

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
GAMING POLICY AND ENFORCEMENT BRANCH**

**Status update for George Morfitt's Report on the Organization and
Operation of Horse Racing in BC**

In July 2005, George Morfitt, former Auditor General of British Columbia, delivered a report on the organization and operation of horse racing in the province. The report reviewed the regulatory framework and rules of horse racing, as well as the functions performed by Gaming Policy and Enforcement Branch (GPEB) employees. Information was collected through interviews of key participants in the horse race industry and individuals whose involvement in the industry is regulated by GPEB.

The report focused on three specific areas:

- The authority and functions of GPEB employees at horse race track sites;
- Staff and industry perceptions regarding the authority and functions of GPEB staff; and
- Any issues and concerns raised by industry stakeholders and participants, and GPEB staff.

Attached is Mr. Morfitt's report, including GPEB's response to the report's recommendations. A status report outlining actions taken with regard to these recommendations is also attached.

**George Morfitt's Report on the Organization and Operation of Horse Racing
in BC**

**Status Report of Recommendations from George Morfitt's Report on the
Organization and Operation of Horse Racing in BC**



**HORSE RACING IN BRITISH COLUMBIA:
A CONSIDERATION OF ORGANIZATIONAL
AND OPERATIONAL ISSUES**

REPORT BY GEORGE L. MORFITT, FCA

To Derek Sturko,
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Gaming Policy and Enforcement Branch,
Ministry of Public Safety and Solicitor General,
Government of British Columbia

July 15, 2005

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A. Terms of Reference

At the request of Mr. Derek Sturko, Assistant Deputy Minister/General Manager, Gaming and Enforcement Branch (GPEB), Ministry of Public Safety and Solicitor General, Government of British Columbia, I have undertaken a review of current circumstances regarding GPEB's regulation of the horse racing industry in British Columbia. In particular, I have been asked to focus on:

- The authority and functions of GPEB employees at horse racing track sites;
- Staff and industry perceptions regarding that authority and those functions; and
- Issues and concerns raised by industry stakeholders and participants, or GPEB staff, in that regard.

In accordance with such request, I have:

- Reviewed the current framework of legislation, regulation and rules by and under which GPEB performs its functions;
- Reviewed the authority of, and functions performed by, GPEB in regard to horse racing;
- Interviewed a number of key participants in the horse racing industry;
- Interviewed several individuals whose participation in the horse racing industry is impacted by GPEB's involvement; and
- Reviewed documentation and correspondences pertaining to various horse racing operational matters.

The conducting of this review has been over the period May 1 to July 15, 2005.

This report provides an analysis of findings from my review, and a number of observations and recommendations in respect of those findings.

B. Summary of Recommendations

Horse Racing Division: Independence and Objectivity of Horse Racing Officials

That the GPEB General Manager establish both a code of conduct and conflict of interest guidelines to be accepted and adhered to by the GPEB General Manager, Director of Racing, Stewards/Judges, inspectors and others relating specifically to horse racing operations within the province.

That, to assist in confirming the administrative independence of Stewards/Judges, rules be established by the Racing Division regarding the accessing, by race track licensees and others, of the Stewards/Judges and their offices.

That the bases for, and rationale behind, sanctioning decisions by Stewards/Judges and the Director of Racing be made public along with the decisions taken. In this regard, consideration should be given to posting decisions on a public web site.

That the Racing Division regularly provide the Registration Division on a timely basis with copies of rulings involving penalties or sanctions to licensees.

That, wherever possible, there be defined penalties established for certain offenses, or repeat offenses leading to penalties and sanctions.

Registration and Licensing: Issuing of Licences Prior to Background Checks

That the GPEB General Manager, having regard to existing provisions of the Gaming Control Act and the Rules of Thoroughbred & Standardbred Horse Racing, adjudicate the appropriateness of the issuance of horse racing licences by officials of the Racing Division prior to the registration by the Registration Division of licence applicants.

Registration and Licensing: Determination of Licensing Eligibility

That the Director of Racing provide to both the GPEB General Manager and the Registration Division a monthly report of cases in which a person's licensing suitability could not be resolved between the Director of Racing and the Registration Division and stating the final decision reached in such cases by the GPEB General Manager.

Registration and Licensing: Post Registration and Post Licensing Background Investigation Protocol

That post registration and post licensing background investigations be continued by the Investigation Division as is currently the case, and that they be dealt with in accordance with the current inter-divisional protocol agreement.

Investigations, Inspections and Security: Assignment of Responsibilities

That, subject to any considerations outside the scope of this review, the GPEB General Manager amend the current GPEB organizational structure by having horse racing inspectors employed within the Investigation Division rather than within the Racing Division.

That there be a written protocol between the Investigation Division and the Racing Division in respect of the use of the time and expertise of on-track inspectors.

That a representative of the Investigation Division be invited to be present at any hearings held by the Racing Division determined by either the Investigation Division or the Racing Division to involve alleged violations of the Gaming Control Act and Regulations or the Criminal Code of Canada.

That, taking into account any organizational and operational changes resulting from this report, there be comprehensive written protocols, each approved by the GPEB General Manager, between and among the Racing Division, Investigation Division and Registration Division, and Services Providers, regarding their respective roles, responsibilities and reporting of inspections and investigations, and the actions resulting therefrom.

Qualifications and Training of Personnel

That, for all GPEB and Services Provider personnel involved in horse racing activities:

- Job descriptions and policies and procedures manuals be established or updated to reflect current circumstances as may be adjusted by implementation of recommendations included in this report;
- Orientation and information sessions be provided, on a periodic basis and at least annually, for the purpose of explaining, clarifying and discussing respective roles and responsibilities;
- Job performance reviews be performed on at least an annual basis that will, in part, identify personnel education and training requirements and deficiencies;
- A program of education and training be instituted to address any current deficiencies and to generally upgrade job knowledge and skills.

C. Establishment of Current Government Management Structure

In September 2001, the Ministry of Public Safety and Solicitor General, Government of British Columbia, announced a restructuring of gaming in British Columbia. The five agencies previously responsible for gaming, including the BC Racing Commission, were consolidated into two – the Gaming Policy and Enforcement Division (now “Branch”) under the Ministry of Public Safety and Solicitor General, and the BC Lottery Corporation.

At the same time, the BC Racing Commission was replaced with three senior government staff, chaired by the then Acting Deputy Solicitor General. Subsequently, in 2002, the GPEB Assistant Deputy Minister/General Manager of GPEB assumed the responsibilities of this three-member group.

In September 2001, it was further announced that GPEB responsibilities would include policy, standards, regulation, licensing and enforcement for all gaming sectors. The BC Lottery Corporation’s responsibilities would be to conduct and manage lotteries, casinos, bingo halls and horse racing. This BC Lottery Corporation responsibility for horse racing was, in the end, not implemented.

The Gaming Control Act confirming this new structure was assented to in April, 2002, with attendant Regulations issued in August of that year. Also proclaimed in August, 2002, were the Rules of Thoroughbred & Standardbred Horse Racing in British Columbia.

In 2001, horse racing interests in British Columbia operated seven horse-racing tracks and 21 operational teletheatre outlets. Gross revenues from pari-mutuel betting on horse racing were some \$210 million of the \$2 billion total gaming revenue.

Recent estimates indicate that there are some 5,000 licensed owners, jockeys, drivers, trainers, grooms and exercise persons participating in approximately 200 days of live horse racing per year in British Columbia.

D. Gaming Policy and Enforcement Branch

The purpose and scope of GPEB is described in Part 4 of the Gaming Control Act, assented to in April, 2002. Section 23 of Part 4 of the Act – reaffirmed in GPEB’s recent annual service plans – states that GPEB “is responsible for the overall integrity of gaming and horse racing”.

In its service plan, GPEB states that it “regulates all gaming in British Columbia, ensures the integrity of people and equipment involved in the gaming industry, and investigates allegations of wrongdoing”. It does this through, in part: developing and managing gaming policy, legislation and standards; regulation; licensing; registration; auditing; and investigations. As well it “oversees horse racing events, determining the outcome of each race and adjudicating any related matters”.

GPEB consists of seven divisions, three of which have direct relation to this review. The Racing Division regulates the conduct of horse racing and ensures that government policies, legislation and the rules of racing are followed at all horse racing facilities in British Columbia. The Registration Division conducts mandatory background checks to determine the suitability of potential employees and Services Providers for participation in the gaming industry. The Investigation Division investigates all gaming related complaints and allegations of wrongdoing; it gathers intelligence, conducts investigations into regulatory offences, and assists law enforcement and other agencies with investigations.

As noted above, prior to the 2001 administrative reorganization of gaming by the provincial government, horse racing had its own racing commission. Many within the horse racing industry, both in British Columbia and across Canada, believe having such a provincial commission provides the best form of administration – establishing knowledgeable commissioners who are concerned with horse racing matters only, and are not “swallowed up” by issues related to other forms of gaming.

These considerations were present in 2001 but, in the provincial government’s view, were outweighed by the need to consolidate the administration of gaming in the province. The issues addressed in this report are not substantively affected by the presence or absence of a separate racing commission. However, the recommendations made herein reflect the importance of the role of the GPEB General Manager in providing effective oversight and leadership in regard to the horse racing industry in British Columbia.

E. Overall Integrity of Horse Racing

Personal and organizational ethics and integrity are cornerstones to the successful provision of services to the general public. Without the exercise of ethical conduct by those who provide service there is no trust by those being served.

Underpinning ethical conduct is the establishment of such measures as:

- Codes of conduct, including conflict of interest guidelines;
- Independent scrutiny – external reviews, audit; and
- Education through guidance and training.

E.1 Inter-relationship of Horse Racing and Gaming

Horse racing on which there is pari-mutuel betting by the public has, for a great many years, been an important aspect of gaming in British Columbia. For a long time it was one of the few legitimate forms of public gaming in the province. However, now it must compete with other forms of gaming, such as is offered by lotteries and casinos.

Some persons operating within the horse racing industry take the view that horse racing is first and foremost a sport – a unique and exciting sport – to which is attached a public betting process. They believe that the special nature of the sport must necessarily be taken into account when developing and implementing an administrative framework with its attendant policies and procedures. Others operating within and outside the industry generally agree with this view as it relates specifically to the conduct of horse races, but not necessarily in respect of the establishment and maintenance of the integrity of all the many aspects of horse racing operations.

It used to be that horse racing in British Columbia was operated by owners (Services Providers) having no direct interest in other forms of public gaming. This is no longer the case, with some Services Providers now operating more than one form of gaming at the same or adjoining physical locations. This reality has accentuated the need to require that personal and organizational ethical conduct is of consistently high standard across all aspects of gaming, including horse racing, in the province.

While it may be that there exists a recognized national or international standard of conduct for those involved in horse racing, it is, nevertheless, not appropriate that the uniqueness of horse racing be cited as a reason for applying, to the industry in British Columbia, standards of personal or organizational conduct that are inconsistent with other aspects of gaming.

E.2 Integrity – Aligning Perception with Reality

There are, indeed, many unique aspects of the various operations comprising the horse racing industry. They involve the employment of a wide spectrum of human, animal and other resources in breeding, training and racing activities. Adding to this uniqueness is the overarching presence of pari-mutuel betting.

Much has been done over the years to ensure that horse racing in British Columbia is conducted in an honest, forthright and transparent manner. It is necessary to affirm with persons participating in the industry and the general public, on a continuing basis, that such is the case. Unfortunately, in the minds of many, horse racing still suffers from strategic operational shortcomings, including:

- Inadequate application and enforcement of registration and licensing standards;
- Lack of independence and consistency in the imposing of penalties and sanctions;
- Insufficient degree of operational and, in some cases, personal independence between and among the Director of Racing, Stewards/Judges, inspectors and others involved in the conduct of horse racing;
- Inadequate communication of administrative decisions taken, and of the bases for those decisions; and

- Acceptance by racing officials of inappropriate on-site conduct by personnel involved in the training and racing of horses.

These issues are reviewed in the discussion below.

F. Horse Racing Division

The GPEB Racing Division is headed by the Director of Racing. Reporting to the Director of Racing are the Senior Steward, the Senior Judge, and the Senior Inspector. The Director of Racing in turn reports to the GPEB General Manager.

Each of these officers has a distinct role and responsibilities, and together they, with their staff, administer horse racing throughout the province. Assisting in this administration are the staff of the GPEB Registration and Investigation Divisions. For the benefit of horse racing, it is essential that these three divisions work together in a supportive and harmonious manner.

F.1 Independence and Objectivity of Horse Racing Officials

The GPEB General Manager and each of the senior officials and staff within the Racing Division have their separate responsibilities relating to the effective conduct of horse racing in the province. The actions of these officials have a direct bearing on whether or not the legitimate interests of various stakeholders, including licensed horse owners and track personnel, Services Providers and the general public, are being properly served.

Additionally, certain decisions taken by some officials may, under legislation or regulation, be subject to review by other officials. Consequently, it is essential that the actions taken and decisions made by all officials in the conduct of their duties be, and be seen to be, carried out in a manner that is both independent and objective.

This is not considered by many to be the case at present. Issues seen to affect independence and objectivity as cited during the course of my review include: personal and/or family relationships among officials, staff and other licensees; insufficient degree of job separation among various levels of officials; and an uneven degree of access by licensees to officials.

Partly as a result of the perception by many that the independence and objectivity of officials is compromised, sanctioning decisions taken by Stewards/Judges, and decisions made on appeal by the Director of Racing, are often viewed as inconsistent, inappropriate and reflective of bias. This perception is compounded by the fact that the bases for, and rationale behind, decisions taken are not routinely made public. This has the effect of compromising the integrity and transparency of the process.

Further, there is a view expressed that there are not enough defined penalties for certain offenses or repeat offenses, and as a result there is too much Steward/Judge discretion in the determination of penalties and sanctions.

There are a large number of rulings handed down each year by the Stewards/Judges and the Director of Racing concerning horse racing infractions of various kinds and degrees of severity. While these rulings are posted at the race track and provided to various racing officials, copies are not regularly provided to the Registration Division on a timely basis. Timely receipt of such information would be helpful to the Registration Division in its performing of background checks of applicants and licensees.

Recommendations:

That the GPEB General Manager establish both a code of conduct and conflict of interest guidelines to be accepted and adhered to by the GPEB General Manager, Director of Racing, Stewards/Judges, inspectors and others relating specifically to horse racing operations within the province.

That, to assist in confirming the administrative independence of Stewards/Judges, rules be established by the Racing Division regarding the accessing, by race track licensees and others, of the Stewards/Judges and their offices.

That the bases for, and rationale behind, sanctioning decisions by Stewards/Judges and the Director of Racing be made public along with the decisions taken. In this regard, consideration should be given to posting decisions on a public web site.

That the Racing Division regularly provide the Registration Division on a timely basis with copies of rulings involving penalties or sanctions to licensees.

That, wherever possible, there be defined penalties established for certain offenses, or repeat offenses leading to penalties and sanctions.

G. Registration and Licensing

Under the provisions of Section 45 of the Gaming Control Act, persons must hold a horse racing licence if they wish to hold a race meeting, or manage or operate a race track, horse racing teletheatre or designated race horse centre, or wish to aid in, enter in, judge, start, race in, drive in or ride in a horse race or “do any other act in any way related to horse racing” (subject to certain limited exemptions under regulation). The term of a horse racing licence for gaming workers must not exceed 3 years and, for gaming services providers, must not exceed 5 years (Regulation 23).

Section 46 of the Gaming Control Act authorizes the GPEB General Manager to issue or renew, or refuse to issue or renew, or impose conditions on, horse racing licences. By the provisions of Chapter 2, Part 1 of the Rules of Thoroughbred & Standardbred Horse Racing, this authority is delegated to the Director of Racing and the Stewards/Judges.

Section 3(1) of Chapter 2, Part 1 of the Rules of Thoroughbred & Standardbred Horse Racing states that a licence will not be issued to any person who is not registered with GPEB. Section 6(1) states that the Director of Racing or Stewards/Judges may suspend, cancel, restrict, limit or place conditions on, or refuse to issue or renew a

licence to any person who has been denied registration by GPEB. Note that these two sections appear to be inconsistent as the actions authorized by Section 6(1) are permissive while that set out in Section 3(1) is not. This has relevance to the present registration and licensing process.

Currently, when a person applies to the Stewards/Judges for a licence, the applicant, if considered qualified from a competency perspective, is issued a temporary time-limited licence (with or without restrictions). The application is then forwarded to the GPEB Registration Division for the conducting of a background check. The Registration Division is responsible for conducting such checks in respect of licence applicants in all aspects of gaming, including horse racing. The work of the division is guided by the principle that the integrity of gaming must be both maintained and be seen to be maintained.

The Registration Division has established guidelines for refusal of certification of an applicant as a gaming or horse racing worker registrant. For aspects of the gaming industry other than horse racing, the Registration Division is the determiner (subject to appeal) as to whether or not an applicant is registered and licensed. In respect of horse racing, the Registration Division conducts the background investigation and provides a finding to the Director of Racing who may or may not decide to proceed in a manner consistent with the finding. In the latter case, pursuant to a protocol between the Racing and Registration Divisions, discussion is to be held between the Director of Racing and Racing Division officials; if consensus is not reached, then the matter is to be referred to the GPEB General Manager for decision.

G.1 Issuing of Licences Prior to Background Checks

As indicated above, temporary time-limited licences currently are issued to applicants deemed acceptable by the Stewards/Judges prior to the conducting by the Registration Division of a background check. It is the intention of horse racing to, in future, issue permanent licences in similar circumstances to persons renewing licences so as to achieve efficiencies in licence processing and renewals. The licence, whether temporary or permanent, may be withdrawn if it is later determined that the applicant is unacceptable.

It is effectively argued that it is necessary to issue licences in a timely fashion, often before the completion of background checks as, due to the nature of horse racing, many licensing decisions involve last-minute track arrivals and need to be made in short order. The issuance of licences is seldom made in a vacuum, as for most applicants a check of both their horse racing involvement in other jurisdictions and their criminal record may be undertaken expediently by racing staff.

Nevertheless, the issuing of licences prior to the completion of background checks appears to be in contravention of both Section 67(1) of the Gaming Control Act and Section 3(1) of Chapter 2, Part 1 of the Rules of Rules of Thoroughbred & Standardbred Horse Racing. These sections indicate that a person must be registered with GPEB before a licence is issued.

Recommendation:

That the GPEB General Manager, having regard to existing provisions of the Gaming Control Act and the Rules of Thoroughbred & Standardbred Horse Racing, adjudicate the appropriateness of the issuance of horse racing licences by officials of the Racing Division prior to the registration by the Registration Division of licence applicants.

G.2 Determination of Licensing Eligibility

It is the view of officials of the Racing Division that the uniqueness and relative complexity of the horse racing industry necessitates that there be a spectrum of unconditional and conditional alternatives when it comes to the registration and licensing of race track personnel. Many of those working in the backstretch are persons with difficult or unfortunate life experiences who, with proper supervision, are considered important assets to the track operations. It is argued that the Registration Division criteria for licensing are too “black and white” and are more appropriate for application to other gaming operations.

While the position of the Racing Division in this regard has merit, particularly when considering the current economic needs of the horse racing industry, there are some important contrary considerations to its position:

- It is essential to the success of horse racing, as part of the overall gaming industry, to be, and be seen to be, adhering to the same comprehensive standards of ethics and integrity as the rest of the industry;
- Most, if not all, personnel employed in the backstretch have regular access to the essential elements of horse racing, including horses and the products they ingest, that affect directly the outcome of a race;
- The employment of persons under special conditions such as imposed monitoring supervision has, in itself, a dampening effect on the ability to attract others who are not comfortable working in such an environment.

In reviewing the Registration Division guidelines for refusal of applicant registrations, they appear to be reasonably applicable to all persons applying for registration in the horse racing industry.

The licensing and registration process for horse racing participants specifies that the making of the decisions as to the suitability of persons to be licensed and registered is to be the responsibility of the Director of Racing, having regard to the findings of the Registration Division resulting from its background investigations. Also, as previously outlined, in those cases where the Director of Racing is inclined to proceed in a manner not consistent with a finding, the issues are to be reviewed with registration officials “to evaluate and confirm the facts, concerns and opinions and to obtain consensus on the matter”. Should the issue remain unresolved, the matter is to then be referred to the GPEB General Manager for decision.

This process appears to be a reasonable one so long as it is properly followed, and full consideration is given to Registration Division findings by the Director of Racing (following discussion with registration officials as agreed) and, in unresolved

circumstances, with the GPEB General Manager. Additionally, it would be appropriate for the Registration Division to be advised of the final disposition of such matters.

Unfortunately, I am advised that this consultative process is not being followed in full measure, resulting in some frustration among Registration Division officials.

Recommendation:

That the Director of Racing provide to both the GPEB General Manager and the Registration Division a monthly report of cases in which a person's licensing suitability could not be resolved between the Director of Racing and the Registration Division and stating the final decision reached in such cases by the GPEB General Manager.

G.3 Post Registration and Post Licensing Background Investigation Protocol

The Investigation Division conducts post registration and post licensing background investigations of registrants/licensees. It does this recognizing that licensee circumstances are ever changing over each multi-year licensing period and that, consequently, those changes must be periodically identified and investigated.

As described in a protocol agreement between the GPEB Racing and Investigation Divisions, at the conclusion of these investigations the Investigation Division is to submit a Report of Findings simultaneously to both the Racing Division and Registration Division for appropriate administrative decisions. If the Registration Division has any concerns regarding the Report of Findings, the Registration Division is to forward a letter to the Racing Division outlining its concerns and views.

Should the Racing Division be inclined to proceed in a manner not consistent with the Registration Division's views, there is to be consultation between the divisions and, if the issue remains unresolved, the matter is to then be referred to the GPEB General Manager for decision. This process is similar to that followed in respect of initial registrations.

Both the Registration and Investigation Divisions are adamant that post registration and post licensing investigations should be undertaken by the Investigation Division, given that licensee circumstances are ever-changing and must be continually monitored. The Racing Division is not in agreement with this position, as it is of the view that the Racing Division should be the only decision maker regarding post registration/licensing investigations.

I am in agreement with the position taken by the Registration and Investigation Divisions. Certainly, the personal or corporate circumstances of licensees is ever changing, and so it is appropriate for the Investigation Division to undertake post registration/licensing investigations on a periodic basis.

Recommendation:

That post registration and post licensing background investigations be continued by the Investigation Division as is currently the case, and that they be dealt with in accordance with the current inter-divisional protocol agreement.

H. Investigations, Inspections and Security

Legislation pertaining to gaming audits, inspections and investigations is contained in Division 1, Part 9 of the Gaming Control Act. Sections 78 and 79 pertain to inspectors and inspector powers, and Sections 80 and 81 to background and other investigations. Sections 26 and 27 of the Gaming Control Regulations set out the categories of personnel subject to background investigations.

H.1 Communications Between and Among Responsible Parties

An effective inspection and investigation program is essential to maintaining and enhancing the integrity of horse racing in British Columbia. To be effective, the various parts of the program must complement each other, and together provide the coverage needed.

From what I have been advised, communication and consultation between and among the parties responsible for inspection, investigation and security is, at present, seriously deficient:

- Not all criminal matters are being reported, or reported in a timely fashion, by the Stewards/Judges to the Investigation Division;
- Security personnel employed by the Services Providers are reporting incidents directly to the Stewards/Judges and leaving it to the Stewards/Judges to determine if any incident should be reported to the GPEB Investigation Division;
- There is insufficient communication between inspectors and security personnel;
- The Investigation Division is not informed of the disposition of matters reported to the Racing Division;
- There is said to be insufficient reporting by the Investigation Division to officials of the Racing Division and other interested parties as to what horse racing matters are being investigated and the results of completed investigations;
- Inspectors often report directly to the Stewards/Judges, and the Senior Inspector may not be apprised of all such reports;

Each of these groups has a good understanding of their roles and responsibilities in relation to the undertaking of inspections and investigations. However, an appreciation of and respect for one another's roles and responsibilities, and of the need to work together to maintain and strengthen the integrity of horse racing, appears to be severely lacking at this time.

H.2 Assignment of Responsibilities

GPEB Investigation Division

The GPEB Investigation Division investigates and reports on all incidents occurring in any aspect of gaming, including horse racing, which may represent violations of the Gaming Control Act and Regulations or the Criminal Code of Canada. In respect of horse racing, such incidents may come to the attention of the division from a variety of sources, including the Stewards/Judges and the Services Provider. All investigators currently in this division are special provincial constables.

The Investigation Division is directly responsible for its activities and results to the GPEB General Manager.

Stewards/Judges and Inspectors

Under the provisions of Chapter 3, Part 1 of the Rules of Thoroughbred & Standardbred Horse Racing, the Stewards/Judges have comprehensive responsibility for the proper conduct of race meetings. This responsibility extends to having “control and jurisdiction over all matters arising out of a race meeting whether the matters arise before, during, or after the end of the race meeting”.

In respect of the disciplinary powers of Stewards/Judges, Chapter 3 provides for their conduct of investigations and imposition of penalties against licensees. They are to investigate promptly and render a decision in respect to every protest, objection, complaint, or dispute made to them, and they may impose any of a variety of penalties set out in the rules.

The Stewards/Judges have several inspectors to assist them in carrying out their investigative duties. These inspectors are employed by the GPEB Racing Division and, while operationally responsible to the Director of Racing, take regular instruction from Stewards/Judges as well. Racing Division officials decide on the disposition of matters reported, including whether or not they are reported to the GPEB Investigation Division.

Several people interviewed in the course of this review commented on perceived deficiencies in the current inspection regime:

- Stewards/Judges are essentially adjudicators and not formally trained to oversee inspections or investigations;
- Incidences that are, or may be, of a criminal nature are reported to the Investigation Division only at the discretion of Racing Division officials;
- Inspectors employed by the Racing Division are not sufficiently trained in such procedures as the formal taking of evidence, seizing of material, etc.

While it is important that inspection incidents be reported on a timely basis to the Stewards/Judges or the Director of Racing, it may be appropriate that such reporting be done by inspectors employed as personnel within the Investigation Division rather than within the Racing Division, as I understand is the case in Ontario. This would have the advantage of:

- Integrating inspection and investigation activities within the Investigation Division;
- Having the Investigation Division, rather than the Racing Division, be the determiner of which offenses are violations of the Gaming Control Act and Regulations, the Criminal Code of Canada, or other relevant statutes;
- Placing these activities at arms length from the Racing Division officials, who would nevertheless remain responsible for imposing horse racing-related penalties and sanctions as deemed appropriate;
- Integrating and expanding the training of inspectors and investigation personnel.

Should the inspectors become personnel within the Investigation Division, it is essential that there be timely communications between the Investigation Division and the Racing Division regarding reported incidences, and actions resulting therefrom, in

order that the Racing Division may properly fulfill its jurisdictional and disciplinary responsibilities as set forth in the Rules of Thoroughbred & Standardbred Horse Racing.

Also, given the importance of gaming investigations, it would appear appropriate for Investigation Division officials to have a physical operational presence at gaming venues that include horse racing facilities. This is particularly necessary if the Investigation Division is to be inclusive of inspectors.

Recommendation:

That, subject to any considerations outside the scope of this review, the GPEB General Manager amend the current GPEB organizational structure by having horse racing inspectors employed within the Investigation Division rather than within the Racing Division.

That there be a written protocol between the Investigation Division and the Racing Division in respect of the use of the time and expertise of on-track inspectors.

That a representative of the Investigation Division be invited to be present at any hearings held by the Racing Division determined by either the Investigation Division or the Racing Division to involve alleged violations of the Gaming Control Act and Regulations or the Criminal Code of Canada.

Services Providers and Their Security Personnel

The Services Providers within the horse racing industry employ security personnel at their racetrack facilities.

Section 86(2) of the Gaming Control Act includes the requirement that a registrant (such as a Services Provider) notify the GPEB General Manager immediately about any conduct, activity or incident occurring in connection with horse racing if that registrant considers that the conduct, activity or incident involves or involved the commission of an offence under the Gaming Control Act or Regulations or the Criminal Code. Section 91 of the Act further requires a Services Provider to remove any person from a horse racing facility if the Services Provider has reasonable grounds to believe that the person is unlawfully on the premises, is on the premises for an unlawful purpose, or is contravening the law on the premises.

In order to be able to effectively carry out these legislated responsibilities, it is necessary that a Services Provider be informed by inspectors, investigators and its own security personnel as to incidences and their disposition that are, or may be, offences under the Gaming Control Act or Regulations or the Criminal Code. Currently, there is no process in place to ensure that Services Providers are comprehensively receiving such information. This includes incidence reports currently provided by security personnel to Stewards/Judges and, on limited occasion, to the Investigation Division.

Also, it is appropriate that the Services Provider advise both the Investigation and Racing Divisions of matters reported under Section 86(2) of the Gaming Control Act.

Recommendation:

That, taking into account any organizational and operational changes resulting from this report, there be comprehensive written protocols, each approved by the GPEB General Manager, between and among the Racing Division, Investigation Division and Registration Division, and Services Providers, regarding their respective roles, responsibilities and reporting of inspections and investigations, and the actions resulting therefrom.

H.3 Protocol Between the Racing and Investigation Divisions

As previously mentioned, to assist cooperation and coordination between the GPEB Racing and Investigation Divisions, they have agreed to an inter-divisional protocol agreement. Under the protocol, the Racing Division is to forward all real or suspected violations of the Gaming Control Act and Regulations, the Criminal Code or other statutes to the Investigation Division for investigation, except minor infractions encompassed in the horse racing rules. The Investigation Division, on its part, is to submit its Reports of Findings to the Racing and Registration Divisions. The protocol thus attempts to clarify spheres of authority and responsibility and resulting communications between the divisions.

In speaking with officials of the GPEB divisions, it is apparent that there is not a complete acceptance of, and agreement with, the roles and responsibilities of the divisions as reflected in the current protocol. Consequently, there has not been a comprehensive implementation of the terms of the protocol agreement.

I. Qualifications and Training of Personnel

It is important that those involved in horse racing operations have a sound knowledge and understanding of their particular roles and responsibilities and how they contribute to the achievement of an effective and successful horse racing industry. It is equally important that personnel have the necessary education and training to be able to properly carry out their responsibilities.

In my discussions, it appears that, particularly for GPEB and Services Provider personnel employed in the areas of inspection and security, their education and training has not been, and is not currently, sufficient. Views have been expressed that there is an unclear understanding of individual and collective roles and responsibilities as a consequence of there being inadequate job descriptions, job orientation and/or policies and procedures manuals. Additionally, there well may be inadequacies in the competencies of certain personnel to be able to properly carry out their duties.

Recommendation:

That, for all GPEB and Services Provider personnel involved in horse racing activities:

- **Job descriptions and policies and procedures manuals be established or updated to reflect current circumstances as may be adjusted by implementation of recommendations included in this report;**

- **Orientation and information sessions be provided, on a periodic basis and at least annually, for the purpose of explaining, clarifying and discussing respective roles and responsibilities;**
- **Job performance reviews be performed on at least an annual basis that will, in part, identify personnel education and training requirements and deficiencies;**
- **A program of education and training be instituted to address any current deficiencies and to generally upgrade job knowledge and skills.**

J. Concluding Remarks

Horse racing in British Columbia is an important industry, being a large employer and a significant component of the larger gaming industry. Consequently, it is in the interest of all British Columbians that horse racing be effectively and efficiently managed.

The findings and recommendations in this report are intended to assist the Gaming Policy and Enforcement Branch in strengthening several aspects of horse racing organization and administration. In undertaking this strengthening, it will be important for Branch and Services Provider officials and staff to work cooperatively and well in order to ensure needed improvements are soon realized.

Respectfully submitted,

George L. Morfitt, FCA

Recommendation	Response	Status	Necessary Actions
ADM/GM to establish a code of conduct and conflict of interest guidelines (affecting the ADM/GM, Director of Racing, Stewards/Judges, inspectors and others) relating to horse racing operations in the province.	Agreed	Completed	N/A
Racing Division to establish rules regarding the access, of race track licensees and others, to the Stewards/Judges and their offices.	Agreed, especially in regard to judges, which may involve a relocation of their office and/or a sign to notify licensees with respect to access.	Completed	N/A
The bases for, and rationale behind, sanctioning decisions, and the decisions, by Stewards/Judges and the Director of Racing be made public.	Agreed	Completed	N/A
Post sanctioning decisions on the web site.	Agreed	Completed	Ongoing
Racing Division to provide Registration Division with regular, timely copies of rulings involving penalties or sanctions.	Agreed	Completed	N/A
Wherever possible, define penalties and sanctions for offences or repeat offences.	Agreed, but will draft these as guidelines with some flexibility.	Completed	N/A

Issuing of Licenses Prior to Background Checks

Recommendation	Response	Status	Necessary Actions
The ADM/GM to adjudicate on the appropriateness of the issuance of horse racing licenses by officials of the Racing Division prior to applicants' registration by the Registration Division.	Agreed - will now issue a temporary barn pass pending registration. Rules of Horse Racing to be amended as necessary.	Completed	N/A

Determination of Licensing Eligibility

Recommendation	Response	Status	Necessary Actions
The Director of Racing to provide both the ADM/GM and the Registration Division with a monthly report of cases in which a person's licensing suitability could not be resolved between the Racing and Registration divisions and stating the final decisions reached by the ADM/GM.	N/A, Registration now makes the final decision regarding licensing.	Completed	N/A

Post Registration and Post Licensing Background Investigations

Recommendation	Response	Status	Necessary Actions
Post-registration and post-licensing background investigations continue to be performed by the Investigation Division, in accordance with the current inter-divisional protocol agreement.	Agreed – Investigation Division will continue to address criminal matters. Protocol will be strengthened.	Completed, no change in functions.	N/A

Investigations, Inspections and Security: Assignment of Responsibilities

Recommendation	Response	Status	Necessary Actions
<p>The ADM/GM to amend GPEB organizational structure to have horse racing inspectors in Investigation Division, rather than Racing Division.</p>	<p>Agreed with the intent, but not the approach. Role of inspectors to be clarified and separated from the role of judges and stewards. New Chief Racing Inspector position to be established. A reassignment of responsibilities between divisions is not necessary as roles and responsibilities will be clarified.</p>	<p>Completed, except Chief Racing Inspector position not finalized, classified, excluded or staffed.</p>	<p>HR working on finalizing position, competition for, and hiring of Chief Racing Inspector forthcoming</p>
<p>Establish a written protocol between the Investigation and Racing divisions regarding the use of on-track inspectors' time and expertise.</p>	<p>Agreed</p>	<p>Completed</p>	<p>N/A</p>
<p>Investigation Division to be invited to any Racing Division hearings which either division determines involve alleged violations of the Gaming Control Act and Regulations or the Criminal Code.</p>	<p>Agreed</p>	<p>Completed</p>	<p>N/A</p>
<p>The ADM/GM to approve written protocols between and among the Racing Division, Investigation Division and Registration Division, and Services Providers. The protocols should: (1) reflect any organizational and/or operational changes which are implemented; (2) outline each group's roles, responsibilities and reporting regarding inspections and investigations; and (3) outline the resulting actions and process.</p>	<p>Agreed - will produce protocols between: Racing Division and Registration Division; Racing Division and Investigation Division; and Racing Division and horse racing service providers. Will also produce a protocol between Racing Division judges/steward and Racing Division inspectors.</p>	<p>Completed</p>	<p>N/A</p>

For all GPEB and Services Provider personnel involved in horse racing:

Recommendation	Response	Status	Necessary Actions
Job descriptions and policy & procedure manuals be established or updated to reflect current circumstances and any implemented recommendations in this report;	Clarify GPEB job descriptions	Completed	N/A
	Clarify Service Provider job descriptions	Completed	N/A
	Develop policy & procedure manuals	Incomplete	Policy and procedures manual to be written
Orientation and information sessions be provided, on a periodic basis and at least annually, for the purpose of explaining, clarifying and discussing respective roles and responsibilities;	Agreed – GPEB and service provider positions.	Completed	Ongoing
Job performance reviews be performed on at least an annual basis that will, in part, identify personnel education and training requirements and deficiencies;	Agreed – GPEB and service provider positions.	Completed	Ongoing
A program of education and training be instituted to address any current deficiencies and to generally upgrade job knowledge and skills.	Agreed – GPEB staff receiving formal training (Justice Institute) and service provider training for security position part of their job description qualifications	Completed	Ongoing

Recommendation	Response	Status	Necessary Actions
Initiate a three year enhancement strategy for backstretch personnel that includes developing a code of conduct and appropriate training programs.	Need a coordinated approach involving GPEB, Great Canadian Gaming Corporation, and track service providers.	Have discussed with GCGC and service providers and all Agreed with necessity. Need to develop strategy (GPEB led).	Develop an organized approach to Raising the Bar at tracks