



SG OPERATING STANDARDS FINANCIAL PROCESSING EFFECTIVE DATE: SEPTEMBER 1, 2022

OVERVIEW

The relationship between the Ohio Lottery Commission (Lottery) and a Lottery Sports Gaming Proprietor (LSGP) is one of trust. A LSGP collects funds on behalf of the Lottery through lottery sports gaming sales from which an LSGP receives a share of the revenue.

REFERENCE DOCUMENTS

Ohio Revised Code [3770.071, .072, & .073](#)

Ohio Revised Code [3770.21](#)

Ohio Revised Code [5747.064](#)

Ohio Administrative Code [3775-16-06](#) Reserve funds

Ohio Administrative Code [3770:3-7-02](#) Tickets

Ohio Administrative Code [3770:2-8-04](#) Responsibilities of excluded facilities under the jurisdiction of the Ohio Lottery Commission

Lottery Sports Gaming - Type C Sports Gaming Proprietor Services Contract

STANDARDS

Business Day – The LSGP business day runs from 12:00:00 am to 11:59:59 pm with wager processing permitted 24 hours a day.

Business Week – The LSGP business week will run from Sunday to Saturday as communicated to the LSGP with wager processing capability 24 hours a day.

Reserve Funds – An LSGP shall maintain (subject to Lottery approval) reserve funds sufficient to cover all winning wagers. The LSGP shall propose a minimum level and shall describe the methodology for calculating and adjusting the minimum. The funds must be held separate from operational funds and must be able to at minimum cover the sum of all amounts accepted by an LSGP on sporting events whose outcomes have not yet been determined, money owed but unpaid by the LSGP to players on winning wagers, and the funds currently held for player accounts. Reserve Funds must comply with OAC 3775-16-06.

Promotional Credits – An LSGP may offer promotional credits, also known as approved promotional credits, as authorized by the Lottery. Parameters for the request, approval, budget, reporting, etc. are outlined in the [Promotional Program](#) operating standard.

Lottery Sports Gaming Prize Payment – The LSGP is required to provide a solution for prize cashing programs through host locations and mail redemption. This includes payment for both non-reportable and reportable prizes. The LSGP may present additional prize cashing options for review and approval by the Lottery.

The LSGP is also required to follow section 6041 of the Internal Revenue Code for W-2G reporting



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guidelines with respect to lottery sports gaming prize payments. Pursuant to Ohio Revised Code (ORC) [3770.072](#) and [5747.064](#), prize awards which are reportable under section 6041 of the Internal Revenue Code are subject to State of Ohio tax withholding. An LSGP shall deduct and withhold Ohio income tax, and federal income tax, from a player's reportable prize award if the necessary taxable thresholds have been met. The LSGP is responsible for withholding the appropriate state and federal taxes for applicable reportable prizes. The LSGP is responsible for directly reporting and paying taxes withheld to the State and Federal agencies and for providing appropriate W-2G forms to winners of reportable prizes and appropriate 1099 forms to eligible host locations.

Pursuant to OAC 3770:2-8-04, any reportable prize submitted for payment, is required to be verified first in the LSGP electronic systems using the current Ohio VEP data. If a claimant included in the data is an Ohio Voluntary Excluded Patron (VEP), the prize will be surrendered to the Ohio Lottery.

Pursuant to ORC 3770.071 and 3770.073, the LSGP is required to intercept (withhold) from the reportable prize payments for amounts owed to both the child support enforcement agency and the State of Ohio. The processing of state debt inquiries is conducted after the withholding of required taxes. The intercept check is performed with one inquiry. The order of inquiry is as follows: debt to the child support enforcement agency, then debt to the State of Ohio. The Ohio Lottery will provide access to an intercept system which executes queries to the Ohio Department of Jobs and Family Services and the Attorney General of Ohio.

The LSGP will be required to make weekly payments of the intercept withholdings directly to the appropriate agency. The Lottery will provide the LSGP access to the weekly invoice according to prize intercept procedures agreed to by the Lottery and the LSGP.

The LSGP is responsible for complying with all applicable taxation regulations for both prizes and payments and should consult their tax experts to ensure understanding of the requirements.

Unclaimed Winning Wagers – An unclaimed winning wager is treated as expired on the 180th day following the completion of the last wagering event on the ticket. All funds from expired winning wagers and/or expired vouchers are due to the Lottery and included on the following months invoice billable to the LSGP. The funds from expired winning wagers will not be included in the calculation of revenue.

Uncollected Winning Wagers – Any winning wager where a player has attempted to claim but has not provided adequate taxpayer identification to the LSGP within 180 days is deemed uncollected. The proprietor shall provide the Lottery, for approval, a policy describing their reasonable attempts to contact the player prior to the 181st day. The policy shall also describe the disposition of the uncollected funds. The proprietor may choose to honor the winning wager after 180 days at their discretion with written notification to the Lottery.

Voluntarily Excluded Patron Play – The LSGP shall remit to the Lottery the amount of any winning bets and wagering instruments in the possession of an Ohio Voluntary Excluded Patron (VEP). The LSGP must document all VEP winning wagers on the Ohio VEP database of the total



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amount of funds surrendered from the VEP. The LSGP will remit to the Lottery the total amount of funds due. Further details are included in the [Responsible Gambling](#) operating standard.

Prohibited Patron Play – An LSGP must establish an excluded patron play policy. This should include both patrons that are prohibited by an LSGP as well as individuals included on the involuntary exclusion list for sports gaming in the State. Each excluded patron play policy must be approved by the Lottery and include the method for detection and prohibition of individuals and the procedures for handling wagering/cashing if detected. The updated involuntary exclusion list for sports gaming is maintained by the Ohio Casino Control Commission (OCCC) and available on the Commission’s website.

Underage Winning Wagers – The LSGP is required to “void” any winning bets found to be won by an underage patron. The proprietor must document the underage winning bet on a winning bet exception log and notify Lottery regulators of the details of the underage patron winning bet. An LSGP that permits an individual under twenty-one (21) years of age to engage in sports gaming is subject to the penalties in section 3775.99 of the Revised code.

Sports Gaming Bet Slips and Claim Forms – An LSGP must provide to the Lottery, for review and approval, a sample of the sports gaming bet slip layout, design, and disclaimer language, including language regarding wager expiration, prize payment processes and responsible gambling. An LSGP must provide to the Lottery the prize payment instructions, claim forms, and other reports available to the player. The submission must permit the Lottery to edit and approve prior to printing.

Drop Schedule Process – An LSGP shall provide to the Lottery their procedures for handling cash from the POS terminals and self-service kiosks. The process for kiosk drops, POS cashing, and cashing machines shall be routinely performed at each host location in a secure manner. The LSGP is responsible for ensuring all drops occur. If the LSGP uses a third-party supplier for these services, those employees may be subject to occupational licensing requirements under OCCC.

Non-Host Cashing Locations – The LSGP, may partner with non-host cashing locations to provide expanded cashing. To be an approved cashing location, the host and LSGP must comply with the minimum internal controls and security standards articulated in OCCC rules, Lottery rules, and Lottery operating standards in order to be approved (e.g., shall not engage in the acceptance of sports gaming wagers or bets). Each non-host location will need to enter into a written agreement with the LSGP acknowledging they understand their responsibilities (e.g., age requirements, not part of Lottery cashing structure, cashing bonus would come from LSGP, etc.).

The LSGP shall have in place signed terms and conditions/agreement with any non-host cashing location prior to execution. The agreements should include, but not be limited to, the following:

- Age verification requirements.
- Cashing bonus breakdown (provided by LSGP).
- Regulation compliance standards (e.g., cashing limits, reportable/non-reportable prizes, etc.).



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- Cashing solution reviewed and approved by the Lottery.
- Training plan for non-host locations.

Notification Process for Non-Host Cashing locations – Notification shall be submitted to the Lottery within five (5) days of a signed written agreement with a non-host cashing location. Information shall include, but not be limited to:

- Host business name and retailer number.
- Inventory of sports gaming cashing devices to be installed.
 - A formal written response will be provided by the Lottery outlining a decision
- Planned installation date.
- Confirm the shipment of equipment and software operating standards are met.

REVENUE REPORTING AND INVOICING

An LSGP shall remit payment to the Lottery as a percentage of gross sports gaming revenue (GGR). The GGR calculation is based off cash write, less accrued prize liability, less cancellations, less approved promotional play. All futures wagered shall have the sale recorded at the time the wager is placed and full prize liability shall be accounted for once each event is settled.

Settlement Date – At the close of each calendar month, the LSGP shall prepare a financial statement identifying the GGR percentage due to the Lottery. This statement shall be submitted to the Lottery no later than the 10th calendar day of the following month. The Lottery will reconcile and generate an invoice report to submit to the LSGP for processing payment. The invoice shall be remitted on the 15th day of each month to cover the GGR percentage owed from the previous full month, any expired tickets/vouchers from the previous month, any other applicable charges due to the Lottery (e.g., prize payment reimbursement, LD payment, invoice adjustments, etc.). If the 15th day falls on a weekend or holiday, it will carry to the next available business day.

Payment – The LSGP is required to issue payment via wire to the designated Lottery account. Invoice payments are due in full within five (5) business days of the receipt of an accurate invoice. Proof of payment should be emailed to the Lottery once issued.

COMPLIANCE

The LSGP shall submit Financial Procedures to the Lottery for review and approval. The procedures shall address each of the categories identified above and any additional information deemed pertinent by the LSGP.

ADDITIONAL REPORTING REQUIREMENTS

The following report shall be submitted to the Lottery daily:



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- **Daily Transaction Summary** – The LSGP shall submit to the Lottery daily transaction summaries by event; wager type; and dollar amounts. Submission content, frequency and format shall be agreed upon with the Lottery.

The following report may be submitted to the Lottery weekly:

- **Weekly Revenue Report** – The LSGP shall, upon request, submit to the Lottery a summary report of the Business Week Transactions by close of business each Monday. Upon receipt, the Lottery will review activity for the previous week and reconcile with the LSGP.

The following reports shall be submitted to the Lottery monthly. All reports must be submitted in an approved method by the 10th of each month:

- **Minimum Reserve Funds** – Reports detailing the minimum reserve funds calculation and proof of the current bankroll amounts held in reserve.
- **Winning Wager Liability Report** – The report shall display the value of outstanding unsettled wagers and outstanding winning bet amounts still owed.
- **Monthly Summary Report** – Must be able to be generated daily, monthly, or for any other selected date range. The report must include total write (cash write and future write); accrual prize payout (full prize liability for each event, current payouts and current unpaid); total cancelled/voided wagers; and promotional gaming credits wagered if applicable.
- **Cancelled/Voided Bet Report** – A breakdown of all cancelled and/or voided wagers from the previous month. The report should include ticket details, bet amount, cancel/void description, and date cancelled/voided.
- **Expired Winning Wager Detail Report** – A list of winning wagers that expired during the previous month. The report should include the date wager is place, settlement date, expiration date, host location identifier, bet amount, payable winning ticket amount, and ticket number.
- **Expired Voucher Detail Report** – A list of vouchers that expired during the previous month. The report should include the voucher date, expiration date, host location identifier, voucher amount, and voucher number.

The following report shall be maintained for review upon request by the Lottery:

- **Winning Wager Exception Log** – A list of winning wagers that are not paid through the typical wager process (e.g., unclaimed, no ID, etc.). Include no ID winnings that are claimed.

CONTACT

For further information contact: sportsgaming@lottery.ohio.gov