

Ohio Lottery Commission



Minimum Internal Controls Standards

Sports Gaming

OHIO LOTTERY COMMISSION SPORTS GAMING
MINIMUM INTERNAL CONTROL STANDARDS

Terms and Definitions

Bet Slip – as used in these MICS refers to a printed wagering instrument, usually issued for use in a wagering device with a fixed dollar wagering value and is redeemable for cash or cash equivalents.

Lottery Sports Gaming Host (Host) – type C sports gaming hosts (retailers) are the owners of a for profit facility that own a current Ohio Lottery retailer license, hold a D1, D2, or D5 liquor permit issued under Chapter 4303 of the Revised Code, and who is licensed by the Ohio Casino Control Commission to offer sports gaming at their facility through a type C sports gaming proprietor.

Lottery Sports Gaming Proprietor (LSGP) – As used in these MICS, a type C sports gaming proprietor is a sport book vendor licensed by the Ohio Casino Control Commission to offer sports gaming through self-service or clerk-operated sports gaming terminals located at licensed type C sports gaming host facilities.

Lottery Sports Gaming – means sports gaming conducted by a type C sports gaming proprietor on behalf of the state lottery commission and offered through lottery sales agents that are licensed as type C sports gaming hosts.

Signature - A “signature” on a document provides evidence of the person’s involvement and/or authorization of the intentions reflected in the document. It is typically in the form of a stylized script associated with a person and may be applied manually or electronically. The stylized script “signature” must include, at a minimum, the first letter of the person’s first name along with the person’s full last name. The “initials” of the person would not meet the requirement of a “signature”.

Sports Computer System – as used in these MICS is the system in which sports gaming communications and information sharing occurs, is stored, or otherwise used in conjunction with the operation of type C sports gaming in Ohio.

System Administrator – The individual(s) responsible for maintaining the stable operation of the IT environment (including software and hardware infrastructure and application software) and/or has system authorization/ access to perform the following administrative functions(s):

- a. Add, change, or delete user accounts and associated provisioning for database, operating system, and network layers (may also include user access administrator function for and application layer);
- b. Modify operating system, database, and application security and policy parameters;
- c. Add, change, or delete system exception logging information; or

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- d. Add, change, or delete permissions to data files and folders.

Wagering Account – An electronic ledger operated and maintained by a proprietor for a cashless wagering system patron deposit account wherein only the following types of transactions are recorded:

- a. Deposits and withdrawals of cash or cash equivalents at a designated area of accountability.
- b. Deposits initiated with a debit instrument;
- c. Wagering account transfers to and from LSGP Kiosks;
- d. Wagering account adjustments; and
- e. Other transactions approved by the OLC

Wagering Device – as used in these MICS refers to a self-activated machine that patrons use to place wagers, open accounts, make account deposits and/or withdrawals and is considered a writer/cashier station. Refers to a point of sale (POS)

WAT - As used in these MICS, the term “WAT” means wagering account transfer. “WAT in” means amounts wagered by the patron and/or transfers to a wagering device and “WAT out” means amounts won by the patron and/or transfers from a wagering device.

Writer/ Cashier – means any type C host employee or LSGP employee who handles transactions for the purpose of sports gaming, including cashing and validation.

Voucher – is a printed instrument showing a winning wager amount after a bet slip is validated.

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Note 1: Not applicable

Note 2: Not applicable.

Note 3: Not applicable

Note 4: Not applicable

Note 5: Not applicable

Note 6: Not applicable

Note 7: Not applicable

Note 8: Not applicable

Note 9: Not applicable

Note 10: For Lottery approved computerized systems that are used solely for sports wagering accounts, compliance with sports MICS #57(i) and #58, MICS #47 - #49, and MICS #34 - #44 is required.

Note 11: If an LSGP utilizes wagering accounts, the written system of internal control pursuant to OAC 3770:3-8-02 must delineate procedures describing how WAT in and WAT out transactions (including the handling of canceled events) in the wagering account system are integrated and recorded by the sports wagering computer system.

Note 12: Not applicable

Physical Access and Maintenance Controls

Note 13: The critical IT systems and equipment for each gaming application (e.g., LSGP, TITO, bet slip, voucher systems, etc.) are maintained in a secured area (secured area includes a hosting center). The area housing the critical IT systems and equipment for each gaming application and other critical IT systems and equipment are equipped with the following:

- a. Redundant power sources to reduce the risk of data loss in case of interruption of power.
- b. Adequate security mechanisms, such as traditional key locks, biometrics, combination door locks, or an electronic key card system to prevent unauthorized physical access to areas housing critical IT systems and equipment for gaming applications.
- c. The administration of the electronic security systems, if used to secure areas housing gaming critical IT systems and equipment, is performed by personnel independent of a gaming department. Note: The Standard Operating Procedures (SOPs) are to delineate the methods, processes and practices used in meeting the requirements of MICS.

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- d. Access to areas housing critical IT systems and equipment for gaming applications, excluding vendor supported systems, is restricted to authorized IT personnel. LSGP department personnel, including the manufacturers of the gaming computer equipment, are only allowed access to the areas housing critical IT systems and equipment for gaming applications, excluding vendor supported systems, when authorized by IT personnel and with periodic monitoring by IT personnel during each access.
- e. A record of each access described in the previous standard by non-IT personnel is maintained and includes at a minimum:
 - i. The name of the visitor(s);
 - ii. Time and date of arrival;
 - iii. Time and date of departure;
 - iv. The signature of personnel authorizing access.
- f. Access to an area housing a vendor supported system for gaming applications is restricted to authorized IT personnel, or by system manufacturer's personnel when authorized by management and with periodic monitoring during each access by IT personnel or personnel independent of the department using such application.
- g. A record of each access described in the previous standard by the system manufacturer's personnel is maintained and includes at a minimum:
 - i. The name of the visitor(s);
 - ii. Time and date of arrival;
 - iii. Time and date of departure; and
 - iv. Reason for the visit.

NOTE: LSGP must provide procedures for host locations to prevent unauthorized access to sensitive IT infrastructure and storage areas.

- h. The LSGP as part of minimum internal controls must adopt procedures for responding to, monitoring, investigating, resolving, documenting, and reporting security incidents associated with information technology.

Equipment Standards

1. The date and time generated by the sports computer system during bet slip writing is verified each day by a supervisor independent of the bet slip writing and cashiering function (this person may also be independent of the book or be a type C host employee).
2. LSGP must contact the Naval Observatory Master Clock to verify the correct time each day events are held, and wagers are accepted. The sports computer system should then be adjusted as required.

Note 1: A telephone number for the Naval Observatory Master Clock is (202) 762-1401.

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Note 2: Not applicable

Note 3: The above MICS do not apply when the time within the sports computer system is kept accurate through the use of an independent automated update process.

3. The verification performed pursuant to MICS #1, and any adjustments necessary due to discrepancies, is documented in a log (or in another approved equivalent manner) which includes the type C host location, date, time of test, time per the sports wagering computer system, name or signature of the type C host employee performing the test, and any other relevant information.

4. Not applicable

5. Not applicable

6. Not applicable

Note: Not applicable

7. Not applicable

Note: Not applicable

8. Not applicable

9. Keys (originals and all duplicates) to the date and time stamping machines are maintained and used by a department or personnel who are independent of the bet slip writing and cashiering functions. All keys used in conjunction with sports wagering shall be maintained and logged when used. Any and all missing keys will be documented, and reports filed following operating standards and cadence.

Wagering Standards

10. Whenever a wagering device is opened/closed for wagering or turned over to a new writer/cashier, the writer/cashier signs on/off and the sports computer system creates a record indicating the writer's/cashier's identity (if applicable), the date and time, number, and the fact that the station was opened/closed.

11. Not applicable

a. An original bet slip that includes the LSGP name and identifiers must be printed and given to the patron. Bet slips must meet all requirements outlined in OAC 3770:3-7-02.

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Note: Not applicable

- b. A restricted computer system record which is created concurrently with the generation of the original bet slip. The restricted record is not accessible to unauthorized employees except for inquiry only functions.

12. If a LSGP voids a bet slip then:

- 23. A void designation is immediately branded by the sports computer system on the bet slip with the computer system updated to reflect the void transaction. Alternatively, a bet slip may be voided manually in the sports computer system by entering or scanning the bet slip number to update the sports computer system to reflect the void transaction. All void procedures should be outlined in LSGP House Rules.

- b. Not applicable

- c. All voids are signed by the writer/cashier and a supervisor (who did not write the bet slip) at the time of the void. The supervisor may be a supervisor of the type C host location.

Note: If the original bet slip is unavailable (e.g., printer malfunction) a document is created to reflect the void transaction, containing all necessary identifiable information for records keeping.

13. A sporting event wager is not accepted after the start of the event unless “in progress” or a similar notation is indicated in the sports computer system.

Note: The second half of a football game, for example, is considered a separate event when set up in the sports computer system as an independent event for accepting wagers.

14. Not applicable

15. Not applicable

16. The wagering cutoff times will be established in compliance with ORC 3775-11-01.

17. The sports computer system shall be incapable of transacting/accepting a wager subsequent to the above cutoff times.

18. The sports computer system either is incapable of voiding a bet slip subsequent to the cutoff time or produces a report which specifically identifies such voided bet slips.

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19. The sports computer system is incapable of allowing a cutoff/starting time to be entered into the sports computer system (including changes to cutoff/starting times) that is a time earlier than the current time of day.
20. Bet slips will not be written or voided after the outcome of an event is known.
21. A LSGP type C host partner location is only licensed for accepting sports gaming wagers and will not accept a wager on horse or other animal races. Only approved sporting events shall be wagered on in compliance with ORC 3775-11-01.

Book Wagering Reports

22. Within 24 hours after the end of a designated 24-hour period of wagering, daily transaction summary reports will be created by event; wager type; and dollar amounts.
23. If monthly book wagering reports are prepared by LSGP, the completed book wagering reports are submitted to the Lottery no later than five (5) business days of calendar month end.

Payout Standards

24. Vouchers issued by the sports computer system (including through wagering devices) must include: the bet slip number, LSGP name and address, the date/time and dollar amount.

Note: The above MICS apply to all vouchers issued as payment for winning wagers, “change due” from a wager transaction, and as a result of a purchase of a voucher.

- a. Prior to patrons receiving payouts on winning bet slips, event results are entered into the sports computer system for computerized grading of all wagers. Unpaid winning bet slips and voucher reports are restricted to authorized personnel independent of the sports book.
26. Prior to making payment on a bet slip or crediting the winnings to the patron’s wagering account:
 - a. The type C host or LSGP enters or scans the bet slip number into the sports computer system to verify it is a winning bet slip and authorize the payment; or
 - b. When the event results are posted in the sports computer system and the bet slip is validated and is not a reportable prize, the computer system may automatically authorize payment of winning wagers and updates the patron’s wagering account if applicable.

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27. After scanning by the type C host or LSGP, the sports computer system brands the bet slip with a paid designation, the amount of payment and date. Alternatively, if a type C host or LSGP manually enters or scans the bet slip number into the sports computer system, the type C host or LSGP either immediately writes/stamps the date, amount of payment and a paid designation on the patron's bet slip/voucher or attaches to the patron's copy a computer system "paid" bet slip which indicates a paid designation, the bet slip/voucher number, the amount of payment and date. These records shall be kept for audit purposes.
28. In the case of sports computer system failure, bet slips will not be paid until such system has been restored at the type C host location, or at the LSGP facility impacted by the outage.
- a. Not applicable
 - b. Not applicable
 - c. Not applicable
29. No wager may be accepted in the event of a system failure per: 3770:3-6-01
30. Not applicable
- a. Not applicable
 - b. Not applicable
- Note: Not applicable
31. The sports computer system is incapable of authorizing payment on a bet slip which has been previously paid, a voided bet slip, a losing bet slip, or an unissued bet slip.
32. If a parlay is used for wagers, adequate documentation is retained regarding the rules and will not exceed 4-legs.

Wagering Devices

33. The LSGP shall establish procedures for in-person wagering at a wagering device for type C sports gaming host locations. In addition, the procedures established must ensure that:
- a) For sports wagering accounts transacted at a wagering device, each patron must be 21 years of age or older and is limited to a weekly maximum bet amount of \$700.00. The LSGP must maintain velocity controls for approved payment methods (e.g., credit/ debit cards, etc.) as well as age verification policies approved by the Lottery.

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b) Not applicable

Promotional Payouts, Drawings and Giveaway Programs

34. The conditions for participating in approved promotional payouts, including drawings and giveaway programs, are prominently displayed or available for patron review at the licensed type C host location and by the LSGP (e.g., website, social media, etc.).

35. Approved promotional payouts, including those as a result of drawings and giveaway programs, that may be deducted from gross gaming revenue are documented at the time of the payout to include the following:

- a. Date and time.
- b. Dollar amount of payout or description of property (e.g., car).
- c. Reason for payout (e.g., promotion name).
- d. Signature(s) of employee(s) verifying, authorizing, and completing the promotional payout with the patron.

Note: For approved computerized systems that validate and print the dollar amount of the payout on a computer-generated form, only one employee signature is required on the payout form.

- e. Patron's name (for drawings only).

36. Not applicable

Note: Not applicable

Contests/Tournaments (Promotions)

Note: MICS #37 - #42 apply to approved contests/tournaments/ promotions conducted at a single book, and also to those conducted at multiple, affiliated books at other partnered type C host locations.

37. All contest/tournament/ promotion entry fees, prize payouts, participant's wagering selections, and contest/tournament results are recorded in the sports computer system.

Note 1: The above MICS do not apply to contests/tournaments/promotions that are free to enter (i.e., no entry fees or other prerequisites such as a minimum amount of wagers to qualify).

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Note 2: Noncash prize payouts from approved contests/tournaments/ promotions are to be completed in accordance with MICS #34 - #36. Such payouts are not required to be recorded in the sports computer system.

38. When contest/tournament/ promotion entry fees and payouts are transacted, the transactions are recorded on a document which contains:

- a. Patron's name.
- b. Date of entry/payout.
- c. Dollar amount of entry fee/payout (both alpha and numeric, or unalterable numeric) and/or nature and dollar value of any noncash payout.
- d. Signature of individual completing transaction attesting to the receipt or disbursement of the entry fee/payout with the patron and, for contest/tournament winners, the verification through the sports computer system of the winner.
- e. Name of contest/tournament/ promotion.

39. The contest/tournament entry fees and prize payouts are summarized and posted to the accounting records on at least a monthly basis.

40. Contest/tournament/ promotional rules are included on all entry forms/brochures and are prominently displayed or available for patron review at the licensed type C location. The rules must include at a minimum:

- a. All conditions patrons must meet to qualify for entry into, and advancement through, the contest/tournament.
- b. Specific information pertaining to any single contest/tournament/ promotion, including the dollar amount of money placed into the prize pool.
- c. The distribution of funds based on specific outcomes.
- d. The name of the organizations (or person that conducted the contest/tournament on behalf of, or in conjunction with, the licensee if applicable).
- e. Specific information about problem gambling and responsible gaming messaging conspicuously placed on signage, advertisement and in venue.

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41. Results of each contest/tournament are recorded and available for participants to review. The recording includes the name of the event, date(s) of event, total number of entries, dollar amount of entry fees, total prize pool, and the dollar amount paid for each winning category. The name of each winner is recorded and maintained but not made available to the participants unless authorized by management personnel.

Note: For approved free tournaments, the information required by the above MICS must be recorded except for the number of entries, dollar amount of entry fees and total prize pool.

42. The contest/tournament/ promotion records are maintained for each event.

Checkout Standards

43. The sports computer system indicates the amount of net cash that should be in each writer/cashier station. A supervisor is required to access this information.

44. Not Applicable

Note 1: Not applicable

Note 2: MICS #44 does not apply to wagering devices betting kiosks.

Note 3: Not applicable

45. For each betting kiosk:

- a. At an approved cadence, LSGP will have a process for kiosk drops, POS cashing and cashing machines. This shall be routinely performed at each type C host location in a secure manner.
- b. The LSGP shall provide to the Lottery a procedure for approval, the process of removal of cash from kiosks. Accurate accounting records for the count must be maintained and all counts will be documented.
- c. Whenever employees remove winning bet slips or vouchers from a kiosk, or cash is removed from or inserted into a kiosk, kiosk reports are generated from the kiosk regarding kiosk transactions and accountability.
- d. At a Lottery approved cadence, employees remove winning bet slips, vouchers or cash from a kiosk, the kiosk transactions are reconciled by the LSGP or accounting employees as follows: all the cash remaining in each kiosk to the cash loaded into the kiosk

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plus/minus cash transactions. The kiosk reports are compared to the transactions recorded by the sports computer system. Variances are documented and investigated.

- e. Winning bet slips and vouchers are ultimately delivered to the accounting department.

Employee Segregation of Duties

Note: Administrative functions include setting up events, changing event data, and entering results at any time.

46. Employees who perform the LSGP supervisory function of approving void bet slips do not write bet slips unless:

- a. The only supervisory function allowed is approval of void bet slips prior to post time.
- b. A supervisor, acting as a writer, may not authorize a void for a bet slip which he wrote.
- c. All bet slips written by a supervisor which are subsequently voided and all not-in-computer voids must be recorded in a log, used specifically for that purpose, which indicates the supervisor's/writer's name and the name of the person authorizing the void.
- d. The log must be forwarded to a department independent of the book (i.e., accounting/audit) on a daily basis for a 100% audit of void bet slips (using the log and the bet slips) for the proper signatures on the bet slip, a void designation on the bet slip, date and time of the void on the bet slip (for not-in-computer voids), any indications of past-post voiding, and other appropriate regulation compliance. Any discrepancies noted and investigations performed must be documented in writing and maintained.
- e. A department independent of the book (i.e., accounting/audit) must perform a 100% audit of the exception report for any inappropriate use of the supervisory password. Any discrepancies noted and investigations performed must be documented in writing and maintained.

47. Not applicable

Generic Passwords for LSGP

Note: MICS #48 does not apply when a supervisor signs onto a common terminal with his or her individual password and the supervisor takes responsibility for the reportable sports payouts.

48. Generic passwords for the sports computer system are prohibited unless:

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- a. Each cashier redeems bet slips from the cashier's assigned terminal.
- b. After verifying the winning bet slip in the sports computer system, the cashier then signs the patron's copy of the bet slip, immediately date/time stamps the bet slip at the cashier's assigned terminal, and then maintains the bet slip in the cashier's cash drawer.
- c. Each cashier is assigned a unique date/time stamp used solely at the cashier's assigned terminal (if applicable).
- d. Not applicable
- e. Reportable payouts require LSGP personnel independent of the type C host to enter an approval code and to sign the ticket.
- f. A summary sheet is prepared which lists all of the cashiers working that shift, the cashiers' assigned windows, the date/time stamp identification, and the total tickets cashed per cashier. The total of that report is then balanced to the total cashed per the sports book end-of-shift report.
- g. Any discrepancies noted and investigations performed are documented in writing and maintained in accordance with operating standards and ORC/OAC.

Computerized Player Tracking Systems

Note 1: Compliance with MICS #49 - #54 is required for all computerized sports player tracking systems.

Note 2: As used in these sports gaming MICS, the term "point" or "points" is a generic term and refers to a representative of value awarded to a patron based upon specific criterion established by the licensee. Commonly, points are earned by patrons by placing wagers or purchasing room, food, beverage, or entertainment admissions. Patron accounts in a player tracking system are used to track points earned/awarded to patrons.

49. The addition/deletion of points to player tracking accounts other than through an automated process related to actual play must be sufficiently documented (including substantiation of reasons for increases) and authorized/performed by supervisory personnel of the player tracking, promotions, or sports departments. The addition/deletion of points to player tracking accounts authorized by supervisory personnel is documented and is randomly verified by accounting/audit personnel on a quarterly basis.

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Note: The above MICS do not apply to the deletion of points related to inactive or closed accounts through an automated process.

50. Employees who redeem points for patrons cannot have access to inactive or closed accounts without supervisory personnel authorization. Documentation of such access and approval is created and maintained.
51. Patron identification is required when redeeming points without a player tracking card.
52. Changes to the player tracking system parameters, such as point structures and employee access, must be performed by authorized personnel independent of the sports department. Alternatively, changes to player tracking system parameters may be performed by sports authorized personnel if sufficient documentation is generated and the propriety of the changes are randomly verified by personnel independent of the sports department on a quarterly basis.
53. All other changes to the player tracking system must be appropriately documented.
54. Rules and policies for player tracking accounts including the awarding, redeeming and expiration of points are prominently displayed or available for patron review at the licensed location.

Computer Reports

Note 1: Not applicable

Note 2: Not applicable.

55. Adequate documentation of all pertinent LSGP information is generated by the sports computer system.
56. This documentation is restricted to authorized personnel. The generation of end-of-day sports computer system reports must be performed by or observed by an employee from a department independent of the sports book department. Each report indicates the date, LSGP name (or other identifier), and title of report.

Note: As used in MICS #57 and #58 sports computer system report descriptions, the term “bet slip description” refers to the terms of the wager as described in MICS #11.

57. Sports computer system documentation is created daily and includes, at a minimum, the following reports:

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- a. Transaction report which lists, by writer/cashier, for each write, payout, and void transaction: the bet slip number, transaction date and time, writer/cashier station number, writer/cashier number, transaction type, bet slip description, and amount of transaction. The report lists, by writer/cashier, and in total, the amount of write, voids, payouts, vouchers issued, and vouchers redeemed.

Note: The transaction report may be a combination of more than one report (e.g., one for write and one for payouts). Wagering account transactions may be in a separate wagering account transaction report

- b. Not applicable
- c. Sports book results report which lists, for each event: the event date and cutoff time (as previously entered into the sports computer system), the event (e.g., team names and team identifications), and the event results/winners.
- d. Futures reconciliation report which lists the amount of, by date of event for today and future event dates: wagers written on previous days (previous write), wagers written today on future events (write today or future write), wagers written on previous days refunded today (previous canceled today), wagers written on previous days for today's event (futures back-in), and total remaining wagers written for events in the future (net write).
- e. Futures reports:
 - i. Futures back-in bet slips detail report which lists the bet slips written on previous days for events occurring today, by event, including: the bet slip number, bet slip description, and date of events. The report lists the total amount of wagers written on previous days for today's events.
 - ii. Future bet slip detail report which lists the bet slips written on previous days and today for events in the future, by date of event and by event, including: the bet slip number, bet slip description, and date of event. The future bet slips detail report lists totals of the amount of wagers by date of event, by event and for all bet slips.
- f. Unpaid reports:
 - i. Unpaid winners detail bet slip report which lists the unexpired, winning bet slips that have not been paid including: the event date, bet slip number, bet slip description, and amount to be paid, and payout amounts in total. Any winning wager where a player has not provided adequate taxpayer identification to the LSGP within 180 days is deemed uncollected or unpaid.

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- ii. Unredeemed voucher detail report which lists the unexpired vouchers that have not been redeemed including: the voucher number, date of issue, and amount of voucher, and vouchers in total.

Note: Bet Slips and vouchers expire when the period of time the book will honor winning wagers/vouchers has lapsed. An unclaimed winning wager bet slip is treated as an expired voucher on the 180th day following the completion of the wagering event.

g. Purge reports:

- i. Purge detail bet slip report which lists the expired, winning bet slips that have not been paid, by bet slip number, including: the event bet slip number, bet slip description, and amount of payout.
- ii. Purge detail voucher report which lists the expired vouchers that have not been redeemed including: the voucher number, date of issue, and amount of voucher. The report lists total amount of vouchers to be added back into revenue.

Note: Bet Slips and vouchers expire when the period of time the book will honor winning wagers/vouchers has lapsed. An unclaimed winning wager bet slip is treated as an expired voucher on the 180th day following the completion of the wagering event.

h. Unpaid voucher summary reports:

- i. Unpaid voucher summary report which lists the amount of: beginning balance of unpaid bet slips, previously unpaid bet slips paid today, new unpaid bet slip (i.e., unpaid bet slip from events occurred today) and ending balance of unpaid bet slips.
- ii. Voucher summary report which lists the amount of: beginning balance of unredeemed vouchers, previously unredeemed vouchers redeemed today, new unredeemed vouchers (i.e., vouchers issued today and remained unredeemed) and ending balance of unredeemed vouchers.

Note: The beginning balance is not required to be listed on the report as long as the previous day's ending balance of unpaid/unredeemed is available.

i. Wagering account reports as follows:

- i. Daily account wagering detail report which lists by writer/cashier station number, each transaction including writer/cashier station number, wagering account number, the transaction (e.g., wager, deposit, withdrawal), and the transaction amount. The report lists totals by transaction type.

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Note 1: The daily account wagering detail report may be a part of the wagering account transaction reports or a combination of reports.

Note 2: Not applicable

- ii. Daily account wagering summary report which lists by writer/cashier station number, for wagering accounts with activity for the day, by wagering account and in total: the amount of deposits, winnings, voided wagers, wagers, withdrawals and other adjustments. The report lists totals for write, voids/cancelled, net write payouts and net win.

- j. Accrual basis recap report which lists the amount of bet slips written today for today's events (current write), wagers written today on future events (future write), wagers written on previous days for today's event (futures back-in), accrual write, payouts from wagers written today and paid today (current payouts), payouts paid today for events on previous days (previous payouts) unpaid winners from event occurred today (current unpaids), accrual payout, unpaid winners and unredeemed vouchers expired today (unpaids to revenue), taxable revenue, and book revenue. The accrual basis recap report is a daily and month-to-date report. Daily and month-to-date amounts may be reflected in separate reports rather than one report.

Note 1: As used in the above accrual basis recap report:

- i. Accrual write is equal to: current write, (+) futures back-in.
- ii. Accrual payout is equal to: current payouts, (+) current unpaid. Book (accounting) revenue is equal to: accrual write, (-) accrual payouts, (+) unpaid to revenue.
- iii. For cash basis, taxable revenue on tax returns is equal to: current write, (+) future write, (-) current payouts, (-) previous payouts, (+) expired unredeemed vouchers when vouchers were included in payout amounts.
- iv. For modified accrual basis, taxable revenue on tax returns is equal to: accrual write, (-) current payouts, (-) previous payouts, (+) expired unredeemed vouchers when vouchers were included in payout amounts.

Note 2: Alternatively, the accrual basis recap report may include "today's write" and "today's payouts" rather than "current write" and "current payouts" as follows:

- Today's write is equal to: current write, (+) future write.
- Today's payouts is equal to: current payouts, (+) previous payouts.

- k. Exception information (sorted by exception type), including:

- 1) Voids, past-post voids, in-progress voids, past-post write, in-progress write.

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- 2) Changes in odds, cut-off times, results, event data.
- 3) All supervisory approvals.

58. The sports computer system documentation for wagering account activity is created on demand, and includes, at a minimum, for a day, month-to-date, year-to-date and two-year cumulative basis:

- a. Customer transaction detail report that lists, by wagering account and in total, for all wagering accounts: the wagering account number, beginning balance, each deposit (date and amount), wagers and cancelled wagers (bet slip number, transaction date and time, and bet slip description), winning wagers (bet slip number, transaction date and time, bet slip description, and payout amount), net win, withdrawals (date and amount), adjustments (date and amount), and ending balance.
- b. Customer transaction summary report that lists, by wagering account and in total, for all wagering accounts: the wagering account number, patron's name, beginning balance, deposits, amount of wagers (write and cancelled wagers), amount of winning wagers, net win, withdrawals, adjustments, and ending balance.

Note 1: All wagering accounts regardless of account balance must be included on the customer transaction summary report.

Note 2: Daily, month-to-date, year-to-date, and two-year cumulative amounts may be reflected in separate reports rather than one report.

Accounting/Audit Standards

59. The sports book audit is conducted by someone independent of the LSGP operations.

Note: Such personnel may also perform the audit function for the outstation book of affiliated properties (and vice versa) for all type C locations partnered with.

60. At least once a quarter, for each wagering device(kiosk), foot the winning bet slips and bet slips redeemed for a week and trace the totals to the totals recorded in the sports computer system and the related accountability document. This procedure may be performed for different kiosks throughout the quarter as long as each kiosk's activity is examined once a quarter. Document the test and the results of investigations into all variances, by kiosk.

Note: This procedure may be performed by non-accounting personnel as long as the individual has not performed the reconciliation required by MICS #45.

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61. At least annually, accounting/audit personnel will foot the write on the restricted computer system record of written bet slips for a minimum of three writers/cashiers for each sports pool for one day and trace the total to the total produced by the sports computer system.
62. Accounting/audit personnel foot the customer copy of paid bet slips for a minimum of one writer/cashier station for one day per month and trace the totals to those produced by the sports computer system.
63. At least annually, for one day, accounting/audit personnel foot the redeemed vouchers for one writer/cashier station and trace the totals to those produced by the sports computer system.
64. Daily, for each writer/cashier station except for wagering devices, the write and payouts are compared to the cash proceeds/disbursements with a documented investigation being performed on all large variances (i.e., overages or shortages greater than \$100 per writer/cashier).
65. Daily, reconcile the dollar amount of WAT in and WAT out per the WAT By Gaming Area report to the transaction report. Investigate and document any variances noted.
66. Not applicable
67. Daily, for all sports book winning bet slips and winning parlay card bet slips that result in a reportable prize;
 - i. The bet slips are recalculated and regraded using the sports computer system record of event results.
 - ii. The date and starting time of the event per the results report are compared to the date and time on the bet slips and in the sports computer system transaction report.
 - iii. The terms of the wagers (e.g., point spreads, money lines, etc.) per the sports computer system transaction report or other report indicating all point spreads and money lines at which wagers were written are reviewed and compared to an independent source for questionable activity

Note 1: For sports book winning bet slips and parlay card bet slips, the terms of the wagers can be compared to an independent source such as a newspaper (or its website), sports league website, a licensed sports information service or other reputable source.

Note 2: The same transactions selected for MICS #68 examination may be used as part of the sample selected for MICS #67.

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68. Daily, accounting/audit personnel, for payouts made without sports computer system authorization at the time of payment including such payouts for contest/tournament winners, will:

- i. Trace all payouts to the sports computer system transaction report or the purged bet slips report to verify authenticity of the initial wager.
- ii. For payouts subsequently entered into the sports computer system by type C host personnel, compare the manual payout amount to the sports computer system amount.
- iii. For payouts not entered into the sports computer system by type C host personnel, enter the payout into the sports computer system and compare the manual payout amount to the sports computer system amount. If the system is inoperative, manually regrade the bet slip to ensure the proper payout amount was made.

Note: Appeasement payments (e.g., nonwinning bet slip payouts resulting from a customer complaint or employee error) are not deductible from gross gaming revenue. This process must be covered in LSGP house rules.

69. Daily, the sports computer system's summary of events/results report is traced to an independent source for 5% of all sporting events to verify the accuracy of starting times (if available from an independent source) and final result.

Note: The starting times for sporting events that are wagered on in conjunction with a tournament or contest is included in population from which the 5% sample is chosen.

70. Daily, for all voided bet slips:

- i. The sports computer system reports which display voided bet slip information are examined to verify that bet slips were properly voided in the computer system.
- ii. The voided bet slips are examined for a void designation and proper signatures, and for not-in-computer voids, the date and time stamp on the bet slip for the time of the void.
- c. For a sports computer system that prints void bet slips, a void ticket shall be attached to the original bet slip.

71. System exception reports are reviewed daily for propriety of transactions and unusual occurrences including, but not limited to changes in odds, cut-off times, results, and event data (both information input by LSGP and host employees) in-progress events and void authorizations. All noted improper transactions or unusual occurrences noted during the review of exception reports are investigated with the results documented.

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Note: An exception report is defined as a report produced by the computerized system identifying unusual occurrences, changes to system configuration parameters, alteration to initially recorded data, voids, etc.

72. At least one day per calendar quarter, the sports computer system reports are reviewed, for compliance purposes, for the proper calculation of the following:

i. Amounts held by the book for patrons' wagering accounts;

Note: Only applicable if wagering accounts are used exclusively for sports.

ii. Amounts accepted by the book as wagers on events whose outcomes have not been determined (futures); and

iii. Amounts owed but unpaid by the book on winning wagers through the period established by the book for honoring winning wagers (unpaid winners and unredeemed vouchers).

73. For one day per calendar quarter, accounting/audit personnel:

i. Recalculate and verify the change in the unpaid winners and unredeemed vouchers balance to the total purged bet slips and vouchers.

ii. If future wagers are accepted, review the sports computer system reports to ascertain those future wagers are properly included in write on the day of the event.

74. Accounting/audit personnel reviews all wagering multiple transaction logs, and either ensures that book wagering reports have been completed for all reportable transactions or prepares book wagering reports for all reportable transactions.

75. The book wagering report is signed by the employee who prepared the report.

76. LSGP accounting remits all book wagering reports to the Lottery at an approved cadence.

77. Monthly, accounting/audit personnel review all contests, tournaments, promotional payouts, drawings, and giveaway programs to determine proper accounting treatment and proper sports book win/loss computation.

78. For all contests, tournaments, promotional payouts (including payouts from computerized player tracking activity), drawings, and giveaway programs the following documentation is maintained:

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- i. Copies of the information provided to the patrons describing the contests, tournaments, promotional payouts, drawings, and giveaway programs (i.e., brochures, fliers).
 - ii. Effective dates.
 - iii. Accounting treatment, including general ledger accounts, if applicable.
 - iv. For tournaments and contests, the dollar amount of the prize pool. Additionally, if applicable, include the amount of contributions to the prize pool by patrons and the amount supplemented by the LSGP.
 - v. For tournaments and contests, the name of the organizations (or persons) that conducted the contest/tournament on behalf of, or in conjunction with, the licensee, if any. The extent of responsibilities (including MICS compliance responsibilities) each organization and the LSGP had in the contest/tournament (e.g., ABC nonprofit is to receive 100% of the entry fees and provide noncash prizes for the winners with the licensee collecting entry fees, operating the tournament and distributing prizes to winners) will also be documented.
79. Monthly, accounting/audit personnel perform procedures to ensure that promotional payouts, drawings, and giveaway programs are conducted in accordance with conditions provided to the patrons. The procedures must include a review of documents along with employee interviews and/or observations.
80. Daily, accounting/audit personnel reconcile all contest/tournament entry and payout forms to the dollar amounts recorded in the appropriate accountability document and sports computer system report.
81. When payment is made to the winners of a contest/tournament, accounting/audit personnel will reconcile the contest/tournament entry fees collected to the actual contest/tournament payouts made. This reconciliation is to determine whether based on the entry fees collected, the payouts made, and the amounts withheld by the gaming establishment, if applicable, were distributed in accordance with the contest/tournament rules.
82. Monthly, reconcile the total amount of WAT in and WAT out per the WAT Summary Report to the month-end accrual basis recap report. This reconciliation is documented and maintained. All variances are reviewed, documented and maintained.
83. Monthly, accounting/audit personnel reconcile gross revenue from the month-end accrual basis recap report to the general ledger. This reconciliation is documented and maintained. All variances including the variance caused by the reduction of sports revenue on the return due to an allowable tax deduction supported by system reports are reviewed, documented, and maintained.

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84. Prior to submission for the month, the reconciliations required by MICS #82 and #83 are completed, and any follow-up performed is documented and maintained. Any variances noted are resolved prior to submission of the tax returns.

85. Monthly, accounting/audit personnel review the accounting records (including the reconciliation documentation from MICS #82 and #83) and the returns to ensure that the write and win has been properly reported according to the appropriate revenue.

86. Not applicable

Note: Not applicable

87. Monthly, accounting/audit personnel reconciles the information on, with the reconciliation documented and any variances investigated.

88. Not applicable

Note: Not applicable

89. Quarterly, an inventory of all sensitive keys is performed and reconciled to records of keys made, issued, and destroyed. Investigations are performed for all keys unaccounted for, with the investigations being documented and reported to the Lottery.

Note: Sensitive keys include, but are not limited to, keys used to access restricted computer storage media and/or restricted equipment used to conduct the sports book (i.e., administrative computer terminal, wagering devices, kiosks).

90. If a progressive pool is used for wagers, accounting/audit personnel recalculate the progressive increment based on the wagering activity, at least once a week. Any variance is reviewed with the investigation results documented and maintained.

91. For sports computerized player tracking systems, an accounting/audit employee shall perform the following procedures at least one day per quarter:

- i. Review all point addition/deletion authorization documentation, other than for point additions/deletions made through an automated process, for propriety.
- ii. Review exception reports including transfers between accounts.
- iii. Review documentation related to access to inactive and closed accounts.

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92. At least annually, the computerized sports player tracking system (in-house developed and purchased systems) is reviewed by personnel independent of the individuals that set up or make changes to the system parameters. The review is performed to determine that the configuration parameters are accurate and have not been altered without appropriate management authorization (e.g., verify the accuracy of the awarding of points based on the dollar amount wagered). The system should also be tested, if possible, to further verify the accuracy of the configuration parameters (e.g., simulate activity to verify the accuracy of the amount of points awarded). The test results are documented and maintained.
93. Documentation (e.g., log, checklist, notation on reports, and tapes attached to original documents) is maintained evidencing the performance of sports audit procedures, the exceptions noted and follow-up of all sports audit exceptions.

Statistics

94. Reports are maintained for each month and year-to-date which indicate the total amount of wagers accepted, total amount paid out on winning wagers, the net amount won by the book (i.e., taxable win), and the win-to-write percentage for:
- i. Each sport (e.g., baseball, basketball, football, hockey, golf, boxing, etc.).
 - ii. Sports parlay cards up to 4-legs.
95. Not applicable.
96. The month-end sports statistical reports required by MICS #93 and #94 are presented to and reviewed by management independent of the sports book on at least a monthly basis and such management investigates any large or unusual statistical fluctuations. The investigation is to be completed no later than 30 days after the generation of the month-end sports statistical report.
97. The above referenced review will be performed by comparing the current period statistics for each type of event with those of applicable prior periods with investigations performed for statistical fluctuations for a month in excess of $\pm 5\%$.

Note: Common comparisons include either:

The current month to the same month from the previous year.

A rolling year-to-date to the same year-to-date period from the prior year.

98. The results of such investigations are documented in writing and maintained.

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Note: The calculation of the statistics based upon “accounting records (or book) win” is not required and not a substitute for calculating statistics based upon write and win. However, such a calculation may be used as part of an analysis of any statistical fluctuations.

Payout Procedures for Mail-In and Reportable Winning Sports Bet Slips and Vouchers

99. Accounting/audit personnel or personnel independent of the type C host location receive the original winning sports bet slips and vouchers.
100. Accounting/audit personnel or personnel independent of the type C host record the winning sports bet slips and vouchers on a log as a mail pay. The log includes the date received, patron’s name, bet slip numbers and voucher numbers.
101. The winning bet slips and vouchers are entered into the LSGP computer system by LSGP personnel or accounting/audit personnel for validation and cancellation. Only if the prize is a reportable amount, the LSGP shall ensure that proper Involuntary Exclusion, Intercept and VEP checks are performed.
102. Accounting/audit personnel compare the “paid” winning bet slips and “paid” vouchers to the mail pay log and/or the sports computer system report for paid winning sports bet slips and vouchers. Any discrepancies are documented and reviewed with LSGP and accounting management personnel.
103. Accounting/audit personnel, independent of the individual(s) who processed the mail pay winning bet slips and vouchers, reviews the patron’s correspondence submitted, the winning bet slips and vouchers, the mail pay log and the sports computer system report for “paid” winning bet slips and “paid” vouchers for any discrepancies. Any discrepancies are documented and resolved prior to remitting the proper payment amount to the patron. A LSGP receiving a report of suspicious activity shall be permitted to temporarily suspend wagering on events related to the report but may only cancel related wagers after Lottery approval.