

Regulations of Connecticut State Agencies

TITLE 12. Taxation

Agency

Department of Consumer Protection

Subject

Operation of Lottery

Inclusive Sections

§§ 12-568a-1—12-568a-24

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Sec. 12-568a-1. Definitions, constructions, interpretations

In applying the provisions of sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies, the following definitions, constructions and interpretations shall apply:

(1) “Acceptance test” means a series of hardware, software and terminal tests established and performed by the CLC to assure integrity, conducted prior to the installation of the lottery gaming system or prior to any software or hardware modifications to the lottery gaming system.

(2) “Affiliate” means a person, other than a shareholder in a publicly traded corporation, that may exercise control in or over the CLC or a vendor licensee.

(3) “Agent” means a lottery sales agent, lottery retailer, or a person who has been licensed by the department to sell and redeem tickets as specified by the department.

(4) “Augmentation” means the process by which a prize pool of a lottery game may be increased.

(5) “Business continuity plan” means the written procedures to be followed to restore critical functions following a disruption.

(6) “Business records” means journals, books of accounts, correspondence, memorandums, tapes, discs, papers, books and other documents that may be requested by the department from time to time in any written or electronic form.

(7) “CLC” means the Connecticut Lottery Corporation as created under section 12-802 of the Connecticut General Statutes.

(8) “CLC Board” means the governing Board of Directors of the Connecticut Lottery Corporation, established pursuant to chapter 229a of the Connecticut General Statutes.

(9) “Commissioner” means the Commissioner of Consumer Protection or his or her designee.

(10) “Compliance officer” means the person designated by the CLC to be responsible for overseeing and managing compliance issues within the CLC, including compliance with all statutory and regulatory requirements and compliance with the CLC’s internal controls and rules of operation.

(11) “Control” means the power to exercise authority over, or direct the management and policies of, a person.

(12) “Delinquency” means the failure by an agent to remit all moneys due and owing as a result of the agent’s ticket sales upon the settlement date established for that agent.

(13) “Department” means the Department of Consumer Protection.

(14) “Designated employee” means an individual who works at a licensed lottery sales location and is the contact person regarding lottery matters at that licensed lottery sales location.

(15) “Disaster recovery plan” means a plan which provides for a back-up site, detailing the computer systems, communications equipment, power supply, security procedures, recovery procedures, and time schedules for the recovery and continuation of the lottery

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gaming system, if the primary site is deemed inoperable.

(16) “Drawing” means the process whereby winners in a lottery game are conclusively determined.

(17) “Facility” means the physical location where any lottery activity is conducted by the CLC or any lottery vendor, affiliate or occupational licensee, except that it does not include an employee’s home, if the home is not the employee’s primary work location and the employee does not retain files at his or her home.

(18) “Final settlement” means the process by which the CLC receives the monetary amount equivalent to all tickets sold by an agent, minus an agent’s authorized compensation, prizes, authorized adjustments and cancels.

(19) “Hardware” means all equipment, devices and peripherals, including, but not limited to, computers and computer components.

(20) “High tier claim center” means an agent designated by the CLC and approved by the department to pay and process claims for lottery winnings of specified denominations, and required to post and maintain a surety bond at the agent’s sole expense, in an amount approved by the CLC.

(21) “Immediate family” means any spouse, domestic partner, child or relative who resides in an individual’s household.

(22) “Incident” means a statutory, regulatory or criminal violation or allegation of a violation that affects the CLC, a lottery game or the lottery gaming system; it also means any irregularity that affects a lottery game or the lottery gaming system.

(23) “Instant game” means any game with a fixed prize structure where the outcome is predetermined and immediately available to the purchaser.

(24) “Internal Control System” or “ICS” means an electronic system that captures and accounts for lottery gaming transactions and provides audit capability for the lottery gaming system.

(25) “Internal controls” has the meaning prescribed in section 4-230(8) of the Connecticut General Statutes.

(26) “Key personnel” means any individual who asserts influence and control over the day to day operations and who has the power to exercise authority over or direct the management and policies of a person and includes any individual that has a Class II or a Class IV occupational license from the department.

(27) “Licensee” means any person licensed by the commissioner to participate in lottery activities.

(28) “Lottery” means the lottery as defined in section 12-801 of the Connecticut General Statutes.

(29) “Lottery game” means a terminal game, instant game or other game offered by the CLC and approved by the department.

(30) “Lottery gaming system” means the complete integrated set of hardware and software elements that communicates, records, reports, captures and accounts for gaming data, including, but not limited to, issuing, canceling and validating wagers, determining

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winners, and other functions necessary for the technological operation of the lottery.

(31) “Lottery sales agent license” means the right to sell tickets, or where the context requires, the actual credential issued by the department evidencing such right.

(32) “Major contractual services” means goods or services supplied by a contractor who receives, or can be expected to receive, more than \$50,000 or twenty-five percent of its gross annual sales from the CLC or any licensee, whichever is lower.

(33) “Management information system” or “MIS” means a computer system that provides access to data within the lottery gaming system.

(34) “Network” means the communications network that provides interface and compatibility between computers, agent terminals, modems, data sets, and the lottery gaming system.

(35) “Occupational licensee” means an individual licensed by the department pursuant to chapters 226 and 229a of the Connecticut General Statutes.

(36) “Official procedures” means the documents which contain the methods of operation and management of lottery games, including, but not limited to, technical specifications, prize claims and payouts, prize structure, ticket characteristics and rules of play, and all procedures concerning internal controls, security, administration, purchasing and budgeting.

(37) “Person” means any individual, partnership, association, limited liability company, firm, corporation, trust, or other public or private entity, organized or existing under the laws of the state or any other state, or the federal government, including federal corporations and foreign entities.

(38) “Pool” means the amount of money wagered for a particular drawing.

(39) “President” means the chief executive officer or designee of the CLC responsible for directing and supervising the operations and management of the CLC.

(40) “Primary contract” means a contract to provide facilities, components, goods or services to the CLC by a person that (A) provides any lottery game or any lottery gaming system, related facilities, components, goods or services and that receives or, in the exercise of reasonable business judgment, can be expected to receive more than \$75,000 or twenty-five percent (25%) of its gross annual sales from the CLC, or (B) has access to the facilities of the CLC and provides services in such facilities without supervision by the CLC.

(41) “Primary site” means the main location of the lottery gaming system.

(42) “Prize claim period” means the redemption period for winning tickets.

(43) “Promotion” means an event or activity in which the CLC participates, conducted for the purpose of endorsing lottery products or lottery games.

(44) “Promotional drawing” means any drawing that determines the winner of any prize that is provided by the CLC and that is not part of any lottery game prize structure.

(45) “Purchaser” means a person who participates in a lottery game by either purchasing a ticket from a licensed agent location or by lawfully receiving a ticket purchased by another.

(46) “Rules of operation” means the written policies and procedures governing the general operation and management of the CLC, as adopted by the CLC Board of Directors. Such policies and procedures shall include, but need not be limited to, policies relating to

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sales procedures, management structure, emergency response and resolution policy, security, administration, purchasing and budgeting.

(47) “State” means the state of Connecticut.

(48) “Subscription” means a contract under which the purchaser is automatically entered in designated drawings for a specified period of time.

(49) “Terminal game” means any lottery game in which a ticket is produced by a machine that communicates with the lottery gaming system.

(50) “Ticket” means any lottery ticket approved for sale to the general public pursuant to sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies.

(51) “Ticket vending machine” means a machine that dispenses tickets for sale.

(52) “Unclaimed prize” means a prize associated with a purchased ticket that remains unredeemed after the prize claim period expires.

(53) “Unclaimed prize funds” means the value of prizes associated with tickets that remain unclaimed after the prize claim period expires.

(54) “Vendor” means a person awarded the primary contract by the CLC to provide facilities, goods, components, and services related to the operation of the CLC or necessary to carry out the provisions of chapters 226 and 229a the Connecticut General Statutes.

(55) “Working papers” means specifications for instant games, including, but not limited to, a game description, color representation of the front and back of the ticket, prize structure, representations of fonts, official procedures, packing information, delivery schedule and price confirmation.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-2. General provisions

(a) Official procedures.

(1) The CLC shall at all times abide by the approved official procedures, except that in the event of an emergency situation, the CLC may deviate from the official procedures with the written permission of the department.

(2) Prior to implementation, the CLC shall obtain the department’s written approval of all official procedures related to lottery games and the CLC internal controls in order to preserve the integrity of lottery gaming and operation and minimize the possibility of corruption or illegal practices for the protection of the public.

(3) Each different type of lottery game shall be established by the CLC and official procedures for each lottery game shall be approved by the department in writing prior to public promotion, implementation or sale of tickets. For purposes of sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies, the types or categories of lottery games shall be (A) instant games; (B) terminal games and (C) other games approved by the department, including any variations of instant and terminal games. Any lottery game or type or category of game, once having been established may thereafter be discontinued provided written notice is given to the department prior to or within 24

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hours after discontinuation of such game. Except as otherwise provided in sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies, a discontinuation shall not affect the rights of those who purchased tickets prior to the effective date of discontinuation.

(4) Related to the operation of the lottery, official procedures shall be required for, but are not limited to, the following: prize claim periods; promotional drawings; unclaimed prizes; ticket validation and verification requirements; controls on the production and distribution of tickets and ticket stock; ticket destruction; lottery gaming system configuration; failover recovery; acceptance testing; procedures to protect the lottery gaming system from tampering with pools, liabilities or winning ticket information; procedures for balancing and for reconciling the lottery gaming system on a daily and weekly basis; lost or stolen ticket claims; mutilated tickets; payments of prizes to minors; multiple claimants; interrupted games; timing of prize payments; cancellation of tickets; security plans for the CLC's primary and secondary drawing locations; pool augmentation; game additions, changes and discontinuations; subscription programs; disaster recovery plans for the network, ICS and lottery gaming systems; business continuity plans for management of lottery games and lottery retailer terminals; probability of winning; lump sum versus annuitized payment plans; drawings; confidentiality of drawing procedures; vendor reports for issuance of ticket stock; fraudulent lottery game claims; previously paid lottery game claims; rightful ticket ownership and incredulous claims; unclaimed prize information; audits of instant ticket games; ticket reconstruction; agent settlement; definitions of a valid terminal ticket and a valid instant ticket; ticket vending machines; and acceptable practices for the sale and validation of tickets by agents.

(5) Related to internal controls, official procedures shall be required for, but are not limited to, the following: physical security of the CLC's buildings, cyber security, emergency response and resolution policies, management structure and qualification standards for key personnel, and marketing and sales procedures.

(6) The commissioner may accept, reject or require modification of any official procedure. Rejection or required modifications of an official procedure shall be based on the potential for detrimental impact on: the integrity of gaming operations; data privacy; financial or physical security of the lottery or the CLC; or the department's ability to effectively regulate the CLC or operation of lottery. The CLC may appeal any rejection of an official procedure by requesting a hearing before the commissioner in accordance with chapter 54 of the Connecticut General Statutes. Such request for a hearing shall be made in writing to the commissioner within fifteen days of receipt from the department of a rejection of an official procedure.

(b) Rules of operation.

(1) To assure the integrity of the operation of the CLC, by June 30th of each odd numbered year, the CLC shall prepare, update and submit to the department CLC's rules of operation for consideration and review. The department shall have thirty (30) calendar days to review and provide comments on the submitted rules of operation before the CLC Board

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may approve such rules of operation. At least two of the CLC's approved rules of operation shall be reviewed every two years by an independent certified public accounting firm, as approved by the department, which firm shall provide a management report to be submitted to the department. The same rules of operation shall not be reviewed again within a five-year period. The independent certified public accounting firm shall determine whether the CLC is operating in compliance with its rules of operation and whether there are any material weaknesses in the rules of operation reviewed by the accounting firm. Such management report shall be completed within ninety (90) days of the CLC's biennial rules of operation submission to the department.

(2) The CLC shall submit to the department a copy of any proposed revision of the rules of operation prior to engaging in the activity covered by the rules of operation.

(c) **Emergencies.** Notwithstanding the provisions of subsections (a) and (b) of this section, in the event of unforeseen problems which might reasonably cause substantial detriment to the public interest of the state, the department reserves the right to order an immediate suspension of the sales of any tickets or the conducting of any drawing relating to a particular game. The department may thereafter require the CLC to establish new procedures relating to the manner in which any incidental drawings are to be conducted, winners to be determined, and the amount of any prizes to be fixed. In addition, if during the actual conduct of any drawing, a problem arises requiring immediate action, the commissioner shall take immediate action.

(d) **Prize payouts.**

The CLC may limit its liability in games with fixed payouts and may cause a cessation of sales of tickets of certain designation when such liability limit has been reached.

(e) **Notice of change of lottery games; drawing deadline.** In the event that the CLC changes a lottery game to a different lottery game, the CLC shall set a date before which all eligible winners shall claim to participate in the final drawing of the old game. The CLC shall give adequate notice to the public by posting on the CLC website, and providing such other public notice as the department may require, that the lottery game is to be changed and that winning ticket holders shall claim by a certain date pursuant to this section to be eligible for the final drawing.

(f) **Waiver.** In the sole discretion of the commissioner, any provision contained within sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, may be waived when such waiver is in the best interests of the state and the operation of the lottery.

(g) **Official procedures.** The CLC shall establish official procedures for each new lottery game and any modification to an existing lottery game. The procedures shall be in writing, kept on file at the CLC offices and made available upon demand to any party requesting a copy. The CLC may produce and distribute informational brochures and other materials designed to inform the general public as to the manner of participation in a lottery game. This lottery game information may also be printed on the ticket itself. However, in the event

of any conflict, the official procedures, as approved by the department, shall control.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-3. Department of Consumer Protection

(a) **Powers and duties.** The department shall have the power to carry out the intent of chapters 226, 226b and 229a of the Connecticut General Statutes. The duties of the department shall include, but not be limited to, the following:

(1) The enforcement of the provisions of chapters 226 and 229a of the Connecticut General Statutes and the regulations adopted thereunder.

(2) The adoption, amendment, repeal, and publication of all regulations necessary to carry out the intent of chapters 226 and 229a of the Connecticut General Statutes.

(3) Doing whatever is reasonably necessary to carry out the intent of chapters 226 and 229a of the Connecticut General Statutes.

(4) Working with, or seeking information and assistance from, other federal, state, local and municipal government entities or individuals when the department deems it appropriate for the performance of its duties.

(5) The conducting of any necessary inquiry, investigation or hearing, including the administration of oaths, the taking of testimony, and the subpoena of witnesses.

(b) **Powers reserved.** All powers of the department and the commissioner not specifically defined in subsection (a) of this section are reserved to the department and the commissioner under chapters 226 and 229a of the Connecticut General Statutes.

(c) **Commissioner's decisions.** In the event of any occurrence not covered by sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies, the commissioner retains the authority to make decisions in the best interests of the lottery and the state.

(d) **Inspection of records.** Every person required by sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies, to prepare, obtain or keep records, logs, reports or other documents, and every person in charge of or having custody of such documents, shall maintain such documents in an auditable format. Upon request, such person shall immediately provide such documents and make them available for review and copying by the department. When possible, such documents shall be electronically provided to the department. The commissioner may request any information he or she deems necessary for the proper administration of the applicable provisions of the Connecticut General Statutes and the Regulations of Connecticut State Agencies. Inspection may include the review and reproduction of any record.

(e) **Inspection of premises.** The department shall be granted 24 hour a day access to all areas of the CLC's facilities.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-4. Purchasers

(a) **Official procedures.** A purchaser shall be bound by the official procedures of the

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lottery game associated with the purchaser's ticket.

(b) Claims.

(1) Prizes may be claimed only in accordance with the official procedures or any emergency procedures as prescribed by the CLC and approved in writing by the department.

(2) To be valid, claims shall be presented to the CLC within the time periods described in the official procedures. Any subsequent change in the time period allowed for presenting valid claims shall be applied to the category of lottery game as a whole and shall not be applied on an individual basis for individual claims.

(c) Sales prohibitions.

(1) No ticket shall be purchased by, and no prize shall be paid to, the commissioner or any designated employee of the department with direct involvement in lottery regulation or to any immediate family member of any of the foregoing persons.

(2) No ticket shall be purchased by, and no prize shall be paid to, any Board member of the CLC, officer or employee of the CLC, immediate family member of the foregoing persons, or officer or employee of a vendor if that officer or employee is involved in the provision of goods or services to the CLC for the operation of the lottery.

(d) Reimbursement to state by state debtors who are lottery term prize winners or agents. In addition to the requirements of sections 12-829 and 52-362d of the Connecticut General Statutes, the CLC shall provide the Department of Revenue Services, the Department of Social Services and any state law enforcement agency, upon request, with the names of any lottery prize winners and agents. If the agency confirms a debt owed to the state by such person or entity, said agency shall notify the CLC.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-5. Agents

(a) Certification of the CLC. The CLC shall certify on each lottery sales agent license application that it authorizes submission of the application by such applicant at such location and that it shall activate such applicant as an agent upon licensure. The CLC shall additionally provide a statement of any surety bond requirement.

(b) Qualifications for licensure. Any person desiring a lottery sales agent license shall make application on forms prescribed by the department. An applicant for a lottery sales agent license shall be required to supply in its application, at a minimum: The name, nature, and location of the applicant's business; the applicant's federal tax identification number, Connecticut tax registration number, and, where applicable, social security number; the names, addresses and dates of birth of officers, principal owners, and designated employees, as required by the commissioner; an explanation of any criminal conviction, other than minor traffic offenses, of the applicant and any of its officers, owners, or designated employees; an explanation of any tax disputes or delinquencies involving taxes owed to the state by the applicant; disclosure of any pending action, fine, suspension or revocation of any liquor or other permit, license, registration or authorization issued by any state, federal or tribal authority, or authority in any other state, of the applicant and any officer, owner or

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designated employee of the applicant; and the names and addresses of two business references. No applicant will be issued a lottery sales agent license to engage in business exclusively as an agent. No applicant shall have the word “lottery” or “lotto” contained within the business name, except as approved by the CLC. An applicant shall not withdraw its application without the permission of the commissioner. In determining an applicant’s qualifications for licensure as an agent, the department shall consider the following factors:

(1) The financial responsibility of the applicant. The department may conduct an investigation into the credit worthiness of the applicant utilizing the services of a commercial credit-reporting agency or other method approved by the commissioner. The CLC may require that the applicant post and maintain a surety bond at the applicant’s sole expense in an amount determined by the CLC;

(2) Any falsification of the information submitted with the lottery sales agent license application or failure to disclose any fact material to the application;

(3) The applicant’s reputation for honesty and integrity;

(4) Insofar as permitted by law, any record of criminal convictions, however, the commissioner may defer a decision of whether to grant or deny a lottery sales agent license if criminal charges are pending against the applicant;

(5) Certification of municipal tax compliance and state tax compliance; and

(6) Such other information as the department may deem pertinent to the issuance of a lottery sales agent license.

(c) **Legal entity as applicant.** The department shall require that at least one principal owner of, or a natural person connected with, any corporation, company, partnership, or other legal business entity applicant acceptable to the department, assume, in writing, joint and several liability with the applicant prior to the issuance of any lottery sales agent license. In the event such corporation, company, partnership, or other legal business entity applicant acceptable to the department is thereafter adjudicated a delinquent agent pursuant to section 12-568a-12 of the Regulations of Connecticut State Agencies, and the official procedures or rules of operation, the department or the CLC may avail itself of any appropriate collection procedures against such corporation, company, partnership, other legal business entity or natural person.

(d) **Change of operations.** A lottery sales agent license shall not be transferred or sold. Changes in the ownership, location, or name of an agent’s business may only be made in accordance with the following provisions:

(1) When the ownership of the business enterprise is to be transferred, if the proposed transferee wishes to continue lottery sales in connection with such enterprise, said transferee shall submit an application for a new lottery sales agent license in advance of such transfer. Provision shall be made at closing for the resolution of any obligations owed the CLC as a result of the transferor’s lottery business, and no lottery sales agent license will be issued to the transferee if the transferor’s lottery obligations are unpaid. This subdivision shall also apply when there is any change in the parties who comprise the ownership of an agent’s business or when there is a forty-nine percent (49%) or greater change in the ownership of

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any corporate stock of a corporate agent.

(2) An agent desiring to move its lottery business from one location to another shall make proper application on forms provided by the department.

(3) An agent wishing to change its name shall inform the department in writing. In considering whether to issue a lottery sales agent license to such transferee or to permit lottery sales following a change in business name or location, the department may apply the same criteria used in determining initial eligibility. The department, however, may defer action on or reject any such application or request based on an agent's delinquent payment history, a pending lottery sales agent license suspension or revocation action or a pending appeal of administrative action.

(e) **Lottery sales agent license suspension and revocation.** The commissioner may impose a penalty in accordance with section 12-815a of the Connecticut General Statutes on a lottery sales agent license holder or may suspend, revoke, or place conditions on a lottery sales agent license after a hearing held in accordance with chapter 54 of the Connecticut General Statutes for any one of the following reasons:

(1) If the lottery sales agent license application contains false or misleading information;

(2) If the agent violates or fails to comply with the provisions of sections 12-568a and 12-800 to 12-818, inclusive, of the Connecticut General Statutes or with sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies;

(3) If the agent commits an act which seriously impairs its reputation for honesty and integrity; or

(4) If the agent fails to sell and redeem tickets in accordance with the corresponding official procedures.

(f) **Lottery sales agent license renewal.**

(1) A lottery sales agent license issued by the department shall be valid for no more than one year, except that an extension of such license term may be approved by the commissioner for a period of no longer than one year.

(2) An agent having applied for a lottery sales agent license renewal prior to its expiration may continue lottery sales activity until final department action on the renewal application in accordance with section 4-182 of the Connecticut General Statutes.

(3) Each applicant for a lottery sales agent license renewal shall certify on the application that all information on file with the department is current, accurate and complete. In the event of any changes, such changes shall be reported to the department within ten (10) days of such change and the department may require an applicant to apply for a new lottery sales agent license pursuant to the provisions of this section.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-6. Special agents

(a) **Special agent licenses, conditions.** The department may issue a special agent license to an applicant whom the department determines will best serve the public interest and convenience of the state. A special agent license may be issued to the CLC, a temporary

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agent, or an agent that is currently licensed and that will conduct lottery business from a location as determined by the CLC. The department may attach such reasonable conditions to a special agent license as will assure the integrity of the CLC and lottery. Such conditions may include, but are not limited to, the following:

- (1) Length of licensure;
- (2) Establishment of hours and days of sale;
- (3) Locations of sales as will be permitted; and
- (4) Limitation as to specific charitable, social, or other special events.

(b) **Applicability of other regulations.** All provisions of sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies shall apply to a special agent license.

(c) **High tier claims.** No agent may cash tickets in excess of the maximum payout threshold established by the department unless the department approves such agent as a high tier claim center. The CLC shall propose the maximum payout threshold for non-high tier claim center agents to the department, which proposal the department shall review and either approve or reject within fifteen (15) business days from the date of receipt by the department.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-7. Lottery sales

(a) **Categories of sales.** The CLC, in its discretion, shall determine the categories of tickets including: (1) instant game, (2) terminal game, and (3) other types of games that an agent is permitted to sell. An agent shall sell and redeem all categories of tickets unless otherwise instructed by the CLC.

(b) **Sales restricted to premises.** The sale of tickets by an agent at other than its licensed premises is prohibited unless otherwise authorized pursuant to section 12-568a-6(a) of the Regulations of Connecticut State Agencies.

(c) **Multiple locations.** Any agent who desires to sell tickets at more than one address or location shall hold a separate lottery sales agent license for each location; however, disciplinary proceedings or orders by the department or the CLC concerning any activity by such an agent at any one licensed location may apply to any other licensed location of the agent. Any instant game tickets allocated for one licensed location shall be sold at that licensed location only.

(d) **Limitations on sales.**

- (1) All ticket sales shall be final except as otherwise provided for in official procedures.
- (2) Only duly licensed agents or their employees may sell tickets; however, persons who may lawfully purchase tickets may make a gift of tickets to another person.
- (3) Tickets may not be sold for less than or greater than the price established by the CLC. This shall not preclude a person who has purchased tickets from providing those tickets as gifts or as promotional consideration as permitted by law.
- (4) No tickets shall be sold to any person under the age of majority as established by

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law; however, minors may receive tickets as gifts.

(5) An agent shall accept only play slips provided by the CLC.

(6) No person may offer for sale, sell, deliver or advertise any out-of-state ticket for a fee pursuant to section 12-570a of the Connecticut General Statutes.

(e) **Municipal, state or federal action.** No ticket shall be sold or cashed at the premises of an agent while the business is closed as the result of any action by any municipal, state or federal agency.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-8. Obligations of agent

The issuance of an agent license by the department to any person as an agent shall constitute acceptance by the agent of the following conditions:

(1) **Fiduciary relationship.** An agent shall assume, in the sale of tickets and the receipt of revenue therefrom, a fiduciary relationship with the CLC. All monies received by agents from the sale of tickets shall constitute a trust fund. Each agent, or in the case of a business entity, the natural person guarantor, shall be personally liable for all such ticket proceeds which shall be kept separate and apart from all other funds and assets in a separate bank account and shall not be commingled with any other funds, assets or bank accounts of the agent.

(2) **Laws and regulations.** An agent shall be bound by all applicable laws and the official procedures of the CLC.

(3) **Instructions of the CLC.** An agent shall conduct the sale, redemption and exchange of tickets pursuant to the CLC's instructions for any lottery game. These may include, but are not limited to, restrictions as to hours of ticket sale and redemption, the approval of the location of lottery equipment and material on the premises, and the imposition of a minimum required sales level.

(4) **Safeguard tickets.** An agent shall assume responsibility for and safeguard any tickets, property, ticket stock and equipment entrusted to its care and shall prevent the unauthorized sale or issuance of any tickets. An agent shall be responsible for any such unauthorized sale or issuance of tickets that may nonetheless occur.

(5) **Inspection of records.** Upon a written request of the department, an agent shall permit inspection of the financial books and all business records, including email, video, voice recordings, and other electronic communications or recordings, relating to its business operation and the security of the lottery, and allow the performance of an audit upon those books or records. An agent shall also, upon request, furnish any other documents, records or information requested by the department.

(6) **Inspection of premises.** An agent shall permit physical inspection of its premises during normal business hours upon the request of any department representative for the purpose of determining whether the agent is functioning in a manner consistent with chapters 226 and 229a of the Connecticut General Statutes and with sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies.

(7) **Lottery sales agent license displayed.** An agent shall display its lottery sales agent license in a location visible to the public and subject to approval by the department.

(8) **Current information.** An agent shall keep all exhibits, statements, reports, or other data, submitted pursuant to an application for a lottery sales agent license, current, accurate and complete. An agent shall report to the department a full description of any changes in the information submitted as part of its application within ten (10) days of such change.

(9) **Compulsive gambling materials.** An agent shall display all informational materials supplied by the department or the CLC informing the public of the programs available for the prevention, treatment and rehabilitation of compulsive gambling in this state.

(10) **Customer display unit.** Any display unit relating to a lottery transaction shall be visible to the customer. Tampering with or directing any unit away from a customer's plain view is prohibited.

(Adopted effective October 6, 1999; Amended May 2, 2006; Amended April 13, 2021)

Sec. 12-568a-9. Agent employees

(a) **Permitted.** An agent may utilize the services of its employees in the activities authorized under such agent's license. An agent shall assume full responsibility for the activities of the agent's employees and the consequences of their activities. The department reserves the right to order that an employee not engage in the sale or exchange of tickets. Any such determination of non-eligibility shall be final and shall be complied with immediately upon order from the department.

(b) **Designated employee.** Where the agent itself will not be directly involved in the sale or exchange of tickets, the agent shall notify the department of a designated employee who shall be responsible for managing the agent's lottery business. Such designated employee shall be subject to the approval of the department. An agent shall notify the department in writing within fifteen (15) days whenever such designated employee is replaced.

(1) Any designated employee shall provide information as required by the department.

(2) The agent shall ensure that all employees involved in the conduct of lottery business are adequately trained. Any designated employee may be authorized to train other employees at that location in the conduct of lottery business.

(c) **Agent liability.** In any proceedings initiated by the department against an agent, it shall not be a defense that an employee or contractor of that agent acted contrary to an order or that the agent did not participate in any violations. An agent may be held liable for any violations of chapters 226 and 229a of the Connecticut General Statutes, and sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies committed by such agent's employees and contractors.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-10. Accountability

(a) **Agent's responsibility.** Tickets before sale remain exclusively the property of the

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CLC held in trust by the agent. Any loss or theft of tickets shall be reported immediately to the CLC.

(b) **Cash.** Cash received by the agent from the sale of tickets is solely the responsibility of the agent.

(c) **Responsibility of the CLC.** The CLC shall notify the department immediately of all lost, stolen or otherwise unaccounted for tickets.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-11. The CLC's proceeds, property

As used in this section, "proceeds" means any moneys received from the sale, both actual and presumed, of tickets. In accordance with the provisions of section 12-813(b) of the Connecticut General Statutes, all moneys received by agents from the sale of tickets constitute property of the CLC while in such agent's possession and shall be held in trust for the CLC by such agents. During the time period tickets are held in trust for the CLC by such agents, such tickets shall remain the property of the CLC. Agents shall hold in trust for the CLC the proceeds generated from the sale of tickets minus the authorized agent compensation. During the time period such proceeds are held in trust for the CLC by such agents, such proceeds shall remain the property of the CLC.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-12. Agent delinquencies

(a) **Collection agents.** The president may designate any person as a collection agent to oversee the assessment, collection and receipt of settlements and delinquencies and any other debts owed to the CLC. Such collection agent shall be bonded in an amount established by the department. The president shall designate a specific employee of the CLC as the collections liaison for the department, which individual shall coordinate with the department on collections activity, including preparation of documents for, and testifying in, enforcement proceedings.

(b) **Determination of the CLC, notices to agent.** If the CLC determines that a settlement is improper in that all moneys due and owing the CLC have not been remitted or that an agent has failed to render a timely settlement, the agent shall be so notified by the CLC and shall be afforded a reasonable period of time, as determined by the CLC, within which to render a proper settlement. If after such period of time the agent remains delinquent, the president shall make a finding of delinquency and notify said agent and the commissioner. Thereafter, the commissioner shall charge the delinquent agent:

- (1) The amount due but unremitted as of the stated past settlement date;
- (2) A delinquency assessment penalty equal to ten percent of the amount due and unremitted or ten dollars, whichever is greater; and
- (3) Interest at the rate of one and one half percent of the amount due for each month or fraction of a month computed from the date settlement was due to the date of payment.

(c) **Opportunity for hearing, notice.** Included conspicuously in the finding of

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delinquency shall be a notice informing the agent that its sales are suspended and informing the agent of its right to contest the finding at a delinquency assessment hearing before the commissioner. The notice shall inform the agent that failure to appear at the hearing will result in a conclusive presumption of delinquency with the attendant consequences thereof under chapters 226 and 229a of the Connecticut General Statutes and sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies. A request for a continuance by an agent will be granted only once in extraordinary circumstances and then for not more than seven (7) calendar days. To this end, the commissioner may require a statement, under oath, from the agent explaining these extraordinary circumstances.

(d) **Delinquency assessment findings.** The commissioner may modify the delinquency finding and may require that the agent:

(1) Remit the full amount due and owing pursuant to the terms of the modified assessment or enter into a payment schedule with the CLC pursuant to the terms of the modified assessment; and

(2) Post a bond in such form and amount as the department determines is required to protect and save harmless the CLC from any future loss.

(e) **Delinquency collection.** If the commissioner affirms the finding of delinquency at a hearing, the commissioner shall issue in writing a formal finding of delinquency assessment. Thereafter, the president shall employ collection agents for the purpose of collecting the delinquency in accordance with the commissioner's decision. In this regard, the CLC shall prepare and the commissioner may sign a warrant directed to any authorized officer or designated collection agent employed by the CLC or the department for distraint upon any property (real, personal, tangible or intangible) owned by the agent, or in the case of a business entity, its natural person guarantor, in whole or in part, and located in the state of Connecticut. There shall be attached to the warrant an itemized bill, certified by the commissioner as a true statement, of the full amount due from the agent. Such warrant shall be considered equivalent to an execution issued in accordance with chapter 906 of the Connecticut General Statutes. Such warrant shall be levied on any applicable property and sale made pursuant to such warrant as provided for an execution under chapter 906 of the Connecticut General Statutes.

(f) **Agency action.** Notwithstanding any other provisions of this section, the department may at any time initiate the hearing process against an agent with an alleged delinquency.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-13. Sales suspension

(a) The president may suspend for cause any agent subject to a final determination through a hearing provided in accordance with sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies, and the department rules of practice and hearing procedures.

(b) Upon suspension, the CLC shall conduct a final settlement and no additional lottery materials or tickets shall be delivered to the agent, and any lottery equipment on the agent's

premises shall be rendered inoperative pending a department hearing to be scheduled for said agent. Notice of such suspension shall be provided by the CLC to the department within two (2) working days of the sales suspension.

(c) No agent shall be entitled to a hearing by the department for any sales suspension by the CLC on the basis of insufficient agent sales or failure to adhere to marketing criteria, as determined by the CLC.

(Adopted effective October 6, 1999; Amended May 2, 2006; Amended April 13, 2021)

Sec. 12-568a-14. Summary suspension

If the commissioner determines that public health, safety or welfare imperatively requires emergency action, a licensee may be suspended without the necessity of a prior hearing. The notice to the licensee of such action shall detail the reasons for the emergency action and shall afford the licensee an opportunity for a subsequent hearing to contest the suspension. Any licensee, vendor employee, or employee or officer of the CLC who is alleged to have: defrauded, produced, altered, forged, passed or counterfeited a ticket; tampered with the CLC's files; or inappropriately accessed the lottery gaming system may be summarily suspended, and such licensee may be subject to further discipline at an administrative hearing.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-15. Occupational badges and licenses

(a) Badges.

(1) The department, as it deems necessary, shall require occupational licensees to obtain a badge at the expense of the CLC. Such badges shall be displayed or carried upon such licensee as required by the department. All badges are the property of the department and shall be returned to the department upon request in the event of license termination, suspension or revocation.

(2) The CLC shall file a list of persons and specific duties of such persons not licensed as occupational licensees who may enter the facilities of the CLC for reasons connected with the operation of the lottery. In such instances, the CLC shall provide nontransferable visitor badges to individuals on such lists.

(3) The department, at its discretion, may provide temporary badges to facilitate operations when an occupational licensee does not have such badge available.

(4) No licensee shall permit any other person to use such licensee's badge or license.

(b) Occupational licenses.

(1) No person may be employed by the CLC unless such person is licensed as a class III or class IV occupational licensee by the department pursuant to sections 12-568a and 12-800 to 12-818, inclusive, of the Connecticut General Statutes.

(2) The president of the CLC, all other officers of the CLC, and any other individual who in the judgment of the department will exercise control, shall be required to be licensed as a class IV occupational licensee. All other employees shall be required to be licensed as

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class III occupational licensees.

(3) If the department finds that the financial responsibility, character, and general fitness of the applicant are such that the participation of such person will be consistent with the public interests, convenience, or necessity and with the best interests of the lottery and the operation of the CLC generally, in conformity with the purposes of chapters 226 and 229a of the Connecticut General Statutes, it shall thereupon grant an occupational license. If the department finds that the applicant fails to meet any of said conditions, it shall not grant such license and it shall notify the applicant of the denial.

(c) **Vendor licenses.** No person awarded a primary contract by the CLC to provide facilities, components, goods or services necessary for the operation of the lottery may do so unless such person, and any officer or employee of such person who is involved in the provision of goods or services to the CLC or for the operation of the lottery, submits to and successfully completes a background investigation and becomes a licensee. Each employee of a vendor shall be licensed as an occupational licensee when required by section 12-815a(d) of the Connecticut General Statutes.

(d) **Suspension - revocations.** If the department finds that the financial responsibility, character and general fitness of the licensee are such that the continued licensing of such person will not be consistent with the public interest, convenience or necessity, and with best interests of the lottery and the CLC generally, in conformity with the purposes of chapters 226 and 229a of the Connecticut General Statutes, it may revoke or suspend such license.

(e) **Examination of licenses.** All persons who have been issued a license by the department shall keep such license in their possession, subject to examination by the department or its duly authorized representatives or officials of the CLC, at any time they may deem necessary or proper.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-16. Violations of rules and regulations; fine, suspension or revocation

(a) **Liability.** Any licensee violating chapter 226 or chapter 229a of the Connecticut General Statutes or sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies, shall be liable for the penalties in this section. It is the duty and responsibility of all licensees to know sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies. Nothing in sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies shall be deemed to lessen the responsibility of the CLC to enforce and adhere to chapters 226 and 229a of the Connecticut General Statutes and sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies.

(b) **Fine, suspension or revocation.** A violation of chapters 226 and 229a of the Connecticut General Statutes or sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies, shall be good cause for the commissioner to fine any licensee in an amount not to exceed two thousand five hundred dollars, and suspend

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or revoke any lottery sales agent license issued by the department.

(1) The commissioner may for good cause fine a licensee or deny issuance of, suspend, revoke or place conditions upon any license. Any licensee, vendor employee, or employee or officer of the CLC who is alleged to have, with intent to defraud, produced, altered, forged, passed or counterfeited a ticket may be summarily suspended from involvement with the lottery.

(2) All parties cited for violations of this section shall be given the opportunity for a hearing in accordance with sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies, and the department rules of practice and hearing procedures.

(3) All decisions of the department may be appealed pursuant to section 4-183 of the Connecticut General Statutes.

(c) **Fraudulent activity.** Any licensee, or employee or officer of a licensee, who, with intent to defraud, produces, alters, forges, passes or counterfeits a ticket, shall be terminated from involvement with the lottery, and such licensee, employee or officer may be subject to license suspension or revocation

(d) **Wrongful validation of prizes.** Any licensee, or employee of any licensee, who influences, attempts to influence, permits, or facilitates the winning of a prize through the use of coercion, fraud, abuse, misuse or misappropriation of confidential information, including the tampering of lottery files, software or equipment, may be terminated from involvement with the lottery, and such licensee may be subject to license suspension or revocation, civil penalties and criminal penalties.

(e) **Prohibition of prize payments for compromised tickets.** The CLC shall ensure that no prizes are paid that arise from claimed winning tickets that are stolen, counterfeit, altered, fraudulent, unissued, issued in error, unreadable, not received, unclaimed or not recorded by the CLC within applicable deadlines, lacking in captions that conform and agree with the play symbols appropriate to the lottery game involved, or not in compliance with specific rules and with the confidential validation and security tests of the CLC.

(f) **Confidentiality of winning ticket information and restricted access to proprietary information.** The CLC shall prohibit unauthorized persons from accessing lottery game winning ticket information. In the event that the CLC becomes aware of a compromise or potential compromise of security regarding exposure of information contained in the game winning ticket information, the CLC shall immediately notify the commissioner. The CLC shall thereafter take all necessary steps to restore security as quickly as possible.

(g) **Advance notification of expiring jackpot and grand prize winning tickets.** The CLC shall provide the public adequate advance notice of all expiring jackpot and grand prize winning tickets. The CLC shall utilize broadcast media, and shall publish on the CLS's website and through such other means as required by the department, that the winning ticket holders shall claim by a certain date to be eligible for payment.

(h) **Prohibition of financial interest in vendors.** No Board member of the CLC, officer or employee of the CLC, or any spouse, child, brother, sister or parent of the foregoing persons shall have a financial interest in any vendor doing business or proposing to do

business with the CLC.

(i) **Prohibition from purchasing and claiming jackpot and grand prizewinners.** The CLC shall not directly or indirectly acquire any beneficial interest in tickets, and shall not directly or indirectly receive prizes.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-17. Requirements of the CLC

(a) **New lottery games, department approval.** The CLC shall obtain the department's approval of all new lottery game designs, and official procedures and working papers, in order to ensure the integrity of the lottery games prior to publicizing the lottery games or offering such games to the public. To the extent board approval is required or sought by the CLC for a lottery game design, official procedure or working paper, such approval shall occur before the item is presented to the department for approval.

(b) **Provision of all CLC records.** The CLC shall provide to the department all business records, reports, documents, policies and procedures required by the department in its sole discretion.

(c) **Provision of all payroll listings and organizational charts of the CLC.** The CLC shall provide to the department a complete payroll listing of all employees of the CLC on a monthly basis. Upon request of the department, and in addition to the requirements of 12-568a-18 of the Regulations of Connecticut State Agencies, the CLC shall provide to the department a complete organizational chart, including officers and directors, and advise the department immediately concerning changes in key personnel who are employed by the CLC, including, but not limited to, absences greater than one work week.

(d) **Annuity providers, department approval.**

(1) All annuities, from which payments shall be made to winners of lottery prizes, shall be invested in instruments issued by agencies of the United States government and backed by the full faith and credit of the United States, or shall be issued by insurance companies licensed to do business in the state.

(2) The department shall approve, prior to utilization by the CLC, the financial stability and acceptable minimum investment rating of all annuity providers.

(e) **Cost of regulatory oversight paid for by the CLC.** The CLC shall reimburse the department for all reasonable costs associated with the regulatory oversight of the corporation, as determined by the department in its sole discretion.

(f) **Offices for the department.** The CLC shall provide suitable office space for the use of department personnel at the CLC corporate offices and the primary site. Final determination as to the suitability of said office space is in the sole discretion of the department. Department personnel shall have unfettered access to all areas of the CLC offices and the primary site.

(g) **Records retention.** The CLC and any vendor shall retain all business records for a period of not less than five (5) years or such other time as approved in writing by the department.

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(h) **Access.** The CLC shall cooperate and provide such written information in a timely manner as may be requested by the department. Any department authorized representative may enter any facility of the CLC for the purpose of:

- (1) Inspecting, examining or testing any and all files, books and records; and
- (2) Monitoring and testing the internal control system of all phases of the cash flow, revenue and expenditures of the CLC.

(i) **Changes in agent status.** The CLC shall, on a monthly basis, notify the department of changes in the status of issued lottery sales agent licenses and the reasons for such change.

(j) **Delinquency assessment accounting.** The CLC shall account to the department on a monthly basis, those amounts that remain outstanding for all delinquent agents. Such reporting shall delineate delinquencies by individual agent.

(k) **Acceptance testing.**

(1) Prior to the installation of any lottery gaming system or the implementation of any software or hardware modifications to such system, the CLC shall certify to the department that the system has been tested and is operating correctly. The CLC shall make available the acceptance test plans, test script and test results for review by the department prior to implementation.

(2) In the sole discretion of the department, the CLC shall require a vendor to produce a test system accessible and available for department testing prior to implementation of the lottery gaming system or any software or hardware modifications to such system.

(3) The department shall have final approval over the implementation of any lottery gaming system modification.

(l) **Unclaimed prize funds, accounting.**

(1) The CLC shall maintain a separate accounting of unclaimed prize funds. Such information shall include, but not be limited to, accurate reports of tickets purged from all lottery games. Information on unclaimed prize contributions for lottery games shall be made available through the lottery gaming system's management information system, as approved by the department.

(2) A written description of unclaimed prize disbursements shall be submitted quarterly to the department by the CLC, in a format approved by the department, and shall include the following information:

- (A) Unclaimed prize funds used as additional revenue to the state;
- (B) Unclaimed prize funds used to increase sales by returning such funds to patrons;
- (C) Unclaimed prize funds used to increase sales by means other than returning such funds to patrons; and
- (D) A narrative describing the use of any unclaimed prize funds to increase sales.

(m) **Tax withholding and reporting.**

(1) The CLC shall be responsible for all applicable federal and state withholding and reporting responsibilities arising under the provisions of chapters 226 and 229a of the Connecticut General Statutes pertaining to lottery prize winners, agents and any other applicable person or entity. The department shall be held harmless from any federal or state

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tax penalties or interest that may arise as a result of the CLC's activities in performing these responsibilities.

(2) The department shall have the right to inspect withholding and miscellaneous income records and related tax filings as prepared by the CLC at all times.

(3) The CLC shall provide W2-G information to the department as requested and on an annual basis, by June 30th of each year, in a format acceptable to the department.

(n) **Federal gaming occupation tax.** If, at any time, the operation or the management of the CLC becomes subject to the federal gaming occupation tax, the CLC shall be responsible for meeting all applicable requirements and shall hold agents, any other applicable person or entity and the department, harmless from any penalties or interest that may arise as a result of the CLC's activities in performing these responsibilities.

(o) **Contact personnel.**

(1) The CLC shall designate individuals knowledgeable in, and responsible for, the CLC's accounting and reporting systems as contact persons who shall respond to and cooperate with the department regarding accounting and other financially related questions or problems.

(2) The CLC shall provide the department with the names of contact persons from each financial consultant and certified public accountant firm utilized for financial advice, accounting and auditing functions, as applicable, and shall provide the names of contact persons from any law firm utilized for legal counsel and advice. The CLC shall advise the department within five (5) business days after a change in any such contact persons.

(3) The CLC shall provide the department with the names of vendor contact personnel and shall advise the department within five (5) business days after a change in any such contact personnel.

(p) **Disclosure of odds of winning.**

(1) The CLC shall include a prominent and clear statement of the average chances of winning per ticket in each advertisement intended to promote the purchase of tickets for a specific game.

(2) The CLC shall include a prominent and clear statement of the odds of winning each individual prize level on all lottery game brochures and in game descriptions on its website.

(q) **Automated wagering system balancing and reconciliation.** The CLC shall have procedures to internally balance and reconcile the lottery gaming system on a daily, weekly, and monthly basis and shall provide reports of same to the department.

(r) **Contracts, intent to contract.** Upon request, the CLC shall provide to the commissioner any document or executed contract that may be intended for incorporation into any agreement for the provision of goods, services and professional advisors necessary or useful in connection with the operation and management of the lottery.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-18. Financial reporting

(a) **Department consultation.** Prior to any audit of the CLC to be performed by a

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certified public accountant, the CLC shall provide to the department the opportunity to meet with the CLC to identify areas of audit to be conducted by the certified public accountant.

(b) **Annual report.** The CLC shall require that the independent certified public accountant engaged to conduct the audit required under section 12-802(d) of the Connecticut General Statutes submits to the department within one-hundred-fifty (150) days after the close of its fiscal year, a complete set of audited financial statements that present the CLC's financial position and the results of its operations and its cash flows in conformity with generally accepted accounting principles.

(c) **Disclosure.** In addition, the CLC shall disclose the following to the department on an annual basis:

- (1) All related-party transactions;
- (2) An organizational chart;
- (3) Schedules of:
 - (A) Annuities purchased to fund lottery prizes;
 - (B) Miscellaneous revenue in detail by source;
 - (C) Promotions and advertising expenses;
 - (D) Payments of major contractual services; and
 - (E) Professional fees, including legal, accounting and consulting fees;

(4) A report as to whether any material deficiencies in internal controls were noted by the independent auditor during the course of the annual audit of the CLC's financial statements. In addition, the CLC shall submit to the department a copy of any report and associated auditor's letters issued by the independent auditor in connection with the annual audit;

(5) The CLC's representation letter to the auditor for accounting information material to the financial statements and for matters relating to audit disclosure requirements. Any reports resulting from an examination or the performance of mutually agreed upon procedures relating to the design and/or operating effectiveness of the CLC's internal controls; and

(6) Articles of organization and any changes thereto, resolution, amendments to by-laws, and minutes of meetings of the CLC.

(d) **Recommendations.** Recommendations made as a result of an audit shall be implemented within a reasonable time frame as established by the CLC. If the CLC disagrees with the recommendations, it shall provide a written explanation to the department as to why such recommendations will not be implemented.

(e) **Additional audits.**

(1) The department may require, in its sole discretion, the CLC or any vendor to submit to an audit, by the department or a third party, of its internal controls. The department, or its duly authorized representatives, shall be provided with total cooperation and such written information in a timely manner as may be requested.

(2) Recommendations made as a result of the audit shall be implemented within a reasonable time frame as established by the CLC and approved by the department. If the

CLC disagrees with the recommendations, it shall provide a written explanation to the department as to why said recommendations should not be implemented. Thereafter, a final determination shall be made by the department as to whether implementation of such recommendations shall be required.

(f) **Access to other audits.** The CLC shall provide to the department any audit report on the CLC completed by any governmental body, independent certified public accountant, independent service auditor, or other consultant, including any audit report performed on its lottery gaming system.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-19. Security and compliance

(a) **Director of security.** The CLC director of security shall be a duly qualified, full time director of security licensed by the department as a class IV occupational licensee. The duties of the director of security include, but are not limited to, responsibility for the security of the CLC's facilities and for monitoring the wearing of badges at said facilities.

(b) **Compliance officer.** The CLC shall have a compliance officer who shall be a duly qualified, full time employee licensed by the department as a class IV occupational licensee. The compliance officer may be an existing employee of the CLC who is designated by the president to serve in this capacity. The duties of the compliance officer include, but are not limited to, enforcing all regulations and statutes pertaining to the CLC, ensuring compliance with all internal controls and rules of operation, and ensuring that the lottery is operated with absolute integrity and for the public good.

(c) **Facility security.** The CLC and any vendor or licensee shall comply with any requirement of the commissioner regarding the security of any of its facilities.

(d) **Cyber security.** The CLC shall employ commercially reasonable best practices to ensure data security and prevent cyber attacks. Such best practices shall include maintaining appropriate cyber security insurance coverage, facilitating relevant employee training, and conducting information system audits.

(e) **Visitor log.** The CLC and any vendor shall maintain an accurate and up-to-date log of all visitors to their facilities and provide a copy of this log to the department upon request. The log shall contain the date, time and purpose of each person's visit. The CLC shall secure its facility so as to protect the integrity of lottery operations, including its lottery gaming system, property, people, and trade secrets.

(f) **Drawings.** The department shall oversee drawings conducted by the CLC. The CLC shall conduct any lottery game drawing in the presence of department personnel and in accordance with official procedures approved by the department. The department shall have sole responsibility for the ultimate decision for any and all drawing problems or circumstances that may arise. The department shall have approval authority over any winning number combination to be paid.

(g) **Promotional drawings.** The CLC shall provide the department with advance notice of, and drawing procedures for, any promotional drawings. Said procedures shall be

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reviewed by the department and approved prior to said events being publicized or offered to purchasers. The department shall oversee promotional drawings. The department shall have sole responsibility for the “final call”, in the event of any drawing problems or circumstances that may arise.

(h) **Unfettered access to, inspection of, and monitoring of all facilities of the CLC.** Employees of the department and its designated representatives shall have the right to unannounced and unfettered entry to all of the CLC and vendor facilities. The department shall inspect the CLC and vendor facilities for possible breaches of security and physical security standards. The CLC shall ensure that all vendors comply with physical security standards as approved by the department.

(i) **Instant tickets.** The CLC shall submit working papers for instant games to the department. The department shall review and approve said papers for integrity purposes prior to ticket production. Department representatives shall obtain a sample of instant tickets during production and shall submit such samples to a department-approved independent laboratory for testing purposes. Tickets shall not be allowed to be distributed by the CLC until the independent laboratory results are received and approved by the department. The CLC shall submit to the department an independent auditor report in a form prescribed by the department for any instant game. The CLC shall also submit any additional information requested by the department.

(j) **Instant game ticket partial pack return.** The CLC shall establish procedures, approved by the department, for the return of any partial pack of instant tickets by an agent.

(k) **Lottery game discontinuation.**

(1) **Top prizes claimed.** The CLC may discontinue any lottery game provided reasonable notice is provided to the department and to the public as described in section 12-568a-2 of the Regulations of Connecticut State Agencies and subdivision (4) of this subsection. The CLC shall take immediate steps to notify all agents when the last top prize has been validated and no instant game shall be advertised or distributed and no new pack of instant tickets for such game shall be activated after the last top prize has been validated nor shall any instant game ticket be sold by an agent after agents have been notified that the last top prize has been validated.

(2) **Rights of ticket holder.** Except as otherwise provided in sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies, a lottery game discontinuation shall not affect the rights of those who purchased tickets prior to the effective date of discontinuation.

(3) **Emergencies.** If any unforeseen problem occurs that may reasonably cause substantial detriment to the public interest or the state of Connecticut, the department may order an immediate suspension of the sales of any tickets or the conduct of any drawing relating to a particular lottery game. The department may thereafter require the CLC to establish new procedures relating to the conduct of any incidental drawing and the determination of any winner and prize to be paid.

(4) **Final claiming dates.** The CLC shall provide the public at least three weeks advance

notice of all unclaimed jackpot prizes, grand prize winning tickets and discontinued lottery games. The CLC shall post notice on the CLC website of the final claiming date.

(l) **Master system console logs.** The CLC shall ensure that its vendor maintains system console logs of activity for the lottery gaming system. These console log reports shall reflect all system activity, including, but not limited to, all system access, system transmissions and system errors.

(m) **Retention and inspection of system console logs.** The CLC shall retain, or ensure that its vendor retains, all system console logs. The logs shall be in a media and format acceptable to the department and shall be retained for no less than five (5) years. The department, in its sole discretion, may request to review the system console logs at any time.

(n) **Disaster recovery.** The CLC shall submit for department approval a disaster recovery plan for the lottery gaming system.

(o) **Redundant fault-tolerant system.** The CLC shall insure the lottery gaming system records each transaction in at least two separate locations.

(p) **Ticket validation requirements.** The CLC shall set minimum ticket validation requirements for all lottery game tickets subject to department approval. All claims presented shall be verified in accordance with official procedures for validating winning tickets processed through the lottery gaming system.

(q) **Ticket purge requirements for winning tickets.** The lottery gaming system vendor shall utilize software that restricts access to nearly purged or soon to be purged winning tickets, and ensures reporting controls to detect unusual cashing activity by agents, the lottery gaming system vendor, and the CLC. The CLC shall provide system reports on a regular basis, as determined by the department, which identify the cashing of nearly purged or soon to be purged tickets.

(r) **Tampering with pools, liabilities, console log review.** The lottery gaming system vendor shall utilize software protection in the lottery gaming system to prohibit employees of the CLC or vendor from tampering with pools, liabilities or winning ticket information. The vendor shall also produce system pool reports generated immediately at the close of games. These reports shall be provided to the department to verify liabilities. If an attempt is made to tamper with information, such activity shall be indicated on the system console log.

(s) **System management reports.** The CLC shall ensure that its vendor provides system reports that reveal all system activity generated at and by the terminals, including, but not limited to: wagers, cashes, cancels, errors, statuses, validations, activations, deactivations, special reports, sign-ons, sign-offs, inquiries, and diagnostic requests. These reports shall be available upon the department's request and shall be used to verify the operating status of the system and agent terminals.

(t) **Liability for loss of data.** In the event of loss of any data or records necessary for the performance of department duties, the CLC shall recreate, or cause its vendor to recreate, such lost data or records at the CLC's own expense, which expense may be charged back

to the vendor if the CLC determines that its contract with the vendor permits such a charge.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-20. Reporting requirements

(a) The CLC or any licensee shall immediately report to the department all incidents or allegations of misconduct involving any employee of the CLC, vendor employee, affiliate employee, agent or lottery retailer employee that threatens the integrity of the lottery or the operation of the CLC. In addition to the reporting requirements established by section 4-33a of the Connecticut General Statutes, the CLC shall also notify the department of any unauthorized, illegal, irregular or unsafe handling or expenditure of state or quasi-public agency funds that threatens the integrity of the lottery or may negatively impact revenue to the state from the CLC.

(b) The CLC and any licensee shall immediately report to the department all statutory, regulatory and criminal incidents, or allegations of incidents, affecting the lottery. The department, in its sole discretion, may conduct its own investigation into any and all suspected incidents or violations.

(c) The CLC or any licensee shall immediately report to the department any attempt or suspected attempt by any person to tamper with the lottery gaming system or any related system and shall report any missing, lost, stolen or altered ticket, ticket stock, or property or equipment related to the operation or play of any lottery game.

(d) Failure by the CLC or any licensee to report said incidents in a timely manner may be cause for suspension or revocation of the license of any licensee, after being afforded the opportunity for a hearing in accordance with sections 12-568a-1 to 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies, and the department rules of practice and hearing procedures.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-21. Ticket vending machines

(a) **Department approval.** Ticket vending machines, and any use thereof, shall be approved by the department.

(b) **Only the CLC or licensed agents.** The CLC shall submit official procedures to the department, subject to department approval prior to implementation, for the use of ticket vending machines. Only the CLC or a licensee shall have any such machines on their premises. Each machine shall be at all times within the line of sight of the licensee or an assigned employee, unless said machine has an operational age verification capability. Licensees and assigned employees shall use all reasonable efforts to ensure that minors do not utilize a ticket vending machine.

(c) **Age verification; disabling equipment.** Prior to utilization, any ticket vending machine shall have either age verification capability to substantiate proof of age using a valid driver's license, or other identification mechanism, or shall at all times be in the line of sight of the licensee or an assigned employee. Ticket vending machines that do not have

age verification capability shall be equipped with a device capable of instantly disabling the machine from operation. Licensees and assigned employees are responsible for utilizing said disabling device in the event a machine is not being used lawfully or the age verification mechanism is malfunctioning.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-22. Management information system implementation.

(a) The CLC shall implement, or ensure that its vendor implements, a MIS including computers, management information workstations, networking, databases, software, and data interfaces to insure networked access to the lottery gaming system by department users as designated by the department. The MIS shall provide both real-time and historical reports as determined by the CLC in consultation with the department. At a minimum, the system shall provide daily information as to sales, cashes, cancels and pool totals. The department shall have access to such reports through the MIS .

(b) The MIS shall provide the department with the capability to verify, validate, and monitor the accuracy of system data and to insure the integrity of the information.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-23. Internal control system

(a) **ICS equipment and network and communications software.** In order for the department to test and approve of the CLC's ICS, the CLC shall provide the department with access to all of the ICS system and shall give the department the ability to independently monitor the system.

(1) All of the CLC's ICS hardware and network and communication software shall be enhanced and updated by the CLC to remain current. The department shall confirm that said enhancements are operating successfully prior to implementation.

(2) The CLC shall provide the department with all system documentation to support the ICS. The documentation shall include, but not be limited to, hardware and communications configurations, an escrow copy of current ICS software and all service contracts deemed necessary to maintain the ICS.

(3) The lottery gaming system transactions provided by the CLC through the lottery gaming system vendor via real-time communication shall be complete data that enables the ICS to achieve independent matching of critical system balances including, but not limited to, pools, liabilities, sales, advance sales, cancels, cashes and purges for all lottery games individually and in total.

(4) The CLC shall supply the department, upon request, with daily, weekly, or monthly ICS file backups.

(b) **ICS system problem resolution.**

(1) In addition to the problem reporting requirements of section 12-568a-20 of the Regulations of Connecticut State Agencies, the CLC shall immediately notify the department of any issues that may have an impact on the ICS system.

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(2) The CLC shall implement department-approved procedures for the resolution of ICS problems.

(c) **Backup capability.** The department may require the CLC to provide full backup capability for the ICS in order to resume operation in the event of a system failure.

(Adopted effective October 6, 1999; Amended April 13, 2021)

Sec. 12-568a-24. Commissioner's decisions

In the event of any occurrence not covered by sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, the commissioner retains the authority to make a decision in the best interests of the lottery and the state of Connecticut.

(Adopted effective October 6, 1999; Amended April 13, 2021)