



# SG OPERATING STANDARDS

## ANNUAL PLAN

EFFECTIVE DATE: JULY 26, 2022

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### OVERVIEW

A type C Lottery Sports Gaming Proprietor (LSGP) is required to submit to the Ohio Lottery Commission (Lottery) a description of their plan to provide a full-service lottery sports gaming solution. Annually the LSGP shall also report on operations and provide a business plan for the Lottery. The business and implementation plans are in addition to the annual audit requirements that are set forth for each LSGP in rule. In the event an LSGP requests to close operations post launch, a disentanglement plan is required to be submitted and approved by the Lottery before full closure can occur.

*Please Note: Confidential items should be marked as Confidential / Trade Secret.*

### REFERENCE DOCUMENTS

Lottery Sports Gaming - Type C Sports Gaming Proprietor Services Contract  
Ohio Administrative Code [3775-16-19](#) Internal Audit  
Ohio Administrative Code [3775-16-20](#) External Audits and Other Reports

### IMPLEMENTATION PLAN

**Implementation Plan** – Prior to launch each LSGP is required to submit an overview of their proposed lottery sports gaming solution and their plans to implement said solution. This will be achieved as part of a full implementation checklist that includes the following components:

- Organizational structure including identification of key officers.
- A description of where essential functions will be conducted.
- Duties performed by third parties (e.g., marketing and recruitment of hosts).
- Customer facing equipment information (e.g., kiosks, POS, cashing devices, etc.).
- Equipment certifications.
- Field service and maintenance plan.
- Advertising and marketing plan.
- Host training plan.
- Responsible gambling plan.
- Financial processing plan.
- Customer service plan.
- Minimum Internal Controls and other required procedures.
- Launch milestones, timelines, and dependencies.
- Equipment delivery schedule and rollout plan for host locations.
- Draft contract template for host location partnerships.



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As part of the milestones, each LSGP shall provide to the Lottery their intentions for launch and their official launch date. Upon review and approval by the Lottery, this implementation date shall serve as the mutually agreed start date as outlined in the Lottery and LSGP contract agreement.

The Lottery may request a revised launch schedule, in advance of the agreed upon start date, to reflect updated host partnership numbers. After the initial launch date, all new host location partnerships will have a launch date communicated through the Lottery approved forms process, see the [Shipment of Equipment and Software](#) operating standard for more details.

*Please note: During initial implementation, the timeline for submission of certain plans and materials may be requested at a different cadence to ensure timely review and approval prior to launch.*

### BUSINESS PLAN

**Business Plan** - Each LSGP is required to submit an annual business plan. Business plan submissions shall be due to the Lottery in draft form no later than December 1<sup>st</sup> of each calendar year. The plan shall serve as a high-level overview of business operations for the coming year and should address the following items:

- Financial Overview
  - Provide details on any planned capital investments or additional revenue streams anticipated for next year. Include projections on anticipated revenue overall.
- Advertising and Marketing Planning
  - Provide a high-level overview of annual advertising planning including umbrella campaign messaging, media placement, and proposed promotional programs for the upcoming year.
- Responsible Gambling Programming
  - Each LSGP shall maintain a responsible gambling awareness program. Said program is subject to review by the Lottery. The program should include any planned messaging in-venue, marketing materials, and/or messaging in the digital environment. The programming will include host employee awareness components for customer service and field staff to offer referrals where appropriate.
- Player Recruitment and Retention
  - Identify any new programs, as well as any potential third parties, that are intended to introduce sports gaming to players or increase player retention.
- Technical Items
  - Identify any new features and/or functionality proposed for implementation including any new self-serve kiosks or terminal technologies.
- Type C host recruitment and retention notification
  - Plans should include methods of recruitment, monetary investment, and any new updates to host contract language.



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## **ANNUAL AUDIT REQUIREMENTS**

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As outlined in Chapter 3775 of the Administrative Code, each LSGP is required to complete three audits annually to ensure compliance with sports gaming rules and regulations. A general overview of each audit is listed below, with full details on the audit requirements available under OAC 3775-16-19 and 3775-16-20:

**Financial Statement Audit** – Each LSGP must have its annual financial statements audited by an independent registered certified public accounting (CPA) firm licensed to practice in Ohio. The name of the CPA firm, lead audit partner, or individual with primary responsibility must be submitted to the Lottery in advance of engagement. The lead or primary individual on the audit may only serve a maximum of five years before rotating off.

- The audit must be prepared in conformity with generally accepted accounting principles (GAAP) and done on a comparative basis for the completed and prior fiscal years. It should also address the present financial position and result of operations.
- It should focus on the Ohio specific operations including revenue, expenses, liabilities, etc.
- The completed report is due 120 days after the closure of each LSGP's fiscal year.
  - The fiscal year will be assumed on a calendar year basis (1/1 – 12/31).
  - If an LSGP's fiscal year differs from the calendar year, the adjusted fiscal year timeframe must be submitted to the Lottery for approval.

**IT Security Audit** – Each LSGP must contract with an independent third party to perform an IT audit. The third-party vendor is not required to obtain a supplier license through the Ohio Casino Control Commission (OCCC), but the vendor's information must be submitted to the Lottery in advance for approval, along with the scope/tenants being covered in the audit. A copy of the final report will be due to the Lottery upon completion.

- This audit should cover all aspects of the sports gaming IT system. This includes the design, internal controls/procedures, maintenance of the system, compliance with the IT and sports gaming system requirements outlined in the rule, and the overall security of the system.
- This should include some form of vulnerability scans of the system and subsequent penetration testing.
- The completed report is due no later than December 31st.

**Internal Audit** – Each LSGP must assess compliance with sports gaming law through either their own internal audit department separate from operations, or an independent third-party registered CPA firm licensed to practice in Ohio. The name of the CPA firm, lead audit partner, or individual with primary responsibility must be submitted to the Lottery in advance of engagement. This firm can be the same third-party CPA firm conducting the financial statement audit.

- The audit must cover the LSGP's compliance with all the applicable rules adopted, house rules, required procedures, and Lottery operating standards.
- The documented audit report is due to the Lottery no later than June 30th. If corrective action is noted in the report, corrective action must be performed and verified within six months following the date of notification.



## **RESPONSIBLE GAMBLING TRAINING**

Annually, each licensed LSGP will be required to attend a Responsible Gambling training course led by the Ohio Lottery. This training will be mandatory for all applicable LSGP staff and attendance will be monitored to ensure compliance. Approved LSGP staff that are unable to attend the live session will need to access and acknowledge the recorded training independently. The recorded training should also be used by LSPG's for onboarding any new staff during the year.

Attending this annual training will satisfy the requirements for each LSGP to provide their own Responsible Gambling training for their staff annually. Details on the type of training, training date, and content for the training will be provided to LSGP's in advance each year.

## **DISENTANGLEMENT PLAN**

In the event an active selling LSGP desires to exit the type C market, a formal notification must be made to the Lottery at least 90 days prior to the proposed closeout date. Once notification is made, a disentanglement plan is required to be submitted to the Lottery for approval in advance of closeout. This plan will ensure the LSGP understands all the actions that must be completed prior to closing operations and the obligations that will remain after wagering has ended. The Lottery will provide a template for the plan, which will include:

- Plan for equipment removal.
  - The disentanglement plan must be approved before the removal of equipment at host locations can begin.
- Host notification and messaging.
- Plan for notification to players.
  - Updates to website, in-venue messaging, etc.
- Financial requirements.
  - Remaining invoices payable to Lottery, host compensation, financial reporting, etc.
- Lottery contract obligations.
  - Bond/insurance requirements, record retention, etc.
- Administrative sports gaming operations.
  - Server requirements, system reporting, Intercept and VEP access removal, etc.
- A mutually agreed upon final wager acceptance date.

As a reminder, once the disentanglement plan is approved and operations have closed in the field, there will remain continuing obligations that the LSGP must meet. This includes bond/insurance obligations, invoices for expired tickets/vouchers, and ongoing audit/retention requirements.

## **CONTACT**

For further information contact: [sportsgaming@lottery.ohio.gov](mailto:sportsgaming@lottery.ohio.gov)