 Develop and approve an "Offline Electronic Gaming Machine on the Gaming Floor" Compliance Strategy, with a target completion by November 30, 2021. 10.3 Develop and approve a Gaming Management System (GMS) Security Compliance Strategy with a target completion by November 30, 2021. The strategy will address risks associated with data security, reliability of connectivity and accurate reporting of machine details. 10.4 Develop and approve an Electronic Gaming Management (EGM) Baseline Compliance Approach which will include when inspections or other compliance assurance activities will be performed to monitor for unapproved software with a target completion date by November 20, 2021. Implementation activities to include:

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
		1. Monitor implementation through periodic reviews 2. Close out of project by January 31, 2022.

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Recommendation 11 In order to help ensure that each electronic gaming machine is paying out the approved 85% rate, we recommend that the Alcohol and Gaming Commission of Ontario directly and consistently monitor the actual payout amounts of electronic gaming machines in gaming establishments and take immediate corrective action where necessary.		The AGCO will develop and implement a framework for operators to monitor and report on the actual payout amounts of electronic gaming machines that are not paying out in accordance with standards, and define the AGCO approach to collect the source raw data to review and validate the reports and determine any compliance issues Planning is in progress with an estimated completion in December 2021. Work milestones and deliverables include: 1. Finalize project schedule and project plan based on internal stakeholder input by March 31, 2021. The plan will include the items listed below to address the recommendation. 2. Finalize plan and agreement to gather raw data about slot machine payouts from OLG. This measure will provide improved and ongoing access to the raw data necessary to ensure approved payoute rates are achieved. Target completion by April 30, 2021 3. Begin collecting periodic raw data for slot machine payouts from OLG to enable payout rate analysis. Target completion by May 31, 2021 4. Complete update to AGCO existing math tools to support payout analysis. Target Completion by May 31, 2021 5. Finalize reporting framework for having Operators

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
		share the reports of their own payout analysis with the AGCO, including considering both internal and external stakeholders. Target completion by July 31, 2021 6. Receive first batch of periodic payout analysis reports from Operators. Target completion by October 15, 2021 7. Complete analysis of reports received and prepare report on that analysis identifying which electronic gaming machines are and are not paying out as expected. Target completion by November 15, 2021 8. Perform any necessary actions based on analysis of reports and data which includes but is not limited to stakeholder education, compliance enforcement tools, reporting framework updates, AGCO-tool updates, adjust activities / focus based on risk-areas identified to ensure appropriate level of attention based on risks identified. Target completion by December 15, 2021 9. Evaluate the process implemented, considering risks and corresponding efficient and effective use of resources to make any appropriate changes. Implement appropriate changes to the process, including potentially utilizing alternative methods to achieve the desired results. Target completion by December 31, 2021

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
		Repeat steps 6-9 going forward on a recurring periodic basis. Quarterly initially, which will be revisited.

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
Recommendation 12 In order to minimize the risk of cannabis being sold to minors, we recommend that the Alcohol and Gaming Commission of Ontario: 12.1 Use a competitive procurement process to acquire the services of mystery shoppers for retail cannabis stores, licensed liquor establishments and grocery stores authorized to sell alcohol, or acquire these services jointly with the Liquor Control Board of Ontario; 12.2 Specify in the contract for mystery shopper services what procedures they should perform—which should include checking customer ID at time of entering the store and at time of purchase, observing whether products have a Health Canada seal and whether more than the legal amount a person can have in their possession at one time (30 grams) was sold—and clearly outline the requirement to document all key observations; and 12.3 Increase the use of regularly scheduled mystery shopper visits, focusing on stores located close to middle schools and high schools.		The AGCO has initiated a formal review of its Mystery Shopper services with a targeted completion in Q1 2023/2024. Next steps for implementation of Recommendation 12 include: 1. Completion and revision of AGCO approach to using Mystery Shop (MYS) to include the increased use of this activity in stores close to schools, within 200m. Targeted completion in Q2 2022/2023. 2. Completion of vendor procurement with expanded scope. Budget requirements for expanded scopes and lines of business. Targeted completion in Q3 2022/2023. 3. Integration of the mystery shop program with lottery line of business. Targeted completion in Q2 2022/2023. 4. Integration of the mystery shop program with applicable segments of gaming and liquor lines of business. Consider the suitability and use of this program in the Horse Racing lines of business. Targeted completion in Q2 2022/2023. 5. Implementation of schedule mystery shop inspections in iAGCO for the cannabis line of business. Targeted completion in Q3 2022/2023.

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
		6. Discussions with LCBO to explore feasibility of partnering/contract collaboration for mystery shop services. Initial meeting on February 19, 2021. Continued meetings in Q3 2021/2022 – Q1 2022/2023 7. Discussions with OLG regarding the Mystery Shop (MYS) program regarding Integrity shops and consolidated procurement review of the existing program with a lens to expand its scope and investigate the feasibility of partnering/ contract collaboration for mystery shop services. Targeted completion by Q3 2022/2023. 8. AGCO Mystery Shop Program, commencement of new vendor contract. Targeted completion in Q1 2023/2024.

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Recommendation 13 In order to perform the required and necessary oversight of the movement of legal cannabis, we recommend that the Alcohol and Gaming Commission of Ontario (AGCO): 13.1 Regularly review reconciliations of all retail cannabis store inventory purchases to sales transactions and inventory on hand; 13.2 Reconcile retail store purchases of cannabis with records from the Ontario Cannabis Store; 13.3 Review surveillance evidence to verify that reports of cannabis being destroyed are reasonable; 13.4 Conduct unannounced periodic inventory counts at retail stores; and 13.5 Develop a standardized checklist covering risk areas to be used by AGCO compliance officials when conducting insections of retail stores.		Planning is in progress to enhance compliance assurance activities in relation to cannabis retail stores with a targeted completion in Q1 2022/2023. Next steps for implementation of Recommendation 13 include: 1. Develop framework to better monitor the movement of legal cannabis and conduct risk-based inventory counts of cannabis in retail stores. While the framework remains under development, key activities to address the recommendations will include: (I) establishing a risk-based methodology for regular reconciliation of retail cannabis store inventory purchases, sales and inventory on hand, and records from the Ontario Cannabis Store (II) based on data analysis identify target stores for inventory inspections and audits, (III) store inspections which include confirmation of cannabis destruction through review of surveillance records. 2. Complete work between the Regulatory Compliance Branch and the Audit and Financial Investigations Branch to finalize framework and approach. Targeted completion by July 26, 2021. 3. Updated and approved Policy and Procedures. Targeted completion by August 31, 2021. 4. Implementation completed. Target completion by September 6, 2021.

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
		5. Training delivered to staff. Targeted completion by September 30, 2021. 6. Monitor, review and improve process. Targeted completion by October 15, 2021. 7. Close Out – Operational Transition. Targeted completion by October 31, 2021.

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Recommendation 14 In order to help ensure that the Alcohol and Gaming Commission of Ontario (AGCO) uses its financial and human resources efficiently, we recommend that it review and assess its internal capacity and the longer-term costs/benefits of conducting eligibility assessments on its own before continuing to procure external consulting services **Recommendation 15** If the Alcohol and Gaming Commission of Ontario (AGCO) determines that there is a need to use external consultants, either to supplement the AGCO's internal work or to take responsibility for conducting eligibility assessments and due diligence reviews, we recommend that the AGCO: 15.1 Use the services of the lowest-priced consulting firm that is successful in the bidding process that has the capacity to do the work; and 15.2 Negotiate rates with other firms to achieve the same pricing, if it is found that more work is required than the lowest-priced consulting firm has the capacity to perform		Planning is in progress for AG #14, #15 & #26. These recommendations are related, and the AGCO will be reviewing them concurrently with a targeted completion in Q4 2022/2023. 14 Conduct a comprehensive "who does what" review of current eligibility assessment responsibilities for each line of business (Liquor, Gaming, Horse Racing and Cannabis), with a particular focus on assessing the appropriate and most cost-effective balance between internal and third-party capabilities. Target: Q2 2021/22. Upon completion of review, deliver specific recommendations on opportunities to re-balance relative use of internal and external capabilities in order to achieve effectiveness and value-for-money goals. Target: Q3 2021/2022. 15.1 Review, revise and implement clear protocols for ensuring lowest-priced consulting firm is used whenever possible to complete eligibility assessment work. Target Q2 2021/2022. 15.2 Conduct internal review of existing agreements to determine feasibility of negotiating lower rates within existing agreement in circumstances identified by Auditor General. Target Q2 2021/2022.

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Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
Recommendation 16 In order to help ensure that decisions on new and renewal applications for liquor establishments are consistent and reasonable, we recommend that the Alcohol and Gaming Commission of Ontario: 16.1 Complete a risk-based scorecard for all new and renewal applications; 16.2 Complete all standard checks and maintain the supporting documentation in the application file; and 16.3 Add controls that will restrict eligibility officers from reviewing their own work when assessing either new or renewal applications.		Planning is in progress with a targeted completion in Q4 2022/2023. Next steps include: 16.1 Review existing application of risk-based scorecard for new and renewal applications for liquor licensed establishments. Upon completion of review, provide recommendations on opportunities to ensure all new and renewal applications continue to be assessed on the basis of risk criteria. 16.2 Review standard checks policies to ensure ongoing effectiveness of the process and document retention practices. 16.3 Licensing and Registration Branch to develop and implement an updated policy regarding review of Eligibility Officer work to achieve effective balance between quality control and value for money objectives and also achieves segregation of duties

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Recommendation 17 In order to focus inspection efforts on entities identified consistently as high risk, we recommend that the Alcohol and Gaming Commission of Ontario: 17.1 Maintain an accurate and up-to-date risk-based enforcement list; 17.2 Inspect high-risk licensees at least four times per quarter in accordance with program guidelines; and 17.3 Reassess a licensee's risk level and the need for licensing conditions as violations are committed, rather than waiting until the time of licence renewal.		Planning is in progress with a targeted completion in Q4 2022/2023. A review of the current Risk Based enforcement (RBE) lwio strengthen administrative protocols and improve the focus of regulatory assurance activities. This review will ensure that it maintains an accurate and up-to-date risk-based enforcement list and inspect those licensees on the list at a frequency and in a manner that is consistent with the AGCO's program guidelines and will ensure that a licensee's risk level and licensing conditions continue to be reassessed, as circumstances warrant, so that compliance activities are tailored and appropriate to the licensee's risk profile at the time: Next steps for implementation of Recommendation 17 include: 1. Select a working group to review current RBE program, provide history of RBE, its current value and suggestions for improvement or change in Q2 2021/2022. 2. Present current Data Driven concept/tool to all RCB Managers for comments and feedback in Q2 2021/2022. 3. Present current Data Driven concept/tool to small select focus group of Compliance Officials for comments and feedback. Regional representation

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
		focus group (project ambassadors), one CO from each regional team. Target completion by Q3 2021/2022. 4. Provide information to IT so they can start building the Data Drive tool prototype in Q2 2021/2022. 5. Present Data Driven tool prototype to RCB Managers and focus group for feedback in Q4 2021/2022. 6. Train Compliance Officials in focus group how to use the tool created in Q4 2021/2022. 7. Launch Pilot Data Driven tool with focus group of approximately 50 Compliance Officials. 8. Pilot review and results. 9. Launch new data driven tool to all Compliance Officials province wide. More training to be provided.

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Recommendation 18 In order to accurately measure, use and report on inspection statistics, we recommend that the Alcohol and Gaming Commission of Ontario measure and report on inspection activities separately from Non inspection activities, such as report reviews, education or consultation with licensees.	E.	The AGCO will develop and implement a plan to train and instruct compliance officials to delineate inspection findings and compliance infractions from non-inspection activities such as report reviews, education and consultation activities with licensees. This will enable appropriate tracking and reporting of inspection statistics. Planning is in progress with a target completion in Q1 2022/2023. Next steps include: 1. Review current system processes and identify potential system changes that may be required. Target completion by April 26, 2021. 2. Clear definition of inspection vs education / consultation by May 21, 2021. 3. Coordinate with IT to make change request for system changes if required or change processes to utilize current system to meet requirements. Target completion by August 2, 2021. 4. Review current Policy & Procedures to amend or add curriculum that aligns with system change or process change. Target completion by August 30, 2021. 5. Beta test system change. Target completion by September 30, 2021.

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
		6. Develop training curriculum that supports system or process change. Target completion by October 29, 2021. 7. Schedule training for delivery to staff in December 2021. 8. Deliver training for system or process change. In conjunction with AG recommendation #19. Target completion by January 15, 2022

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Recommendation 19 To improve the consistency and effectiveness of compliance inspections in the alcohol sector, we recommend that the Alcohol and Gaming Commission of Ontario communicate guidance to compliance officials on assessing violations during inspections and on documenting the assessments in the inspection report.		Planning is ongoing with a target completion by Q1 2022/2023. The AGCO has established an internal group consisting of subject matter experts including experienced Compliance Officials, Managers and trainers to effectively address this recommendation – working group established on March 15, 2021. The working group will be tasked with enhancing the training materials and Policies and Procedures that guide the Compliance Officials assessment and documentation of violations. Next steps include: 1. Review current system processes in anticipation that a system change will be required. Target completion by April 26, 2021. 2. Coordinate with IT to make change request for system changes if required or change processes to utilize current system to meet requirements. Target completion by August 2, 2021. 3. Review current Policies & Procedures to amend or add curriculum that aligns with system change or process change by August 30, 2021. 4. Beta test system change if required. Target completion by September 30, 2021.

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
		5. Co-ordinate systems change, or process change to allow for the capability to review inspection reports to ensure Compliance Officials are assessing and documenting violations as expected (see Recommendation 23.3). Target completion by October 15, 2021. 6. Develop training curriculum that supports system or process change. Focusing on improved observation in the identification of the elements of an offence and note/record accurately. (Includes AG Recommendation 25.5). Target completion by October 29, 2021. 7. Schedule training for delivery to staff by December 1, 2021. 8. Deliver training for system or process change. In conjunction with AG recommendation #18 by January 18, 2022. 9. Pilot changes on Feb 1, 2022

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
Recommendation 20 In order to maintain the objectivity and independence of compliance officials, we recommend that the Alcohol and Gaming Commission of Ontario periodically rotate compliance officials across different inspection regions.		Planning is ongoing with a target completion in Q3 2022/2023. Project start-up and team engagement meetings have begun to collaborate on an approach to address the recommendation. The approach will include development of a cost-effective approach to support Compliance Official (CO) objectivity and independence with respect to the licensees and registrants they oversee. This approach is envisioned to include but not be limited to mechanisms such as Compliance Official rotation across licensees and registrants, manager oversight of CO work with attention to objectivity and independence, CO attestation of conflict of interest, public and licensee/registrant complaints. This approach and mechanisms will need to balance key considerations and factors such as cost and travel, and capacity for different assignments. To date completed work includes: Assign research, review and planning duties related to Regulatory Compliance Branch's 3-region pod system, Policies and Procedures, AGCO Policies regarding Complaints and Conflict of Interest, and iAGCO metrics methods. Identify gaps and propose options for further development and inclusion. Completed on February 12, 2021. Next steps include:

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
		1. Assemble review findings from research and assign additional review duties regarding timelines and required approvals for proposed Policy updates, changes to iAGCO, and obtain project management approvals. Target completion by June 4, 2021. 2. Draft project report with agreed findings and obtain approvals for Policy and iAGCO Recommendations. Targeted completion by September 10, 2021. 3. Implement project direction and recommendations. Initiate iAGCO metrics measurements for all processes. Targeted completion by November 26, 2021. 4. Obtain metrics data over 4-month period. Assign review and research duties to team members and identify gaps. Propose recommendations to increase support for directions. Obtain project management approvals. Targeted completion by April 1, 2022. 5. Complete review of metrics data and options. Approvals obtained for final project report by September 2, 2022.

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Recommendation 21 In order to accurately assess the risk of unnecessary use of therapeutics and drugs that negatively impact animal welfare, we recommend that the Alcohol and Gaming Commission of Ontario: 21.1 Update its memorandum of understanding with the Canadian Pari-Mutuel Agency to receive detailed drug test results of all racehorses tested in Ontario, whether results were positive or negative, and whether they were for horses that were competing in a race or out of competition; and use these test results to better focus its out-of competition testing on animal welfare. 21.2 Use these test results to better focus its out-of-competition testing on animal welfare.	1. Completed first Out of Competition Testing (OCT) agreement draft between CPMA and AGCO in response to the recommendation to articulate our Provincial approach to drug control on February 12, 2021. 2. Completed consultations with AGCO Veterinary Services (VS) on March 1, 2021 to review recommendation response and align priorities between departments. Outcome: Discussed ongoing projects and opportunities for development to better understand the use and impact of therapeutic drugs in the industry. Reviewed recommendation response outline and obtained feedback from VS. VS advised that Furosemide negative results should be shared with us since it is a provincial program, will discuss with legal and Canadian Pari-Mutuel Agency (CPMA). 3. Completed consultations with AGCO Legal Services on March 10, 2021 to determine legal requirements of CPMA to share negative results. Outcome: CPMA is under no obligation to provide AGCO with negative results.	Work is underway with a targeted completion by May 31, 2021. To address the recommendation the AGCO will work to formalize an Out of Competition Testing (OCT) agreement between the two organizations, so that the AGCO may be provided with a more comprehensive reporting of drug testing results, including where the results are negative, in order to better focus the agency's out-of-competition testing program and support the agency's commitment to enhancing animal welfare. Next steps include 1. Meet with Veterinary Services (VS) to review OCT panel for improvements. **Outcome:** VS has requested to take panel back and provide suggestions at future time. Target Completion by April 30, 2021. 2. Meet with the Regulatory Assurance Branch (RAB) to discuss performance metrics to establish KPI's and performance measures related to OCT. **Outcome:** RAB and VS to discuss performance metrics and how to track OCT data going forward. Target completion by April 30, 2021. 3. Continue development of the OCT agreement document to outline all future projects that will contribute to addressing the AG concerns regarding therapeutic medications.

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
	4. Met with CPMA to discuss opportunities to share information on March 19, 2021. **Outcome:** During the meeting, the CPMA tentatively agreed to share the results of its unconfirmed test results on a quarterly basis. These results will give the AGCO an idea of what kind of trends are occurring in Ontario and across the country that are not being called positive tests. There was hesitation by the CPMA about formalizing our engagement through an MOU, as the AGCO already has a letter from the CPMA Executive Director saying they aren't interested in an MOU. However, it does appear that the data the AGCO is looking to obtain can be shared and will be a benefit to our Out-of-Competition-Testing (OCT) program. AGCO also discussed how it could improve the CPMA drug control program by sharing the results of OCT testing and the results of positive test investigations. We anticipate that the required work to address this recommendation will be completed by May 31, 2021.	4. Formalized OCT Agreement completion & approvals/sign-off by May 31, 2021 5. Discussions with CPMA to identify future information sharing and collaboration opportunities will be ongoing.

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Recommendation 22 In order to minimize the familiarity risk between horse-racing officials (judges) and horseracing participants (owners, trainers and jockeys), we recommend that the Alcohol and Gaming Commission of Ontario periodically rotate horse-racing officials across different racetracks	1. Develop a Data Set of Race Official rotations between the racetracks. Completed March 1, 2021. 2. Codify Current Process (scheduling). Completed March 15, 2021. 3. Identify Gaps in Reporting. Completed March 29, 2021.	Planning is ongoing with target completion by July 31, 2021. Next steps include: 1. Confirm Benchmarks or Measures for the scheduling process. Target completion by April 12, 2021. 2. Policy or framework developed. Target completion by May 31, 2021. 3. Policy or framework approved. Target completion by June 30, 2021. 4. Communications to Racing Managers. Target completion by July 15, 2021. 5. Confirm status for the update to the Race Official Scheduler to generate rotation reporting data. Target completion by July 31, 2021 6. Confirm Track Site Program update process. Target completion by July 31, 2021

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Recommendation 23 In order to improve the quality of data within the iAGCO IT system and the usability of the system, we recommended that the Alcohol and Gaming Commission of Ontario: 23.1 Implement input controls to prevent incorrect inspection start or end times being entered; 23.2 Develop requirements for all compliance officials to follow the same format for inputting their inspection time 23.3 Add restrictions in the iAGCO system to ensure the reviewer assigned to an inspection is different from the compliance official. 23.4 Ensure all pertinent data from legacy systems is properly transferred into the iAGCO system; and 23.5 Significantly increase the system's search capabilities beyond 250 records to permit management to run their own reports as needed.		Planning is ongoing with a target completion by December 20, 2021. Identify team capabilities and resources completed by February 22, 2021. Confirm scope of work and key deliverables completed by March 22, 2021. Next steps include: #23.1 and 23.2 1. Stage 1 a. Confirm approach to start and end times entered in iAGCO to accommodate inspections across all lines of business and inspection type. Target completion by May 10, 2021 #23.5 2. Stage 2 a. Consult with the iAGCO Product team about the search capabilities and best practices for search functionalities in the system for users. Target completion by July 5, 2021 #23.3 3. Stage 3 a. Confirm approach to auditing inspection reports. Target completion by September 6, 2021

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
		The AGCO currently has controls in place for all instances where public safety infractions have been identified, Managers must review and approve these reports. It is anticipated that by establishing a robust report audit process, Managers will effectively monitor for report quality and completeness as well as identifying any concerns with respect to the way Compliance Officials are completing their work. #23.4 4. Stage 4 a. Consult with the iAGCO Product team about data migration. Target completion by October 18, 2021 5. Implementation & Wrap Up a. Develop training materials and update policies and procedures. b. Delivery of training to all compliance staff. c. Validate any recommended iAGCO system changes. Target completion by December 20, 2021

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Recommendation 24 In order to ensure its staffing levels are appropriate and it is using its staffing resources efficiently, we recommend that the Alcohol and Gaming Commission of Ontario: 24.1 Assess whether its staffing levels are reasonable in relation to its current mandate. 24.2 Track the time spent by its staff on all key regulatory activities, including licensing and compliance activities and investigations. 24.3 Regularly analyze this information to focus on areas of improvement.		24.1 and 24.2 Joint planning is in progress for how the agency will assess its staffing levels in relation to its current mandate to address recommendations 24.1 and 24.2 as they are related, and the AGCO will be reviewing them concurrently with a targeted completion in December 2022. Recommendation 24.2 is currently underway in the Investigation and Enforcement Bureau with the implementation of new codes for the Daily Activity Reporting System which will more accurately capture employee time spent on specific activities.. The targeted completion of this is end of April 2021. 24.3 Analysis will be actioned once 24.1 and 24.2 have been completed.

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Recommendation 25 In order to provide effective regulatory oversight over regulated entities, we recommend that the AGCO: 25.1 Follow up on all non-frivolous complaints with an inspection or other regulatory tools to verify the validity of allegations; 25.2 Train staff to properly categorize complaints in the system; 25.3 Set a timeline for review of complaints based on the risk to public safety and document all resolutions in the iAGCO system; 25.4 Provide training and guidance to compliance officials to document all unannounced inspection selections and risks being inspected.		25.1 Review and update policies to ensure that (i) all complaints of a non-frivolous nature are screened and responded to in a timely fashion with appropriate compliance activity, such as an inspection; and (ii) all complaint screening determinations and responses – including complaints that are deemed frivolous in nature – are appropriately documented in AGCO systems. Target completion Q1 2021/2022. 25.2 Training will be used to support implementation of all planned service improvements to Complaint documentation. This includes training to support Compliance Official obligations relating to Complaints-based inspections, as well as support for screeners and reviewer roles with regards to both documentation and complaint categorization. Target completion Q3 2021/2022. 25.3 The AGCO will establish new service standards for complaint and inquiry handling to meet customer expectations and service performance criteria regarding turnaround times. Timelines will consider risk to public safety. Target completion Q3 2021/2022.

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)
		25.4 Training and guidance to Compliance Officials regarding documentation of unannounced inspection to be addressed as part of Recommendation 19. Target completion Q4 2021/2022.

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Recommendation 26 To make the most efficient use of resources, we recommend that the Alcohol and Gaming Commission of Ontario limit the use of consultants and reallocate Ontario Provincial Police staff working at casinos and elsewhere to assist in performing eligibility assessments of cannabis applications.		**Recommendation 26** 1. Review and confirm the resourcing requirements to complete due diligence work in house to support eligibility assessments. 2. OPP to determine and confirm if there are sufficient resources that can be reallocated to provide additional support for Cannabis eligibility assessments. 3. If it is determined that the OPP can provide additional support for Cannabis eligibility assessments, draft recommendation for in-house services for approval.