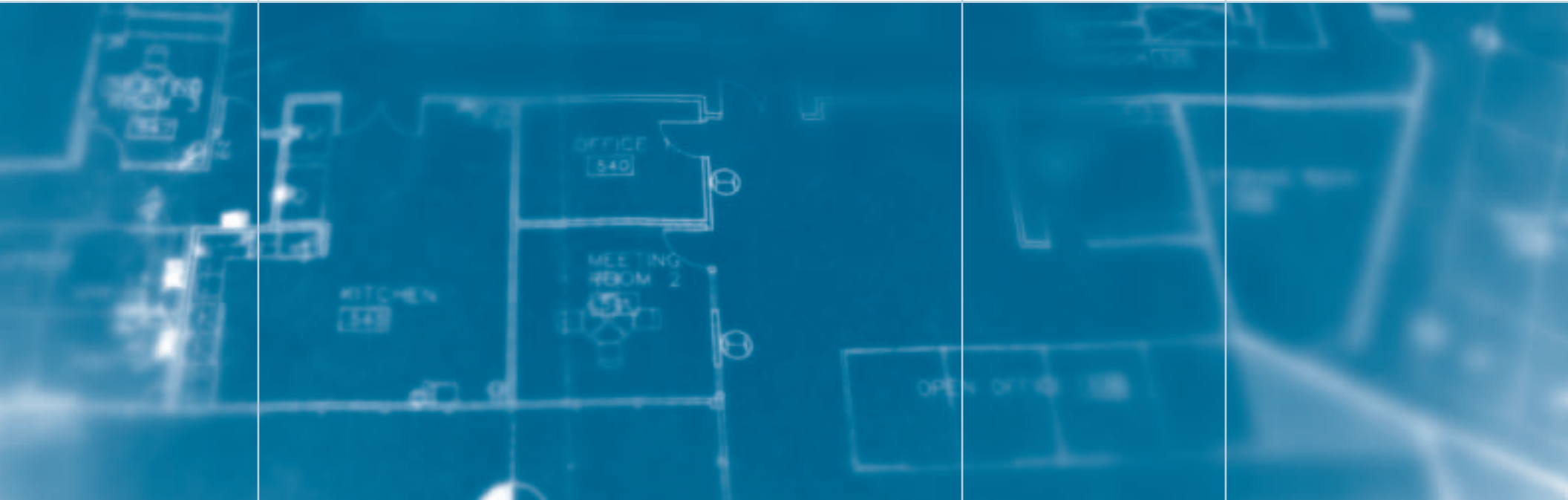


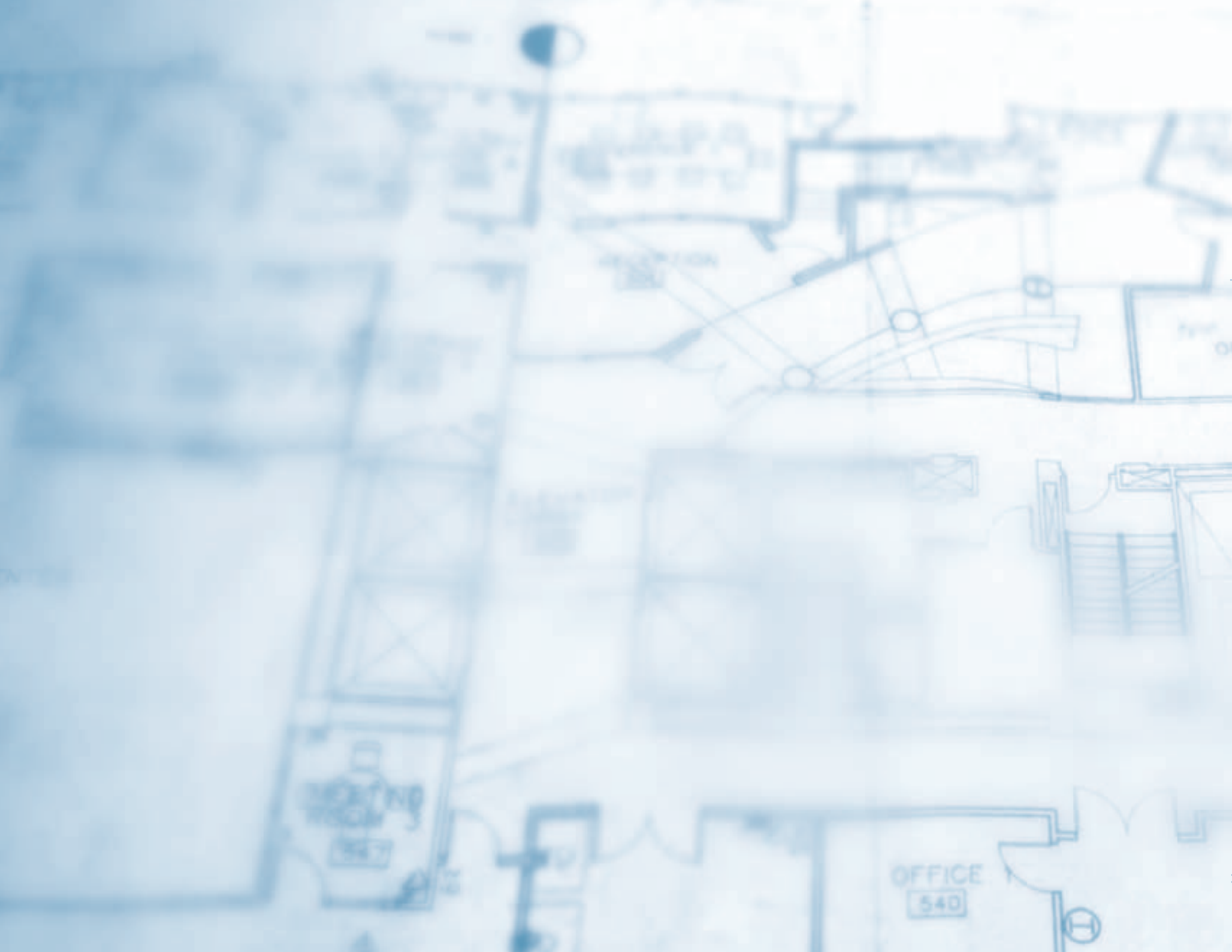
Building on our Strengths



MANITOBA GAMING CONTROL COMMISSION

ANNUAL REPORT

03/04



OFFICE
540



CONTENTS



Remarks from the Chair	2
Remarks from the Executive Director	4
About the Manitoba Gaming Control Commission	6
Year in Review	
Licensing	9
Audit	11
Technical Integrity	13
Registration	14
Enforcement	17
Native Gaming	18
Research and Communications	20
Information Systems	22
Special Report	23
Manitobans and Gambling	
Financial Statements	33



REMARKS FROM THE CHAIR

“SEEKING TO PUSH THE REGULATORY ENVELOPE BEYOND ITS TRADITIONAL ACTIVITIES OF LICENSING, REGISTRATION AND ENFORCEMENT, THE MGCC IS LEADING RESEARCH, PUBLIC INFORMATION AND LEGISLATIVE MEASURES IN KEEPING WITH OUR PUBLIC INTEREST MANDATE.”

Our activities in 2003/04 may best be characterized as a blueprint for the future. During this remarkable year, the Manitoba Gaming Control Commission (MGCC) set in motion activities and commitments that will result in significant changes to Manitoba’s gaming regulatory environment and to our responsibilities to ensure the honesty and integrity of gaming.

The tabling of amendments to The Gaming Control Act, the review and revamping of terms and conditions for Manitoba’s most popular licensed gaming event – bingo, the release of two key reports on First Nations gaming in the province, our continued emphasis on research and balanced decision-making, and the beginning of our own strategic planning process, set the stage for reform and renewal of gaming regulation, control and accountability in our province.

While it may seem unusual for an organization established only

seven years ago to perceive itself as “under construction”, the events of the last year have permitted the MGCC to examine its responsibilities and operations and to recommend and implement changes that strengthen and enhance Manitoba’s gaming framework. The anticipatory environment of 2003/04 will result in the implementation of stronger regulatory controls, enhanced accountability by licensees and licensing authorities, consistent responsible gambling measures and improved client service.

I am pleased to report that following nearly two years of work and deliberation, amendments to The Gaming Control Act were tabled during 2003. Pending legislative review and committee work, we anticipate The Gaming Control Amendment Act will be proclaimed in early 2005. The proclamation of this legislation will go hand in hand with the implementation of MGCC’s first strategic

plan, scheduled for release in late 2004. And, new Terms and Conditions for Bingo and Breakopen events will come into effect on July 1, 2004, following an exhaustive review and evaluation process that included community consultations and inter-jurisdictional research.

First Nations gaming continued to garner attention during 2003/04. The release of reports by the Office of the Auditor General and by the Joint Committee to Review and Evaluate the First Nations Casino Project, focused on strengthening existing structures and creating new ones. (I recommend reading both reports.) The MGCC was closely involved with each of these initiatives and we anticipate our continued service in this regard.

Seeking to push the regulatory envelope beyond its traditional activities of licensing, registration and enforcement, the MGCC is leading research, public information and legislative measures in keeping with our public interest mandate. Independent and partnered research focused on Manitobans and gambling, youth gambling and social and economic impact projects. Based on a unique research project conducted in 2003, we are now preparing to

develop evidence-based targeted public information messages to improve Manitobans' understanding about gambling. (Please see our special report, Manitobans and Gambling, beginning on page 23.) And, we look forward to new powers under the amended legislation that mandate the MGCC to direct and oversee responsible gambling initiatives by Manitoba's gaming operators.

2003/04 was an exciting year. In the coming year, we will continue building on our strengths, looking forward to the challenges of our broadened mandate, seeking opportunities for innovation and ensuring balance in the work we undertake on behalf of Manitobans.

On behalf of the Board of Commissioners,



Darlene Dziewit
Chair



REMARKS FROM THE EXECUTIVE DIRECTOR

“ WE ANTICIPATE THAT THE DEVELOPMENT OF MGCC’S FIRST STRATEGIC PLAN WILL HELP US TO IDENTIFY THE SUCCESS FACTORS, VALUES AND GOALS REQUIRED TO CONTINUE TO PROVIDE HIGH QUALITY, COMPREHENSIVE GAMING REGULATORY SERVICES AND PROGRAMS.”

One of the greatest challenges to significant structural renewal is maintaining consistent and effective day-to-day operations and activities. I am pleased to report that during this year of intense review and revision, the Manitoba Gaming Control Commission (MGCC) continued to strive to provide high quality services that ensure the honesty and integrity of gaming in our province. Our operational activities and accomplishments are detailed in this report’s departmental narrative: Year in Review; our finances are detailed in our Financial Statements. These activities and revenue sources are the foundation of our work; their stability permits us to build on our strengths and to move forward as an organization for the benefit of all Manitobans.

Accountability for our services and revenues is key to our credibility as an organization charged with establishing and enforcing criteria for fairness and honesty. Once again, the Office of the Auditor

General of Manitoba (OAG) has issued an unqualified opinion on our annual financial statements. These statements are prepared by the MGCC’s management in keeping with established internal control mechanisms, such as the design and maintenance of accounting records, the selection and application of accounting policies, safeguarding assets and preventing and detecting error and fraud. A review of these statements shows that our operating revenues are generated through direct service fees for registration and licensing services. While these fees are charged directly to our service users, the resulting activities permit us to enforce the Criminal Code (Canada), ensure the integrity of gaming events and equipment, help mitigate problem gambling and strengthen our research agenda in support of informed social policy initiatives.

As noted in Ms. Dziejewit’s remarks, the MGCC is increasingly shifting its focus beyond traditional regulatory activities.

In contemplating the integrity of gaming, we have come to view matters related to consumer protection and information as intertwined with inspection, registration, licensing and advisory activities. Manitoba is recognized as a leader in the development and implementation of responsible gambling approaches and programs. The MGCC's support and contributions to research, networking, public information and multi-sectoral initiatives underscores our commitment in this regard. While our focus is on Manitoba and Manitobans, we seek and contribute to efforts beyond our borders to maximize our resources, share our knowledge and benefit from others' experiences. In 2003/04, for example, the MGCC was pleased to be a founding member of the new Canadian Partnership for Responsible Gambling, a unique resource organization focused on responsible gambling, research, education and policy development.

From a citizen's perspective, our operational and public interest mandates may be of greatest interest to those outside of our organization. However, our internal management, organizational and skill structures permit us to meet our obligations under The Gaming Control Act and Regulations. We anticipate that the development of

MGCC's first strategic plan will help us to identify the success factors, values and goals required to continue to provide high quality, comprehensive gaming regulatory services and programs. Consultation with our stakeholders and partners early in 2004 helped us to kick-off this important initiative.

On behalf of the management and staff of the MGCC, we look forward to the coming year and anticipate the benefits of improved regulatory controls, enhanced service quality, increased enforcement capacity and a refined strategic direction.



F.J.O. (Rick) Josephson
Executive Director

ABOUT THE MANITOBA GAMING CONTROL COMMISSION

Legislative Authority

The Gaming Control Act (The Act) establishes the Manitoba Gaming Control Commission (MGCC) as a special operating agency that regulates and controls specified gaming activities in Manitoba. The MGCC is led by an Executive Director and reports through a Board of Commissioners to the Minister responsible for The Gaming Control Act.

The Gaming Control Act requires and permits the MGCC to:

- License specific gaming activities in keeping with the Criminal Code (Canada), including bingo, breakopen tickets, raffles, and sports draft lotteries;
- Register Manitoba Lotteries Corporation (MLC) employees, suppliers and gaming equipment and Video Lottery Terminal (VLT) Agreements;
- Establish, monitor and enforce technical compliance requirements for lottery schemes;
- Investigate and make orders related to patron and supplier disputes;
- Conduct hearings pursuant to the foregoing items;
- Provide policy advice to the Minister on current gaming activities and emerging issues; and
- Monitor and enforce compliance with The Act.



LEGISLATIVE AMENDMENT

In late 2003, The Gaming Control Amendment Act was tabled in the Manitoba Legislative Assembly. It is expected this legislation will be debated during the spring 2004 session. The proposed amendments support stronger regulatory controls, enhanced accountability by licensees and licensing authorities, consistent responsible gambling measures and improved client service. If the legislation receives Royal Assent, the MGCC is hopeful the legislation will be proclaimed in early 2005.

1. A copy of The Act can be viewed at www.mgcc.mb.ca

Finances & Resources

The MGCC's operating revenue is derived from licence and registration fees. The MGCC does not receive any revenue from the Provincial Consolidated Revenue Fund, nor has it contributed to the Fund. The MGCC is permitted to establish its own bank account and operating line of credit under The Act. The annual business plan which details operational objectives and budget estimates is approved by the Minister of Finance and the year's activities are reported in the annual report to the Minister responsible for The Gaming Control Act. In the 2003/04 business plan, the MGCC estimated operating expenses of \$4,458,900. A review of the financial statements included in this report, shows actual operating expenses to be \$557,300 under estimate.

Appeals and Complaints

The Board of Commissioners, in its legislated quasi-judicial capacity, conducts hearings and makes rulings on complaints and appeals of decisions by the Executive Director. In this role, a quorum of members, presided over by a chairperson, receives and considers all evidence presented. Hearings are open to the public, although the hearing, or portions of the hearing, may be closed in instances where financial, private or proprietary information is being presented.

During 2003/04, four hearings were conducted, including two hearings via telephone to accommodate remote appellants. As a result, two decisions were upheld and two decisions were overturned. Appeals of the Board of Commissioners' decisions may be made to the Court of Queen's Bench under Section 45(2) of The Act. Decisions of the Board of Commissioners are available to the public.

MISSION

The Manitoba Gaming Control Commission is an independent commission created to regulate and control gaming activity in the Province of Manitoba with the aims of ensuring that the gaming activity is conducted honestly, with integrity and in the public interest.

The Commission recognizes the diversity of views with respect to gaming and will take a reasoned and balanced approach toward gaming activities in our province.

The Commission will strive at all times to treat its employees, its clients and the general public with respect, fairness and service beyond question.

ORGANIZATIONAL CHART



Interagency Cooperation

The MGCC works closely with municipal, provincial, federal and international agencies and jurisdictions in meeting our legislative mandate. Cooperating with external agencies and organizations allows the MGCC to benefit from others' experience, expertise and research pertaining to gaming regulation and related issues.

During the 2003/04 year, MGCC's Director of Research and Communications accepted the Co-Chairmanship of the Canadian Partnership for Responsible Gambling; a partnership established earlier this year as a national member-driven initiative to promote better understanding and implementation of responsible gambling programs through joint research, issue analysis, and information sharing. As well, membership and/or liaison with the following partners and stakeholders helped us to carry out our responsibilities.

- Addictions Foundation of Manitoba
- Assembly of Manitoba Chiefs
- Canadian Centre on Substance Abuse
- Canadian Gaming Regulators Association and member jurisdictions/agencies
- City Of Winnipeg, Licensing Department
- Criminal Intelligence Service (Canada and Manitoba)
- Greater Winnipeg Community Centres Council
- Manitoba Intelligence Society
- Manitoba Protective Officers Association
- Midwest Gaming Investigators and Regulators
- Municipal policing authorities
- North American Gaming Regulators Association and member jurisdictions/agencies
- Ontario Problem Gambling Research Council
- Responsible Gambling Council (Ontario)
- Royal Canadian Mounted Police
- The Alberta Gaming Research Institute
- Winnipeg Police Service

LICENSING

During the 2003/04 fiscal year, 1,372 licences were issued to charitable or religious organizations to conduct gaming events to raise money for community projects and services in Manitoba. The Licensing Department is responsible for licensing these events in accordance with Section 207 (1)(b) of the Criminal Code (Canada). Pursuant to The Gaming Control Act (The Act), Order in Council 524/1997 specifies the MGCC as an authority to issue licences to charitable or religious organizations to conduct lottery schemes if the proceeds from the lottery scheme are used for charitable or religious objects or purposes.

Goal

To license eligible charitable organizations to conduct and manage lottery schemes in keeping with legislative and regulatory requirements and as prescribed in licensing terms and conditions.

Activities

- Review, process and approve or deny charitable gaming licence applications and amendments from religious and charitable organizations in keeping with legislation, regulation, and MGCC policy.
- Develop and implement licensing terms and conditions and applicable internal policies and procedures to ensure the integrity of licensed charitable activity.
- Consult and liaise with other MGCC staff on issues relating to licensing policies and procedures, including referral of non-compliance matters to Audit and Enforcement Departments.
- Communicate information effectively and consistently about licensing terms and conditions, policies and procedures to licensees, the public and MGCC staff.
- Ensure consistent application of policies and procedures and monitor their effectiveness.
- Compile and maintain ongoing statistical information for reporting purposes.
- Maintain effective records management including archiving historical documents and ensuring they are secure and accessible for future reference.

CHARITABLE LICENCE TERMS AND CONDITIONS

All charitable gaming activities licensed by the MGCC are governed by terms and conditions specific to each gaming activity. These terms and conditions outline the rules under which licensed organizations must operate their events. They also support MGCC's responsibility of ensuring the honesty and integrity of gaming in Manitoba. The terms and conditions for each type of event (e.g., bingo/breakopen, raffle and sports draft) are designed to flexibly respond to changing trends, the needs of Manitoba's charitable organizations and the interests of the public. We have reported in previous years about our Charitable Gaming Review and are currently reviewing the Bingo and Breakopen Terms and Conditions, which will be completed early next year. We look forward to a July 1, 2004 launch.

**Charitable Licences Issued:
A CLOSER LOOK**

1,372 charitable gaming licence applications were reviewed and approved during 2003/04.

- 968 ongoing licence renewals: 555 bingo, 32 media bingo, 376 breakopen and 5 raffle
- 404 limited series or single event licences: 262 raffle, 67 bingo, 44 breakopen, 20 calcutta, 9 monte carlo, 1 media bingo and 1 sports draft
- Of the 1,372 approved licences, 158 were issued to licensees who are not required to submit financial reports due to the size of their lottery scheme.

One licence was issued for a 'lottery scheme in a public place of amusement' pursuant to Section 207 (1)(d) of the Criminal Code (Canada). These schemes are generally held by midway operators during the summer fairs and festivals held throughout the province.

Achievements

- Reviewed and approved 1,372 charitable gaming licences, which were issued to 695 different organizations. 101 organizations submitted applications to the MGCC for the first time.
- Streamlined administrative procedures to enhance internal efficiencies and improve customer service. In particular, successfully converted data from our legacy Licensing Information System (LIS) database and manual administrative processes and procedures to our new Gaming Management System (GMS) database and operating system.
- Entered data from approximately 3,450 financial reports submitted by licensees. This permits review and analysis of licensee operations and finances by the Audit Department.
- Participated in the Board of Commissioners' Charitable Gaming Committee's review of Bingo and Breakopen Terms and Conditions. This included: providing advice, information and support to the Board of Commissioners; coordinating and presenting staff advice and recommendations; compiling jurisdictional research; coordination of provincial community consultations; and consultation on new terms and conditions.
- Led the development of internal policies to assist staff in the administration of terms and conditions.

First Time Applicants

Charitable or religious organizations who apply to the MGCC for the first time must meet charitable licensing eligibility criteria. These criteria permit the MGCC to fairly assess applications and confirm that only eligible organizations intending to generate funds for community benefit are licensed. Organizations must provide supporting documentation with their application. These documents include, Articles of Incorporation, Corporate Annual Return, Charter, Constitution, Bylaws, current membership lists, most recent annual financial statements and most recent annual general meeting minutes.

In 2003/04, 101 organizations submitted licence applications to the MGCC for the first time. Of these 101 applicants: 87 licences were approved; 9 withdrew their application during the review process; and 5 organizations were denied licences as they were deemed not eligible or were not able to provide sufficient information to determine their eligibility.

AUDIT

The Audit Department is responsible for providing reasonable assurance to the MGCC, the government and the general public that all lottery revenue and expenses for MGCC licensees have been recorded and reported in accordance with the terms and conditions for licences. This Department also ensures that the earnings generated from licensed lottery schemes are disbursed in accordance with the profit objectives specified in the licence application. During 2003/04, charitable organizations reported that Manitobans spent \$93.4 million on 1,214 charitable gaming events licensed by the MGCC. Profits from these popular fundraisers benefit communities and organizations throughout Manitoba.

Goals

- To review all financial information received from charitable licensees and First Nations Gaming Commissions (FNGCs).
- To provide education, training and support to all charitable licensees and FNGCs.
- To provide advice and assistance to other MGCC departments in support of their work with charitable licensees and FNGCs.

Activities

- Review all financial information received from licensees within 90 days of receipt.
- Review audited financial statements submitted from FNGCs within 60 days of receipt.
- Annual review of all on-going charitable organizations.
- Provide advice and assistance to all charitable licensees and FNGC members and staff requesting or requiring help.
- Identify and document shortcomings in submitted financial information and/or contravention of licensing terms and conditions.
- Recommend remedies for shortcomings. Work with the Enforcement Department to implement recommendations and monitor compliance with remedies and licensing terms and conditions.
- Refer all matters of a potentially fraudulent nature to the Enforcement Department.

Achievements

- Cursory review of approximately 3,450 quarterly financial reports during the 2003/04 fiscal year.
- Annual review of approximately 500 licensed organizations seeking to renew their lottery licences.
- Provided assistance to organizations through various means including telephone, e-mail, letter, or in-house/on-site meetings.
- Initiated 34 audit referrals during 2003/04, which were successfully concluded. These referrals resulted in enhanced financial reporting, record keeping and improvements in cash controls on revenues and disbursements.
- Contributed to the development of the GMS system.
- One Audit staff member is currently completing courses towards the completion of the Certified General Accountant designation, one Certified Management Accountant Audit staff member and one Certified Fraud Examiner Audit staff member are continuing with ongoing professional development.

Charitable Gaming Table

Fiscal Year 2003/04 (\$Millions)

Event Type	Licensed Events		Gross Revenue		Prizes Paid		Total Expenses		Net Profit	
	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03
Bingo	499	484*	\$ 71.0	\$ 78.5*	\$ 56.5	\$ 59.3*	\$ 7.9	\$ 9.3*	\$ 6.6	\$ 9.9*
Breakopen	387	404	8.1	9.7	5.6	6.8	0.8	0.9	1.7	2.0
Raffle	267	241	9.0	9.0	3.5	3.4	1.5	1.6	4.0	4.0
Other	30	34	0.2	0.1	0.2	0.1	-	-	-	-
Media Bingo	31	**	5.1	**	4.5	**	0.9	**	(0.3)	**
Totals	1214[†]	1163	\$ 93.4	\$ 97.3	\$ 70.3	\$ 69.6	\$ 11.1	\$ 11.8	\$ 12.0	\$ 15.9

* The Bingo figures for 02/03 include Media Bingo.

** Comparative numbers for Media Bingo in 02/03 are not available – as they were included in the 02/03 Bingo figures.

† In addition, there were 158 licences issued to organizations who were not required to submit financial reports or licence fees (123 bingo, 33 breakopen and 2 media bingo) and are therefore not reflected in the above chart.

As well, 1 licence was issued pursuant to 207(1) (d) of the Criminal Code (Canada) to midway operators to hold "lottery schemes in a public place of amusement". This licence is also not reflected in the above chart.

TECHNICAL INTEGRITY

The Technical Integrity Department ensures that the games played in casinos, Video Lottery Terminal (VLT) sites, bingo halls and community clubs across Manitoba are fair, honest, secure, safe and auditable. Technical integrity may best be described as ensuring fair play; yet technical integrity is not a simple matter. It is a complex aspect of gaming control and regulation that concerns itself with everything from mechanical equipment functions, emerging technologies, game protection measures and statistical probabilities, to game design and operation.

Goal

To ensure the technical integrity of all gaming conducted and managed by the Manitoba Lotteries Corporation (MLC) and MGCC licensees.

Activities

- Develop, enhance and enforce standards for technical integrity.
- Register all gaming machines, including VLTs and slot machines in accordance with technical standards. During the fiscal year, 223 slot machines were registered, 25 received temporary registration and 287 gaming devices were deregistered.
- Communicate with the MGCC licensees, the MLC, gaming suppliers, independent game testing laboratories and other Canadian and U.S. regulatory bodies to ensure that technical integrity standards are met and that compliance is maintained.
- Conduct regular technical integrity inspections on gaming equipment in use in Manitoba.
- Conduct investigations as follow-up to inspections and in response to patron complaints.
- Mediate patron disputes and oversee resolution and remedies as required.
- Conduct tests to examine the mechanical/physical integrity of gaming devices/products to ensure they cannot be tampered with or compromised and issue approvals based on testing outcome. In 2003/04, there were 81 Technical Integrity Approvals issued. These included approvals for new slot machines and other electronic

games, lottery schemes, breakopen tickets, table games, roulette wheels and chips, playing cards, etc.

- Manage hardware and software upgrades for all electronic gaming equipment.
- Review new lottery schemes and new gaming technologies and apply standard tests to ensure technical integrity.
- Provide guidance and recommendations to the MLC and MGCC licensees.
- Participate in the formal process of sharing gaming intelligence with the gaming industry, other jurisdictions and policing authorities.

Achievements

- Conducted 15 technical integrity inspections on gaming equipment in use in Manitoba.
- Issued two revocations and four interim Technical Integrity Approvals.
- Reviewed all new technologically-based products introduced by the MLC to ensure the highest possible standards of integrity and control are met through application of technical standards, testing and inter-jurisdictional comparisons.
- Concluded 22 technical integrity investigations as follow-up to inspections and in response to patron complaints.

REGISTRATION

The Registration Department is responsible for registering employees and suppliers of the MLC, VLT Siteholder Agreements and specific suppliers to charitable organizations. Background checks and investigations are conducted on applicants to confirm they meet the legislated criteria of honesty and integrity as required by The Act. Similar investigations are conducted to ensure the honesty and integrity of First Nations casino operations in Manitoba. The MGCC also monitors compliance with all VLT Siteholder Agreements in respect to public interest matters including responsible gaming initiatives.

Goals

- **To ensure prescribed gaming industry employees and suppliers meet and maintain the registration criteria of honesty, integrity and financial soundness.**
- **To register all VLT Siteholder Agreements to ensure compliance with the Agreement's terms and conditions related to game integrity and responsible gambling initiatives.**

Activities

Employee Registration

- All applicants are investigated according to prescribed policy to prevent those with serious criminal backgrounds or who might be a detriment to the integrity of gaming to work in the gaming industry. All Level 1 applications or renewals (i.e. those with no concerns noted during the course of the application or renewal process) are usually completed within three days. In-person interviews are conducted with all applicants with Level 2 status (i.e. those with declared criminal records or those with other concerns arising from the submitted application).
- All employee registrations are reviewed annually, including new background checks, to ensure all current employees maintain good standing. Consequential incidents reported by the MLC or by a current employee are investigated and considered in the context of registration criteria.
- If it is deemed that the criteria of honesty and integrity have not been met or maintained, employee applicants may be denied registration and current employee registrants may be suspended. Under these circumstances, the individual may request a hearing by the MGCC's Board of Commissioners.

Supplier Registration

- All suppliers, whether classified as gaming or non-gaming, are investigated according to prescribed policy prior to registration. The MGCC investigates the company's integrity through its corporate and credit history. Gaming suppliers undergo a full due-diligence investigation, including interviews with company principals, criminal record checks and credit checks.
- The MGCC reviews MLC purchasing records to ensure the MLC and their suppliers comply with registration requirements. Registration of current suppliers is renewed annually following investigation and confirmation of registration criteria.

VLT Siteholder Agreement Registration

- VLT Siteholder Agreements are between the MLC and each VLT site. These Agreements are registered to permit the MGCC to monitor and ensure compliance with the Regulatory Infraction Policy, including the limit-the-view policy intended to protect minors, the Problem Gambling Assistance Program training requirements and prohibitions against tampering with the machines.
- VLT siteholders must comply with the terms and conditions of the Agreement to maintain registration. VLT site inspection activities conducted by the Field Operations Section support the responsibilities of the Registration Department in this regard.

Achievements

- Participated in the development and implementation of the GMS. Completed the data transfer and roll-out of the employee registration portion of GMS.
- Initiated a review to permit the conversion of existing registration formats in anticipation of new legislative requirements, including creation and redesign of application forms, development of new registration terms and conditions and the preparation of a communication strategy to advise registrants.
- Commenced a registration investigation of the proposed participants in the Brokenhead Casino project, including the design and execution of the investigative plan, a review of all application material and meeting with all participants.
- Provided recommendations for legislative, regulatory and policy amendments in keeping with registration responsibilities and activities.
- Registered, in a timely manner, all VLT siteholder applications in accordance with legislative and policy standards.

2

2. You can view the MGCC's Regulatory Infraction Policy, detailing all infractions and recommended penalty guidelines, on our website at http://www.mgcc.mb.ca/vlt_siteholders.html

- Completed most Level 1 employee investigations within three days. Daily notification was made to hiring bodies to ensure timely communication which allowed human resource departments to proceed with minimal interruption to the hiring process.
- Developed and improved our communications with new and current registrants and stakeholders such as MLC and VLT siteholders.
- Enhanced communications between the MGCC and First Nations casino operators.
- Staff attended and participated at the Midwest Gaming Investigators and Regulators (MGIR) conference, Criminal Intelligence Service Canada (CISC) Organized Crime Workshop, Criminal Intelligence Service Manitoba (CISM) meetings, Manitoba Intelligence Society (MIS) meetings and Manitoba Protective Officers Association (MPOA) meetings.

Registration Overview

As of the end of the 2003-2004 fiscal year	March 31, 2004
MLC New Applicant Employees Registered in Fiscal Period	162
MLC Employee Renewals Conducted	2,148
Asenskak New Applicant Employee Approvals	127
Asenskak Employee Renewals	128
MLC Current Gaming Suppliers	41
MLC Current Non-Gaming Suppliers	53
VLT Siteholder Agreements	584

ENFORCEMENT

It is the responsibility of the MGCC to ensure that licensees, VLT siteholders, gaming industry suppliers and employees meet and maintain their terms of licensing and registration. While the majority of MGCC licensees and registrants comply with the terms of their licence or registration, the MGCC must be vigilant in ensuring that gaming activity is, and continues to be, conducted honestly, with integrity and in the public interest. Through its Field Operations Section, the Enforcement Department is key to monitoring compliance, identifying irregularities and investigating suspected or alleged fraud.

Goals

- **To ensure that all gaming activity is conducted honestly, with integrity and in the public interest through comprehensive investigations of all complaints, patron disputes and referrals.**
- **To ensure compliance with the regulatory requirements and the terms and conditions of licensed lottery schemes and with the MGCC's VLT Regulatory Infraction Policy.**

Activities

- Conduct random proactive inspections in accordance with established standards.
- Conduct investigations as a result of irregularities identified during random proactive inspections and referrals from other MGCC departments.
- Conduct inspections and investigations as a result of player/public complaints, patron disputes and referrals from the MLC, Western Canada Lottery Corporation (WCLC) and other gaming jurisdictions, and in support of law enforcement agencies.
- Maintain and enhance proactive and responsive strategic standards for inspection and investigation planning, implementation, evidence documentation and conclusion.
- Develop and implement standard compliance practices, policies and procedures for inspection and investigation activities based on licensing and registration terms and conditions.
- Identify and document irregularities for further internal action by Audit, or Field Operations, or for referral to the Executive Director.
- Document and compile evidence for submission to a hearing of the MGCC Board of Commissioners or to policing authorities.

- Provide consultative support to other MGCC department staff and gaming agencies.
- Liaise with charitable organizations, MGCC registrants, MLC, WCLC, other gaming agencies and jurisdictions, and law enforcement agencies.

Achievements

- Conducted more than 700 random proactive inspections of charitable licensee events and VLT site operations.
- Conducted approximately 200 investigations.
- Resolved the majority of issues or concerns

that prompted the investigations. MGCC inspectors, working closely with licensees, registrants and members of other MGCC departments usually remedy concerns or complaints while ensuring game integrity is maintained.

- Suspected illegal gaming activities are referred to the appropriate law enforcement agency for investigation. In 2003/04, the MGCC referred nine cases of alleged fraud or illegal activities to policing authorities and the Crown for their review.
- Maintained regular communication with

inter-jurisdictional bodies to monitor developments and emerging issues in gaming jurisdictions throughout North America, including research and expertise on regulatory enforcement practices.

- Sixteen employees from this Department were granted Special Constable Status by Manitoba Justice, under the authority conferred by Order In Council 471/2000. These appointments empower appropriate MGCC staff with the Office of the Auditor General's recommended enforcement and investigation authority.

NATIVE GAMING

First Nations gaming policies have been developed to create consistency in gaming regulation throughout Manitoba. Because of the nature and scope of on-reserve gaming activities, many of this Department's responsibilities are mirrored in other departments' activities. Aspects of licensing, registration, audit, enforcement and VLT and casino regulatory oversight are all captured within the Native Gaming Department's mandate.

Goal

To work with First Nations' governments and their representatives to ensure legislative, regulatory and policy requirements for on-reserve gaming activities are met and maintained.

Activities

- Work with Chiefs and Councils to negotiate First Nations Gaming Commission (FNGC) Agreements on behalf of the Province.
- Assist Chiefs and Councils to establish FNGC operations, budgets, licensing staff, and operational requirements.
- Conduct training sessions for all newly appointed FNGC staff, including board members.
- Conduct annual formal inspections to monitor compliance with FNGC Agreement covenants.
- Conduct ongoing operational reviews of each commission to ensure proper accounting, inventory, licensing and other procedures are followed to facilitate preparation and submission of annual independent audit.
- Receive and review annual gaming commission audits in accordance with standard audit practices, MGCC procedures and Agreement covenants.
- Identify and help rectify deficiencies in FNGC operations.
- Monitor compliance with MGCC's VLT Regulatory Infraction Policy.
- Investigate, document and report alleged infractions for further action and possible hearing by MGCC's Board of Commissioners.
- Liaise with MLC's Video Lotto Division staff to monitor and support compliance with gaming legislation, regulations and policies.
- Liaise with law enforcement personnel to support local police participation in addressing suspected illegal gaming operations and to support investigations and prosecution of criminal activity.
- Establish contact with manufacturers of bingo and breakopen product to provide them with information on federal and provincial gaming laws with respect to the sale of gaming product in Manitoba.

Achievements

- Conducted nine training sessions with FNGC board members and employees.
- Conducted formal inspections of 17 gaming commissions.
- Conducted 33 on-site operational reviews.
- Liaised with independent auditing firms to support FNGC audit preparation and submission.
- Conducted investigative activities in cooperation with Chiefs and Councils, MLC, policing authorities, the Office of the Auditor General (OAG) of Manitoba and consulting firms. These investigations resulted from allegations of misappropriation of funds and illegal gaming activities and were referred to policing authorities.

First Nations Gaming Commission Compliance

As of March 31, 2004

18	Gaming commissions were compliant
7	Gaming commissions were non-compliant (e.g., partial, incomplete or outstanding audits)
6	Gaming commissions were not functioning (i.e. no board in place)
1	Gaming commission was suspended
32	Total

RESEARCH & COMMUNICATIONS

The MGCC’s research and communications scope encompasses a broad range of gaming policy issues including, First Nations casino operations, problem and responsible gambling, VLT registration, gaming investigations, audit review and charitable licensing. This requires the staff in this Department to be sensitive to the complexities of gaming policy and to understand and balance the many perspectives on gaming, including business interests, social policy concerns, player choices, cultural values and regulatory imperatives.

Goal

To provide policy advice, conduct and compile research and implement communications strategies in support of MGCC’s legislative, regulatory and public interest mandate.

Activities

- Develop and implement communications strategies in support of policy implementation and maintenance.
- Conduct primary, secondary and collaborative research projects relevant to regulatory requirements, emerging issues and the public interest.
- Prepare and provide accurate and relevant information in a variety of formats to the Minister, the Board of Commissioners, management and staff of the MGCC, citizens, stakeholders and the media about the MGCC, gaming related issues, policy decisions and policy implementation.
- Develop partnerships that permit the MGCC to maximize research and public information opportunities.

Accomplishments

- Prepared ministerial and corporate advisory materials on current operations, policy implementation, research findings and emerging issues.
- Provided communications and research support on a range of issues related to the Commission’s regulatory, advisory and public information responsibilities.
- Refined MGCC’s research agenda to focus on youth, social and economic impacts and Manitobans’ knowledge about gambling.
- Liaised with the Addictions Foundation of Manitoba (AFM), MLC and VLT siteholders to administer the Problem Gambling Assistance Program for all VLT sites.
- Provided consultative, training and advisory support to other gaming corporations, agencies and social policy organizations on research, social policy and communications initiatives.
- Published 2002/03 annual report in keeping with legislative requirement.
- Coordinated amendments and regular updates to MGCC’s website.

**2003/04 Research Project:
Manitobans and Gambling**

In the expectation of amended enabling legislation, the MGCC conducted a benchmark study to examine the attitudes, knowledge and awareness of gambling-related concepts and issues among adult Manitobans. Action-based initiatives centering on the key findings of this study will be developed during the coming year.

The key results of this study are recounted in the special report, Manitobans and Gambling, beginning on page 23.

**Collaborative Research
and Information Initiatives**

- The MGCC is a partner in a national two-year research project to develop the Adolescent Problem Gambling Index (APGI), a research instrument to measure problem gambling among adolescents in Canada. This measure will allow jurisdictions across Canada to conduct

consistent and comparable baseline studies of adolescent problem gambling across provinces and to monitor changes over time. The final report, that will include development of the new instrument, is expected in late 2005. This project complements the MGCC's earlier support for the development of the Canadian Problem Gambling Index.

- The MGCC is partnering with the Canadian Centre on Substance Abuse (CCSA) and the Ontario Problem Gambling Research Council (OPGRC) and other organizations, to contribute to the development of empirical research methods to assess the social and economic impact of gambling on Canadians. The MGCC is aware of the interest and need for information about the impact of gambling; the MGCC is also aware of the lack of evidence-based research measures and instruments. This research question is of ongoing interest and concern to the MGCC.

- The MGCC is a founding member of the Canadian Partnership for Responsible Gambling. MGCC has been involved in establishing this national member-driven initiative to promote better understanding and implementation of responsible gambling programs and to reduce problem gambling through joint research, issue analysis and information sharing. Members represent non-profit organizations, gaming providers, researchers and regulators. A representative from the MGCC is Co-Chair of this national partnership.
- The MGCC is a sponsor of "E-YES-CI-KAN-NI-WAK", the Second Biennial National Aboriginal Gambling Awareness Conference, scheduled for Winnipeg, November 2004. A representative of the MGCC serves on the Conference's organizing committee.

INFORMATION SYSTEMS

The Information Systems Department supports all of the MGCC’s computer-related needs. To meet these needs, activities are focused on two main functions: network administration and application development. This approach has permitted this Department to oversee the development and implementation of the Gaming Management System (GMS), which became operational on September 1, 2003, while maintaining consistent network support and service to all users. The GMS has improved internal electronic communications. This Department looks forward to extending enhanced information services, including on-line application capabilities to licensees and registrants in the coming year.

Goal

To provide a fully functional, reliable and secure network of computers to support all departments in achieving their goals.

Activities

- Plan, manage and maintain the computer network to permit use 100% of the time during normal business hours.
- Ensure that information services resources (hardware and software) are stable, secure, used properly and free of inappropriate material.
- Plan, prepare and manage the extension of GMS services to external clients, including licensees and registrants.
- Monitor hardware inventory and capabilities. Obsolete hardware is replaced in accordance with annual planning. This Department is also

responsible for the purchasing and licensing control of all software used within our system.

- Ensure that all of the MGCC’s information systems applications are functioning. This requires ongoing research, analysis and modification as required.
- Facilitate the preparation of operational reports based on data gathered and maintained through the GMS system.
- Develop and maintain the MGCC’s web presence. The website provides a full description of the MGCC and all of its activities and departments, as well as downloadable application forms and information about current events and reports. This site, www.mgcc.mb.ca, is updated regularly in consultation with the Research and Communications Department.

- Provide network security and disaster recovery for the entire system. A firewall, internet filtering and anti-virus protection measures are key aspects of network security, as well as physical control of access to the server room and equipment.
- Provide communications support, including management of office phones, cellular phones, voice mail and e-mail. This includes support of data lines that link the MGCC to the outside world. This Department is also responsible for communicating with outside organizations, such as the Manitoba Lotteries Corporation and the Manitoba Government, to ensure consistency with related external information technology projects.

Achievements

- Activated the GMS database/application.
- Provided staff support and training related to launch of the GMS.
- Completed the setup of a new e-mail system.
- Completed planned PC upgrades, conversions and replacements and maintained corporate website.
- Installed a new monitored perimeter alarm system and new server room hardware.
- Server up-time has been 99.9% with no reported crashes during regular or off-hour operations.
- No computer virus infections were discovered and no network intrusions were detected.

Each year, the Manitoba Gaming Control Commission (MGCC) includes a special section in our annual report that we hope will contribute to the public's understanding of gambling. Last year, we looked at game integrity; this year, we take a look at Manitobans' gambling-related knowledge and experience. The themes of luck, odds, winning and losing, personal philosophies, and myth have long influenced people's perceptions about gambling and its place in our society. Consideration of these themes led us to ask several questions about gambling. We hope you find Manitobans' answers informative.

FOREWORD

What does the public know about gambling in Manitoba? Do individuals understand odds and randomness when gambling? Do Manitobans recognize the signs of problem gambling? Do they use strategies to set limits and gamble responsibly?

The answers to these questions are important to the MGCC and to Manitobans. Although not the classic activities of a gaming regulator, the MGCC believes that the appropriate stewardship and regulation of gambling activities by regulatory bodies have evolved beyond the historical functions of licensing, investigation and registration to include research, education and prevention initiatives.

Based on expected amendments to The Gaming Control Act, it will be the responsibility of the MGCC to ensure that Manitoba Lotteries Corporation (MLC) and other operators adopt and implement consistent responsible gaming practices in Manitoba.¹

To ensure that the development of responsible gaming strategies are community-informed, the MGCC asked a representative sample of 1,309 randomly selected adults in Manitoba about gambling. These Manitobans were interviewed by telephone in October and November of 2003. The information we gathered serves as an important baseline from which we can measure the effectiveness of responsible gambling strategies. In this special section of our annual report, we would like to share what we learned from Manitobans with you.

¹ Based on the expectation that The Gaming Control Amendment Act will receive Royal Assent and proclamation in 2004/05.


GAMBLING PARTICIPATION IN MANITOBA

How many Manitobans gamble? We found that 96% of the adults asked had participated in at least one gambling activity in the past year. Buying lottery tickets was the most popular activity with 42% of Manitobans buying tickets once a month or more in 2003. This was followed by the purchase of scratch or charity raffle tickets, with 26% of Manitobans buying these once a month or more in the past year. The third most common activity was slot machine or VLT play. In Manitoba, 13% of residents said they had played these machines once a month or more in the past year.

DO MANITOBBANS GAMBLE RESPONSIBLY?

Responsible gambling can be defined as setting a time limit on play, limiting the amount spent, not spending more than one can afford, knowing when to stop, and gambling for entertainment only. In Manitoba, 62% of people had heard the term responsible gambling and correctly understood its meanings. In practice, two-thirds of people set time and monetary limits on their play when gambling. This simple action was helpful, as 91% of Manitobans said they stuck to the limits they set for themselves.

Another important aspect of responsible gambling is the ability to recognize the warning signs of at-risk gambling behaviour such as, using credit card advances, playing to break even, feeling regretful about gambling, spending more time or money than planned, or gambling to make money. Manitobans were very good at identifying these warning signs. Using credit card advances to gamble was defined as the most at-risk behaviour. In total, 97% of Manitobans agreed this activity was a warning sign of a gambling problem. Not surprisingly, those who had personal experience with a problem gambler were better at identifying the signs of at-risk gambling in themselves and others.



CHECK OUT THE RESPONSIBLE GAMBLING COUNCIL AT http://www.responsiblegambling.org/gambling_tips.cfm TO LEARN IMPORTANT TIPS ABOUT HOW TO GAMBLE RESPONSIBLY.

ODDS, RANDOMNESS AND OUTCOME CONTROL: TEST YOUR KNOWLEDGE

TRUE OR FALSE

1. The odds of winning on a slot machine or VLT change as you play.
2. In a lottery, 2, 6, 9, 14, 20 as a set of numbers is more likely to win than 6, 7, 8, 9, 10.
3. Staying at the same slot machine or VLT improves your chances of winning.

The answer to all three of these questions is FALSE, but if you answered TRUE to any of these items, you are not alone. When asked by the MGCC in 2003, 25% to 41% of adults said they believed that one or more of these statements was true². While 90% of Manitobans recognized that gambling was not a way to make money, and only 4% believed they could win enough money to change their lifestyle, many grappled with common misperceptions about odds, randomness and outcome control when they played.

Making informed choices about the probability of winning is an important part of responsible gambling. The MGCC believes it is important to educate Manitobans about common gambling-related misperceptions as part of a portfolio of initiatives to promote responsible gambling in the province. The Commission is currently building a community-informed educational initiative to communicate information about gambling-related odds and randomness to adults in Manitoba. We anticipate this initiative will complement other public education activities underway in Manitoba.

YOU CAN LEARN MORE ABOUT
COMMON GAMBLING MYTHS AND
BELIEFS BY CHECKING OUT
THE ADDICTIONS FOUNDATION
OF MANITOBA (AFM) WEBSITE
http://afm.mb.ca/mainhome_22.asp?contentID=150

² Item 1: 36% of Manitobans believed this statement was true.

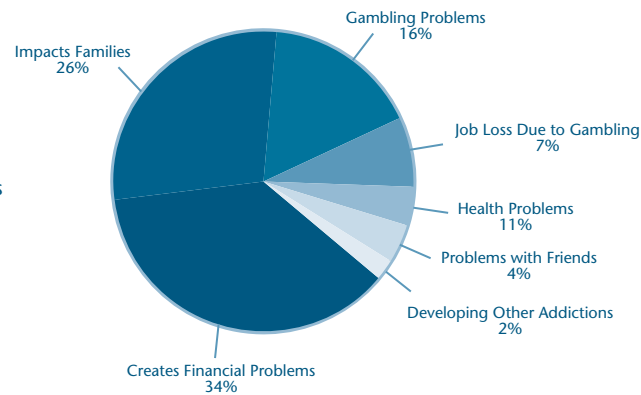
Item 2: 41% of Manitobans believed this statement was true.

Item 3: 25% of Manitobans believed this statement was true.

IS GAMBLING A PROBLEM IN MANITOBA?

Manitobans indicated they thought that alcohol abuse was the most serious addiction problem in Manitoba, followed by drug abuse, problem gambling and smoking. Research suggests that the large majority of Manitobans who gamble do so without experiencing associated harm from the activity. While our survey found that 96% of Manitobans participated in some form of gambling, research conducted by the Addictions Foundation of Manitoba (AFM) (2002)³ and Statistics Canada (2003)⁴ suggests that approximately 1% of Manitobans are problem gamblers. These studies find a further 2.3% to 3.3% are at risk. When asked what the social costs of problem gambling were, Manitobans stated they thought personal financial problems, family problems, gambling addiction, and job loss were some of the possible difficulties problem gamblers faced (figure 1).

Figure 1
Manitobans' Beliefs
about the Social Costs
of Gambling

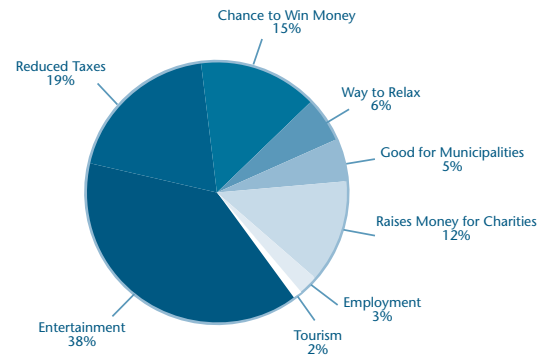


³ Patton, D., Brown, D., Dhaliwal, J., Pankratz, C., & Broszeit, B. (2002). Gaming Involvement and Problem Gambling in Manitoba. *Addictions Foundation of Manitoba* (http://afm.mb.ca/pdfs/FinalGamblingReport_Full_.pdf).

⁴ Marshall, K. & Wynne, H. (2003). Fighting the odds. *Perspectives on Labour and Income*, (Statistics Canada, Catalogue no. 75-001-XIE) 4, no. 3: 5-11.

When asked about the social benefits of gambling, Manitobans cited entertainment, reduced taxes, the chance to win money, and money raised for charities, among others (figure 2). When asked about the actual costs and benefits, 85% of Manitobans said that gambling had no effect or a positive effect on their lives. The remaining 15% who said gambling had a negative effect on their lives were also less likely to stick to the time and budgetary limits they set on their play⁵, were more likely to believe winning at gambling was a matter of skill⁶, as opposed to chance, and were more likely to be negatively affected by someone who had a gambling problem⁷. The MGCC hopes that the responsible gaming educational campaigns we are currently planning will lessen the negative affect gambling may be having on Manitobans by educating adults about the importance of setting and sticking to limits when gambling and the relative insignificance of skill when playing games based on odds and randomness like bingo, slots and VLTs.

Figure 2
Manitobans' Beliefs about the Social Benefits of Gambling



PROBLEM GAMBLING TREATMENT

What is problem gambling? As noted by the AFM, problem gambling might involve money problems, relationship problems, self-control or self-esteem issues, or a combination of the above. If you wanted more information about gambling or believed you had a gambling problem, who would you contact? When asked, 37% of Manitobans said they would contact the AFM, followed by Gamblers Anonymous (27%), telephone help-lines (18%) and pamphlets at a casino (7%).

As the most widely used gambling-related service in Manitoba, the AFM reports that on average, more than 3,000 Manitobans access its problem gambling helpline each year. This 24-hour toll free service is part of a comprehensive problem gambling program offered through the AFM that provides

MANITOBBANS CAN CALL
THE AFM HELPLINE AT
1-800-463-1554

⁵ Kendall's tau-b = -.169, n = 821, p < .001.

⁶ Kendall's tau-b = -.146, n = 1303, p < .001.

⁷ Kendall's tau-b = .325, n = 1303, p < .001.

treatment and rehabilitation services to all Manitobans. Initiated by the provincial government, the program began operation September 1, 1993, as an action-focused response to an MLC gambling prevalence study, which found that 4% of Manitoba's adult population could be considered to have problems with gambling. While numbers may not be directly comparable due to a change in the standard instrument used to measure problem gambling, the most recent research suggests that approximately 1% of Manitobans are problem gamblers and 2.3% to 3.3% are considered at risk (AFM, 2002; Statistics Canada, 2003).

AWARENESS OF THE MGCC

Gambling in Canada is complex. It is structured differently in almost every province. Yet, the MGCC found that most Manitobans correctly understood the structure of gambling in Manitoba and the responsibilities of the MGCC within that structure. That is, Manitobans recognized that the MGCC regulates gambling, licenses charitable gaming activities, conducts research and makes policies and decisions about gambling, as well as ensures the integrity, fairness and honesty of gambling in the province. Although 22% of Manitobans believed the MGCC operates casino gambling and VLTs in the province, these activities are in fact carried out by the MLC. Another 10% of Manitobans believed the MGCC provided counselling services to problem gamblers; but it is the mandate of the AFM to help problem gamblers in the province. The AFM is responsible for providing addictions intervention, rehabilitation (residential and community-based), prevention, public information and education services for Manitobans.

SPECIAL POPULATION: YOUNG ADULTS (18-24 YEARS)

Research has documented that across Canada young adults (aged 18-24 years) gamble more frequently and are at greater risk for gambling problems.

There are approximately 105,000 people in Manitoba between the ages of 18 and 24 years of age. Similar to research in the rest of Canada, the MGCC found young adults engaged in a greater variety of gambling activities and engaged in these activities more frequently than Manitobans aged 25 years and older.⁸ Young adults were more likely to play VLTs in particular. In total, 9% of young adults in the

YOU CAN FIND MORE INFORMATION ABOUT THE SERVICES OFFERED AT THE AFM ON THEIR WEBSITE AT www.afm.mb.ca

FOR MORE INFORMATION ABOUT THE STRUCTURE OF GAMBLING IN MANITOBA AND LINKS TO IMPORTANT SITES THAT DISCUSS GAMBLING STRUCTURES IN OTHER PROVINCES CHECK OUT THE MGCC WEBSITE AT www.mgcc.mb.ca

FOR MORE INFORMATION ABOUT GAMBLING AMONG YOUNG ADULTS IN CANADA CHECK OUT THE RESPONSIBLE GAMBLING COUNCIL WEBSITE AT http://www.responsiblegambling.org/students_post_secondary.cfm?post=1

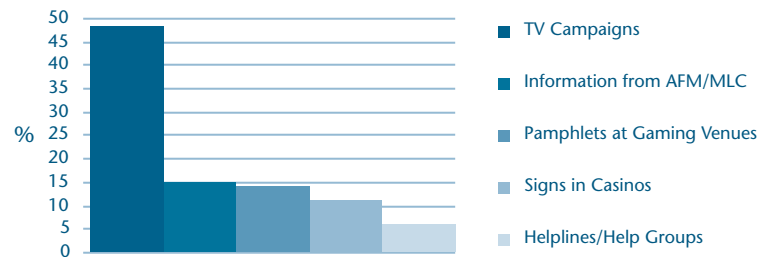
province played VLTs at a bar or lounge once a week or more in 2003, compared to only 1.4% of Manitobans aged 25 years and up.⁹ Internet gambling was also more popular among young adults, as compared to older Manitobans.¹⁰

Compared to adults aged 25 years and older, young adults were also more likely to have significant misperceptions about gambling. For example, 18-24 year olds were more likely to believe they were lucky gamblers, that gambling was an activity that required skill, that having a system would increase their chances of winning, and that they could win enough money to change their lifestyle. Further, young adults were less aware of the signs of problem gambling, and were less aware of the treatment/awareness programs offered in Manitoba.

GAMBLING EDUCATION IN MANITOBA

A number of mediums have been used to educate residents about responsible gambling in Manitoba. To determine their impact, the MGCC asked Manitobans to recall past or present education campaigns. The MGCC found that 69% of Manitobans were aware of past or present gambling education campaigns, especially television advertisements. Gambling education material from the AFM and MLC were also cited, as well as information from pamphlets at gambling venues and signs placed on machines in casinos (figure 3). Those with more years of education and/or higher annual household incomes were more aware of gambling education initiatives, while 18-24 year olds were the least aware.

Figure 3
Public Awareness of
Education Campaigns
about Responsible
Gambling



⁸ Kendall's tau-b = -.087, n = 1280, p < .01.

⁹ Chi Square (two-way) = 60.001 (5, n = 1305), p < .001

¹⁰ Kendall's tau-b = -.102, n = 1305, p < .01.

KEY FINDINGS AND ACTION-FOCUSED STRATEGIES

Healthy communities require quality prevention and education initiatives. The MGCC is using the information in this report to target responsible gambling campaigns at two key audiences in Manitoba including:

- I. The General Adult Public: The key messages of this educational campaign will communicate information about gambling-related odds, randomness and outcome control.
- II. Young Adults (aged 18-24 years): Key messages will include information about gambling-related odds, randomness and outcome control; guidelines to gambling responsibly; signs of problem gambling; and where to go for help within and outside Winnipeg.

In the fall of 2004, we will be conducting focus groups with adults in Manitoba to gather community-based information to determine the most effective and efficient ways of delivering the outlined responsible gaming messages to the citizens of our province.

A FINAL NOTE: THE CHALLENGE OF SOCIAL SCIENCE RESEARCH

There is a common challenge that researchers face when evaluating social science information, like people's ideas and attitudes. They must apply statistical tests to quantify and objectively measure personal perspectives, opinions and experiences. These tests often differ significantly from tests that measure finite information, like height or weight, for example.

YOU CAN LEARN MORE ABOUT
SOCIAL SCIENCE RESEARCH BY
CHECKING OUT THE WEB
CENTER FOR SOCIAL SCIENCE
RESEARCH METHODS AT
<http://www.socialresearchmethods.net/>

YOU CAN LEARN ABOUT
LEVELS OF MEASUREMENT
(I.E. NOMINAL, ORDINAL, ETC.) AT
<http://www.socialresearchmethods.net/kb/measlevl.htm>

To illustrate, when measuring the height of a person, it can be assumed there is equal distance between the points that separate 5 feet from 6 feet. However, the opinions and experiences of people cannot be quantified so easily. For example, the magnitude of difference between strongly disagree, disagree, agree and strongly agree can not be quantified in a way that ensures there is equal distance between one point (disagree) and the remaining points (strongly disagree, agree, strongly agree). This type of information is called ordinal-level.

Statistical tests can be used to rank ordinal-level data (e.g., Kendall's tau-b statistic, Mann Whitney U statistic) but these tests are less powerful and less reliable than tests used when equal distances between points on a scale can be accurately assumed (e.g., Pearson's Correlation Coefficient, Analysis of Variance). While ordinal-level tests give us information about the ordering of categories (high, medium or low for example) the results are less sophisticated as they do not provide a score from which other scores can be added or subtracted to determine an actual numerical difference.

Further, some answers in social science research cannot even be ranked. For example, one cannot rank gender or political orientation as it would be unfair to classify one higher than another. Such information is termed nominal-level data. For questions that contain this type of information, responses can only be categorized so less powerful and less reliable statistical tests are applied (e.g., Chi-Square statistic).

In noting this challenge within social science research, the MGCC acknowledges that inferences that can be drawn to a population from a sample must be considered in the context of the power of the statistical tests used. As ordinal and nominal-level statistical tests were necessarily used in this analysis, the findings must be inferred to the general population with caution.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
MARCH 31, 2004

- 34 Management Report
- 35 Auditors' Report
- 36 Balance Sheet
- 37 Statement of Operations and Surplus
- 38 Statement of Cash Flows
- 39 Notes to Financial Statements

MANAGEMENT REPORT

The Management of the Manitoba Gaming Control Commission is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report which it has prepared.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgments have been made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included herein. The Auditor General has access to the Board of Commissioners, with or without Management present, to discuss the results of their audit and the quality of financial reporting of the Commission.



F.J.O. (Rick) Josephson
Executive Director



Dale Fuga
Chief Operating Officer

June 4, 2004

AUDITORS' REPORT



Office of the Auditor General

500 - 333 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0G4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the balance sheet of the Manitoba Gaming Control Commission as at March 31, 2004 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 4, 2004

BALANCE SHEET

MARCH 31

ASSETS	2004	2003
Current Assets		
Cash	\$ 2,150,345	\$ 202,514
Short-term investments (Note 2b)	436,424	2,548,962
Accounts receivable (Note 3)	1,044,085	35,742
Prepaid expenses	17,765	4,153
	<u>3,648,619</u>	<u>2,791,371</u>
Long Term Receivable – Province of Manitoba (Note 6)	146,079	146,079
Capital Assets (Note 4)	614,163	644,727
	<u>\$ 4,408,861</u>	<u>\$ 3,582,177</u>
LIABILITIES AND SURPLUS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 422,679	\$ 343,588
Deferred revenue (Note 5)	1,799,155	1,206,529
	<u>2,221,834</u>	<u>1,550,117</u>
Provision for employee severance benefits (Note 6)	164,825	153,201
Deferred lease inducements (Note 7)	37,625	48,125
	<u>2,424,284</u>	<u>1,751,443</u>
Surplus	1,984,577	1,830,734
	<u>\$ 4,408,861</u>	<u>\$ 3,582,177</u>

On behalf of the Board:



Director



Director

The accompanying notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS AND SURPLUS

FOR THE YEAR ENDED MARCH 31

The accompanying notes are an integral part of these financial statements.

Revenue	2004	2003
Registration fees	\$ 2,719,242	\$ 2,286,281
License fees	1,274,877	1,310,676
	<u>3,994,119</u>	<u>3,596,957</u>
Expenses		
Salaries and benefits	2,687,701	2,481,039
Legal and professional fees	240,581	308,650
Other expenses (Note 8)	228,692	266,132
Amortization	189,194	191,951
Rent	157,557	149,788
Transportation	127,480	124,306
Communications	102,538	98,451
Supplies and services	68,852	67,763
Commission Board	66,620	121,278
Accommodations	32,372	31,563
	<u>3,901,587</u>	<u>3,840,921</u>
Income (loss) before other items	92,532	(243,964)
Other Items		
Other income	14,800	10,612
Interest income	46,511	53,040
	<u>61,311</u>	<u>63,652</u>
Excess (deficiency) of revenue over expenses	153,843	(180,312)
Surplus, beginning of year, as restated (Note 6)	1,830,734	2,011,046
Surplus, end of year	<u><u>\$ 1,984,577</u></u>	<u><u>\$ 1,830,734</u></u>

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31

	2004	2003
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses	\$ 153,843	\$ (180,312)
Items not involving cash		
Amortization of capital assets	189,194	191,951
Amortization of capital assets related to the Commission Board ..	4,366	4,459
	347,403	16,098
Changes in non-cash working capital balances		
Accounts receivable	(1,008,343)	29,765
Prepaid expenses	(13,612)	(4,153)
Accounts payable and accrued liabilities	79,091	(94,807)
Deferred revenue	592,626	9,889
Provision for employee severance benefits	11,624	9,496
	8,789	(33,712)
Cash Flows from Investing Activities		
Purchase of capital assets	(162,996)	(288,225)
Cash Flows from Financing Activities		
Deferred lease inducements	(10,500)	(10,500)
Increase (decrease) in cash and cash equivalents during the year	(164,707)	(332,437)
Cash and cash equivalents, beginning of year	2,751,476	3,083,913
Cash and cash equivalents, end of year	\$ 2,586,769	\$ 2,751,476
Represented by		
Cash	\$ 2,150,345	\$ 202,514
Short-term investments	436,424	2,548,962
	\$ 2,586,769	\$ 2,751,476

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

1. NATURE OF BUSINESS

The Manitoba Gaming Control Commission was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

b. Short-Term Investments

Short-term investments are carried at cost, which approximates market value. Funds available for short-term investment are invested with the Province of Manitoba, in accordance with Section 55(7) of The Gaming Control Act.

c. Financial Instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

d. Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20% declining balance basis
Furniture and fixtures	10% declining balance basis
Computer equipment	30% declining balance basis

e. Revenue Recognition

Revenue and expenses are recorded on an accrual basis except for license and supplier registration fees, which are recognized on a cash receipt basis.

f. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

3. ACCOUNTS RECEIVABLE	2004	2003
Trade	\$ 9,902	\$ 2,723
Manitoba Lotteries Corporation	1,021,250	20,086
Employee Advances	12,933	12,933
	\$ 1,044,085	\$ 35,742

4. CAPITAL ASSETS	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	\$ 65,453	\$ 42,295	\$ 23,158	\$ 28,947
Furniture and fixtures	297,637	142,323	155,314	170,513
Computer equipment	967,791	532,100	435,691	445,267
	\$1,330,881	\$ 716,718	\$ 614,163	\$ 644,727

5. DEFERRED REVENUE

Deferred revenue consists of registration fees received to be recognized as revenue in the year in which the related expenses are incurred.

6. PROVISION FOR EMPLOYEE SEVERANCE BENEFITS

Effective April 1, 1998, the Commission commenced recording the estimated liability for accumulated severance pay benefits for certain of its employees. The amount of this estimated liability is determined using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 17 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Commission.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Commission's employees. Accordingly, the Commission recorded a receivable of \$146,079 from the Province of Manitoba, which is an amount that is equal to the estimated liability for accumulated severance pay benefits at March 31, 1998. There are no specific terms of repayment for this receivable and there have been no repayments made by the Province to date.

During the current year, it was noted that the receivable from the Province of Manitoba of \$146,079 was reduced in error by \$56,254 in severance pay benefits paid by the Commission in prior years, although the Province of Manitoba had not reimbursed the Commission for the severance amounts paid. The effect of the correction of this error increased the long term receivable from the Province of Manitoba and the surplus by \$56,254, as at March 31, 2003. The financial statements, as at March 31, 2003, have been restated to reflect the error. The following details the restatement of the surplus.

SURPLUS	2004	2003
Balance, beginning of year, as previously stated	\$ 1,774,480	\$ 1,954,792
Adjustment due to correction of an error	56,254	56,254
Balance, beginning of year, as restated	1,830,734	2,011,046
Excess (deficiency) of revenue over expenses	153,843	(180,312)
Balance, end of year	\$ 1,984,577	\$ 1,830,734

7. DEFERRED LEASE INDUCEMENTS

The organization has received lease inducements in the form of a rent-free period of approximately ten months. The benefits arising from these lease inducements are amortized over the term of the lease on a straight-line basis as reductions of rental expense. Rental expense has been reduced by \$10,500 for the period ending March 31, 2004 (\$10,500 in 2003) and an annual reduction in rental expense of approximately \$10,500 is expected for the years 2005 through 2007.

8. OTHER EXPENSES

Other expenses include the First Nations Implementation Team expenses of \$33,336 (\$44,642 in 2003).

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

9. COMMITMENTS

The organization has an operating lease for its premises at \$12,094 per month, under a lease expiring in 2007.

The minimum annual lease payments for the next three years are as follows:

2005	\$ 145,125
2006	145,125
2007	145,125

10. ECONOMIC DEPENDENCE

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees.

11. PENSION PLANS

Substantially all of the employees of the Commission are members of a Money Purchase Pension Plan ("the Plan"), which is a defined contribution pension plan available to all eligible employees of the Commission. Upon retirement, plan members will receive benefits based on contributions made to the Plan during the employees' years of service.

The remainder of the employees are members of the Province of Manitoba's defined benefit Superannuation Pension Fund ("the Fund"). Variances between actual funding estimates and actual experience will be revealed in future valuations which may require an increase in the funding contribution rates.

The Commission matches employees' current pension contributions to both plans. As a matching employer, the Commission discharges its pension liability on a current basis and, therefore, has no additional pension obligation.

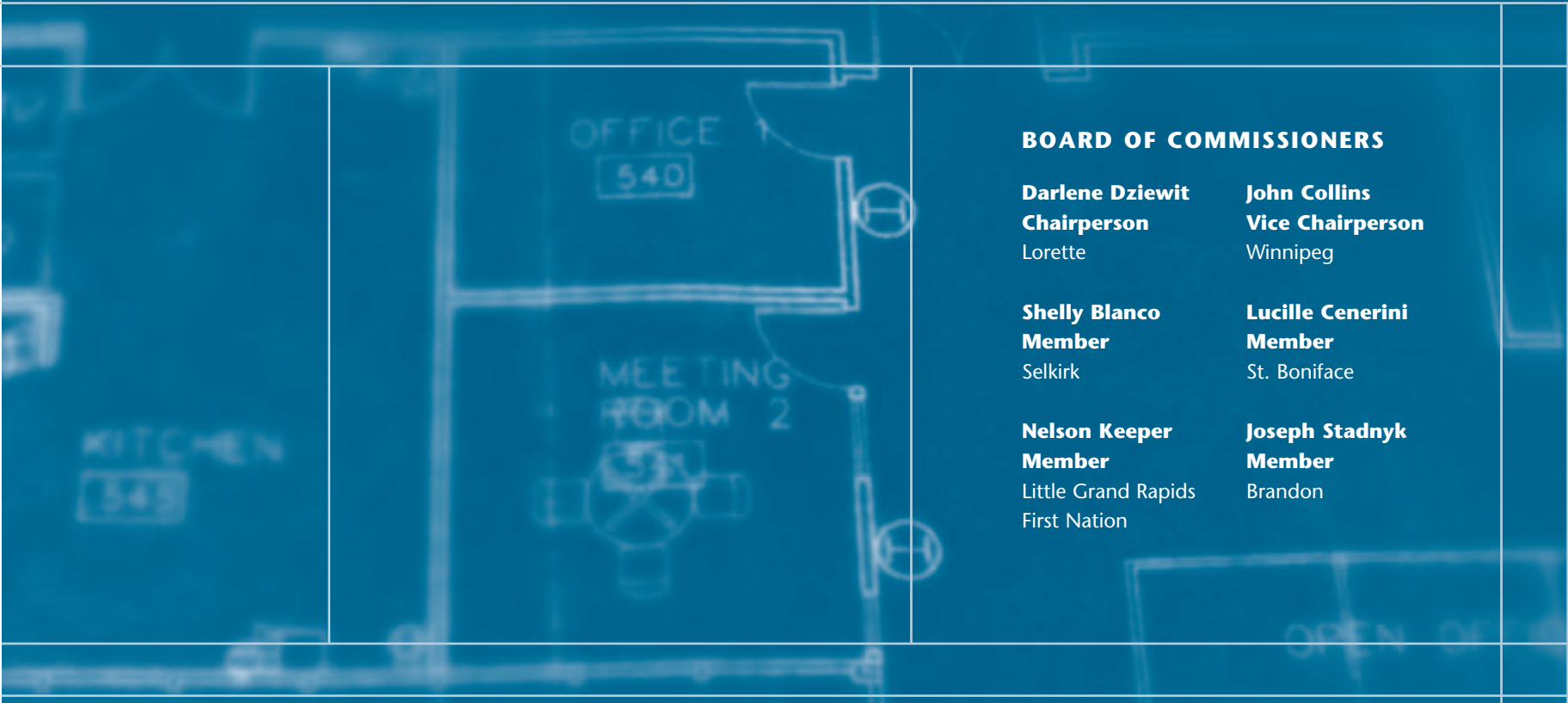
The Commission's portion of contributions to these plans is recognized as operating expenses in the period of contribution. Total contributions for the year are \$102,318 (\$80,946 in 2003).

12. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

13. SUBSEQUENT EVENT

In March 2004, the Minister of Finance, under section 55(13) of The Gaming Control Act, directed the Commission to provide a one-time revenue sharing payment of \$1.0 million to the Province in 2004/05.



BOARD OF COMMISSIONERS

Darlene Dziewit
Chairperson
Lorette

John Collins
Vice Chairperson
Winnipeg

Shelly Blanco
Member
Selkirk

Lucille Cenerini
Member
St. Boniface

Nelson Keeper
Member
Little Grand Rapids
First Nation

Joseph Stadnyk
Member
Brandon



Manitoba Gaming Control Commission

800-215 Garry Street
Winnipeg, Manitoba R3C 3P3
T: 204.954.9400 / 1.800.782.0363
F: 204.954.9450
E: information@mgcc.mb.ca
W: www.mgcc.mb.ca