

State of Connecticut  
Regulation of  
Department of Consumer Protection  
Concerning  
Lottery Operations

The Regulations of Connecticut State Agencies are hereby amended by amending Sections 12-568a-1 through to 12-568a-24, inclusive, as follows:

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

(a) [In applying the provisions of sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, the following definitions, constructions and interpretations shall apply:]

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 [on-line wagering] lottery gaming system or prior to any software or hardware modification(s) to the [on-line wagering] lottery gaming system.

[(2)] [“Act” means chapter 229a of the Connecticut General Statutes.] “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” [or] means a [“]lottery sales agent[“], [or] lottery retailer, or [means] a person who has been licensed by the [division] department to sell and redeem [lottery] tickets as specified by the [division] department.

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

[(4)] [“Backup site” means the designated secondary location of the on-line computer system, operated by a vendor and capable of handling all transactions necessary to continue operation of the on-line system.

[(5)] “Board” or “CLCB” means the thirteen-member board governing the Connecticut Lottery Corporation, established pursuant to the act.]

(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 [division] department from time to time in any written or electronic form.

[(6)] [“Commissioner” means the Commissioner of the Department of Consumer Protection or their designee.

[(7)] “Central computer system” means the central processing unit(s) for the on-line wagering system with all associated peripherals.

[(8)] “Chapter 226” means chapter 226 of the Connecticut General Statutes.

[(9)] “Chapter 229a” means chapter 229a of the Connecticut General Statutes.]

(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 the Department of Consumer Protection or their designee.
- (10) “Compliance officer” means the person designated by CLC to be responsible for overseeing and managing compliance issues within CLC, including compliance with all statutory and regulatory requirements and compliance with 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 [or business organization].
- [(11)] [“Corporation” or “CLC” means the Connecticut Lottery Corporation as created under Section 12-802 of the Connecticut General Statutes.]
- (12) “Delinquency” means the failure by [a lottery sales] an agent to remit all moneys due and owing as a result of the agent’s [lottery] 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.
- [(13)](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 [on-line] lottery gaming system, [in the event] if the primary site is deemed inoperable [due to a disaster or emergency].
- [(14)] [“Division” means the Division of Special Revenue within the Department of Revenue Services.]
- [(15)](16) “Drawing” means [that] the process [as established in procedures promulgated by the CLC and approved by the division,] whereby winners in a lottery game are conclusively determined.
- [(16)] [“Executive director” means the executive director of the Division of Special Revenue within the Department of Revenue Services.]
- (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 shall not include an employee’s home if the home is not their primary work location and they do not retain files at their house.
- [(17)] [“Failover recovery” means the official procedures executed in the event of a system or component failure that restores full configuration; shall also mean the execution of recovery procedures within a time schedule determined by the CLC and approved by the division.]
- (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.
- [(18)] [“Fault-tolerant” means the ability of the central system to allow one faulty component or unit to drop out of the configuration without impact to the other(s); shall also mean the ability of each central processing unit to operate independently while in full synchronization with each other.]
- [(19)] “Gaming policy board” or “GPB” means the five member Gaming Policy Board of the state of Connecticut established by section 12-557d of the Connecticut General Statutes.]
- [(20)](19) “Hardware” means all equipment, devices[, ] and peripherals, including but not limited to, computers[, ] and computer components[, ,] proms and mountings].
- [(21)](20) “High tier claim center” means [a] an [lottery sales] agent designated by the CLC and approved by the [division] 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 spouse, domestic partner, children or relatives who reside in the

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.

[(23)] [“Instant ticket vending machine” means a machine that dispenses instant tickets for sale.] “Internal Controls” shall have the meaning prescribed in Section 4-230(8) of the Connecticut General Statutes.

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

[(24)](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 [or business organization], and shall also include any individual that has a Class II or a Class IV occupational license from the department.

[(25)](27) [“On-line wagering internal control system” or “ICS” means a system, which captures and accounts for all transactions and provides audit capability for the on-line wagering system.] “Licensee” means any person licensed by the commissioner to participate in lottery activities.

[(26)] [“License” or “lottery sales agent license” means the right to sell lottery tickets or where the context requires, the actual document issued by the division evidencing such right.]

[(27)](28) “Lottery” means the [Connecticut state lottery conducted by the corporation pursuant to sections 12-568a and 12-800 to 12-818, inclusive, of the Connecticut General Statutes, and the state lottery referred to in subsection (a) of section 53-278g of the Connecticut General Statutes] lottery as defined in section 12-801 of the Connecticut General Statutes.

[(28)](29) “Lottery fund” means a fund or funds established by, and under the management and control of, the [corporation] CLC, into which all lottery revenues of the [corporation] CLC are deposited, from which all payments and expenses of the [corporation] CLC are paid and from which transfers to the general fund are made pursuant to section 12-812 of the Connecticut General Statutes.

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

(31) “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 winners, and other functions necessary for the technological operation of the lottery.

(32) “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.

(33) “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 CLC or any licensee, whichever is lower.

[(29)](34) “Management information system” [or “MIS”] (MIS) means a computer system, [which supplies real-time and historical on-line information.] that provides access to data within the lottery gaming system.

[(30)] [“Management information workstations” means the workstations supplied by the CLC which have the ability to access real-time and historical information from the on-line system and provides reports for division users.]

[(31)](35) “Network” means the communications network[, which] that provides interface and compatibility between computers, agent terminals, modems, data sets, and the [central computer] lottery gaming system.

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

[(32)](37) “Official procedures” means the documents which contain the [formalized] methods of operation and management of [the various] lottery games, including, but not limited to, technical specifications, prize claims and payouts, prize structure, ticket characteristics and rules of play, [and the CLC, as required, and approved in writing by the division] and all procedures concerning internal controls, security, administration, purchasing and budgeting.

[(33)] “On-line wagering system” means the complete integrated set of hardware and software elements which functions to issue, cancel and validate wagers, capture pools, determine winners, perform agent accounting, provide real-time and historical reporting, and other functions necessary for the on-line operation of the lottery.

[(34)] “On-line game” means any game in which a lottery ticket is produced by a terminal, which communicates with a central computer system.

[(35)] “Operating revenue” means the total revenue received from lottery sales less all canceled sales and amounts paid as prizes but before payment or provision for payment of any other expenses.]

[(36)](38) “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.

[(37)](39) “Pool” means the amount of money wagered for a particular drawing.

[(38)](40) “President” means the chief executive officer or designee of the [corporation] CLC responsible for directing and supervising the operations and management of the [corporation] CLC.

[(39)](41) “Primary contract” means [goods or services supplied to the CLC by a contractor who receives or,]a contract to provide facilities, components, goods or services to the CLC by a person that (1) 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 judgement, can be expected to receive more than \$75,000 or twenty-five percent (25%) of its gross annual sales from the CLC [and any contractor who provides any lottery game or any on-line wagering system related services], or (2) has access to the facilities of the CLC and provides services in such facilities without supervision by the CLC.

[(40)](42) “Primary site” means the main location of the [on-line computer system, the communications network and administrative offices] lottery gaming system.

[(41)](43) “Prize claim period” means the redemption period for winning tickets.

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

(45) “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.

(46) “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.

[(42)](47) “Purge file” means the record of all unclaimed winning tickets [which] that have lapsed past the prize claim period.

[(43)](48) “Redundancy” means the ability to log the transaction in more than one medium, including disk and magnetic tape.] “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 not be limited to, policies relating to sales procedures, management structure, emergency response and resolution policy, security, administration, purchasing and budgeting.

[(44)] “Security Background Investigation” means an investigation of the background of an applicant performed by the Division of Special Revenue.

[(45)] “Serial number” means the unique algorithmic number on the face of the ticket.

[(46)] “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 and cancels.

[(47)] “Software” means computer and firmware programs.]

[(48)](49) “State” means the state of Connecticut.

[(49)] [“State Police Background Investigation” means an investigation of the background of an applicant performed by the Connecticut State Police on behalf of the division.]

(50) “Subscription” [or “lottery subscription”] means a contract under which the [subscription] purchaser is automatically entered in designated drawings for a specified period of time.

(51) [“Term prize payments” means those payments made to a prizewinner over a period of time.]  
“Terminal game” means any lottery game in which a ticket is produced by a machine that communicates with the lottery gaming system.

(52) “Ticket” [or “lottery ticket”] means any lottery ticket approved for sale to the general public pursuant to sections 12-568a-1 to [12-568a-23] 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies.

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

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

[(53)](55) “Unclaimed prize funds” means the value of prizes[, which remain unclaimed after the prize claim period expires, as determined by the CLC] associated with tickets that remain unclaimed after the prize claim period expires.

[(54)] [“Unclaimed prize monies” means prizes that remain unredeemed after the prize claim period expires.]

[(55)](56) “Vendor” means a person [or business organization] 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 [sections 12-568a and 12-800 to 12-818, inclusive,] Chapters 226 and 229a of the Connecticut General Statutes.

[(56)](57) “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.

## Sec. 12-568a-2. General provisions

### (a) [Games]Official procedures.

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

(2) Prior to implementation, the CLC shall obtain the department’s written approval of all official procedures related to lottery games and 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 [Connecticut Lottery Corporation (“CLC”)] CLC and official procedures for each lottery game shall be approved by the [Division of Special Revenue (“division”)] department in writing prior to public promotion, implementation or sale of tickets. For purposes of sections 12-568a-1 to [12-568a-23] 12-568a-24, inclusive, of the Regulations of Connecticut State Agencies, the types or categories of lottery games shall be (1) instant games; (2) [on-line] terminal games and (3) [others] other games approved by the department, including any variations of [these] instant and terminal games. Any lottery game or type

or category of game, once having been established may thereafter be discontinued [in similar manner provided reasonable notice of such intention is given to the division and written approval secured within seven (7) business days after receipt; provided, however, if the division does not approve or disapprove of the CLC's request within seven (7) business days of such request, such approval shall be deemed granted. Such approval shall not be unreasonably withheld] provided written notice is given to the Department prior to or within 24 hours after discontinuation of such game. Except as otherwise provided in sections 12-568a-1 to [12-568a-23] 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 [termination] discontinuation.

(4) Related to the operation of the lottery, official procedures shall be required for, but are not limited to, the following: prize claim period(s); unclaimed prizes; ticket validation and verification requirements; controls on the production and distribution of ticket 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 win files; procedures for balancing and for reconciling the lottery gaming system on a daily and weekly basis; lost or stolen ticket claims; mutilated ticket; payments of prizes to minors; multiple claimants; interrupted games; timing of prize payments; cancellation of tickets; security plans for primary and secondary CLC drawing locations; pool augmentation; game additions, changes, 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 CLC buildings, cyber security, emergency response and resolution policy, management structure and qualification standards for key personnel, marketing and sales procedures.

(6) The commissioner may accept, reject or require modification of any of official procedure. Rejection or required modifications of 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 CLC; or the department's ability to effectively regulate CLC or lottery operations. CLC may appeal any rejection of official procedures by requesting a hearing before the commissioner in accordance with Chapter 54 of the Connecticut General Statutes. Such request for 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) **[Official procedures, division approval]Rules of operation.**

(1) To assure the integrity of the operation of the CLC, by June 30th of each odd numbered year, [Prior to implementation,] the CLC shall [obtain the division's] prepare, update and submit to the department [written approval of all official procedures which assure the integrity of the Connecticut State lottery games in order to minimize the possibility of corruption or illegal practices for the protection of the public] CLC's rules of operation for consideration and review. [Procedures shall be required for, but are not limited to, the following: prize claim period(s); unclaimed prizes; ticket validation and verification requirements; controls on the production and distribution of tickets and ticket stock; ticket destruction; central system configuration; failover recovery procedures; acceptance testing; procedures to protect the on-line system from tampering with pools, liabilities or win files; procedures for balancing and for reconciling the on-line automated wagering 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 primary and secondary CLC sites; game additions, changes, discontinuations; game procedures; subscription programs; disaster recovery plans; probability of winning; lump sum versus annuitized payment plans; drawings; confidentiality of drawing procedures; promotional drawings; vendor reports for issuance of ticket stock; fraudulent claims; previously paid claims; rightful ticket ownership and incredulous claims; unclaimed prize information; audits of instant ticket games; ticket reconstruction; definitions of a valid on-line ticket and a valid instant ticket; and instant ticket vending machines.] The department shall have thirty (30) calendar days to review and provide comments on the submitted rules of operation before the CLC Board 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 within a five year period. The independent certified public accounting firm shall determine whether 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 auditors. Such third party audit report must be completed within ninety (90) days of CLC's biennial rules of operation submission to the department.

(2) [All procedures shall be promulgated after receipt of the division's approval; provided, however, if the division does not approve or disapprove of the CLC's request within seven (7) business days after receipt of such request, such approval shall be deemed granted; provided, further, that the division shall not unreasonably withhold written approval of any and all CLC official procedures that assure the integrity of the lottery.] 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 [of Connecticut], the [division] 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 [division] department [will] 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 [executive director or the executive director's designee] commissioner shall take immediate action.

(d) **Prize payouts.**

(1) [Except in the event of a multi-state lottery game, at least forty-five percent (45%) of the total gross sales in any lottery game shall be returned as prizes to holders of winning tickets.]

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 [game which is greatly dissimilar to the old] different lottery game, the CLC [may] shall set a date before which all eligible winners must claim to participate in the final drawing of the old game. The CLC shall give adequate notice to the public by [publishing in at least two newspapers having substantial circulation in the state] 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 must claim by a certain date pursuant to this rule to be eligible for the final drawing. [This notice shall be published at least three times a week for at least two weeks commencing no later than three weeks prior to the final claiming date.]

(f) **Waiver.** In the sole discretion of the [executive director] commissioner, any [rule] regulation contained herein may be waived when such waiver shall be in the best interests of the state [of Connecticut] and the operation of [state lotteries] the lottery.

(g) [**Game**] **Official procedures.** [All game] The CLC shall establish official procedures for each new lottery game and any modification to an existing lottery game. The procedures shall be in [written form] writing and kept on file at the CLC offices [in sufficient supply to assure distribution to any party requesting a copy. The CLC shall also provide to the division a sufficient supply of copies of all game procedures. Official notice of the adoption of procedures governing any particular game shall be published in at least two newspapers having a substantial circulation in the state not later than one day prior to the beginning of that game] and be 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 [adopted and on file with the CLC] approved by the department, shall control.

[(h)] [**General division approval.** In any instances in which division approval is required under Sections 12-568a-1 through 12-568a-23, inclusive, of the Regulations of Connecticut State agencies, the division shall not unreasonably withhold its approval. Where no particular time period is otherwise specified for division approval or deemed approval, the division shall not unreasonably delay its approval decision.]

### **Sec. 12-568a-3. [The Gaming Policy Board] Department of Consumer Protection**

[(a)] **Composition.** The Gaming Policy Board (“GPB”) exists pursuant to chapter 226, within the Department of Revenue Services for administrative purposes. The GPB consists of five (5) members nominated by the Governor and approved by the general assembly.

[(b)] **Powers and duties.** The GPB shall work in cooperation with the Division of Special Revenue to implement and administer the provisions of the act. In carrying out its duties the GPB’s responsibilities shall include, but not be limited to:

[(1)] Assisting the executive director [in developing regulations and approving regulations prior to their adoption.

[(2)] Hearing all appeals as provided in the act, sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, and the division’s rules of practice and hearing procedures.

[(3)] Conducting any necessary inquiry, investigation, or hearing including the administration of oaths, the taking of testimony, and the subpoena of witnesses.

[(4)] Providing books in which shall be kept a true, faithful and correct record of all of their proceedings, which books shall be open to the public as provided in section 1-210 of the Connecticut General Statutes.

[(5)] Advising the Governor on statewide plans and goals for legalized gambling.

[(c)] **Action by the Gaming Policy Board.** The powers of the GPB are vested in its members. All actions shall be taken and motions and resolutions adopted by the GPB at any meeting thereof by the affirmative vote of at least four members. Four members of the GPB shall constitute a quorum, or in the instance of a vacancy, a majority of the members remaining qualified.

[(d)] **Powers reserved.** All powers of the GPB not specifically defined in subsection (b) of this section are reserved to the GPB under chapter 226.

(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. These duties 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 publishing 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 Connecticut General Statutes and associated regulations. 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 CLC facilities.

#### **Sec. 12-568a-4. [Division of Special Revenue] Purchasers**

[(a)] **[Composition.** Pursuant to chapter 226, a Division of Special Revenue exists within the Department of Revenue Services for administrative purposes. The division is headed by an executive director who is appointed by the Governor with the approval of the general assembly. Under the executive director's direction and in cooperation with the Gaming Policy Board the division shall implement and administer the provisions of chapters 226, 226b and 229a of the Connecticut General Statutes.

[(b)] **Powers and duties.** The division under the executive director shall have the power and it shall be its duty with the advice and consent of the GPB to carry out the intent of chapters 226, 226b and 229a of the Connecticut General Statutes. These duties shall include, but not be limited to, the following:

[(1)] The enforcement of the provisions of chapters 226, 226b and 229a of the Connecticut General Statutes and the regulations which may be adopted thereunder.

[(2)] With the advice and consent of the GPB, the adoption, amendment, repeal, and publishing of all regulations necessary to govern the operation of state lotteries in Connecticut.

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

[(4)] Calling upon other administrative departments of the state government and of municipal

governments, state and municipal police departments, and prosecuting officers and state's attorneys for such information and assistance as it deems necessary for the performance of its duties.

[(5)] The providing of books in which shall be kept a true, faithful and correct record of all of its proceedings, which books shall be open to the public as provided in section 1-210 of the Connecticut General Statutes.

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

[(c)] **Powers reserved.** All powers of the division and the executive director not specifically defined in subsection (b) of this section are reserved to the division and the executive director under chapters 226, 226b and 229a of the Connecticut General Statutes creating them and specifying their powers and duties.]

(a) **Official procedure.** A purchaser shall be bound by the official procedures of the lottery game associated with their 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 must be presented to the CLC within the time period(s) 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) **Forged, counterfeit or altered tickets.** Any person who forges or counterfeits any ticket, or who alters in any manner, including but not limited to, any number, letter or symbol on such ticket, or who offers for sale or sells any such forged, counterfeit or altered ticket, knowing it to be such, or who presents such forged, counterfeit or altered ticket for payment with intent to defraud the CLC or any person participating in any such lottery game shall be guilty of a class A misdemeanor.

(d) **Sales prohibitions.**

(1) No ticket shall be purchased by, and no prize shall be paid to any commissioner or 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: CLC Board member; 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 or the operation of the lottery.

(3) **Reimbursement to state by state debtors who are lottery term prize winners or agents.** The CLC shall provide the department, 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 winner(s) and agents. If the agency confirms a debt owed to the state by such person or entity, said agency shall notify the CLC and the department. Thereafter, the CLC shall process and administratively offset those amounts due to the state, currently or in the future, and transfer such debtor payments, at the earliest opportunity, to the appropriate state authority.

**Sec. 12-568a-5. [Purchasers] Agents**

[(a)] [**Generally.** One who participates in an authorized lottery game by purchasing a ticket at a licensed lottery agent location or by lawfully receiving a ticket so purchased by another shall be deemed for the purposes of this rule a purchaser, and such purchaser agrees to abide by all provisions of sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, CLC's Rules of Operations, and agrees further to the conditions of this section.

[(b)] **Official procedure.** A purchaser shall be bound by the official procedures of the particular

game as approved in writing by the division.

**[(c)] 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 division within seven (7) business days after receipt; provided, however, if the division does not approve or disapprove of CLC's request within seven (7) business days of such request, such approval shall be deemed granted. Such approval shall not be unreasonably withheld.

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

**[(d)] Validation and verification of claims.** Any person who forges or counterfeits any lottery ticket, or who alters any number or symbol on such ticket, or who offers for sale or sells any such forged, counterfeit or altered ticket, knowing it to be such, or who presents such forged, counterfeit or altered ticket for payment with intent to defraud the CLC or any person participating in any such lottery game shall be guilty of a class A misdemeanor.

**[(e)] Sales prohibitions.**

[(1)] No lottery ticket shall be purchased by, and no prize shall be paid to any GPB member, executive director, or employee of the division or to any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of abode of any of the foregoing persons.

[(2)] No lottery ticket shall be purchased by, and no prize shall be paid to: any CLCB member, any officer or employee of the CLC, any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of abode of any of the foregoing persons, or to any officer or employee of a vendor providing goods or services to the CLC necessary for the operation of the lottery.

**[(f)] Reimbursement to state by state debtors who are lottery term prize winners or agents.** The CLC shall provide any state agencies upon request with the names of all lottery term prize winner(s) and lottery sales agents. If the agency confirms a debt owed to the state by such person or entity, said agency shall notify the CLC and the division. Thereafter, the CLC shall process and administratively offset those amounts due such entity, currently or in the future, and transfer such debtor payments, at the earliest opportunity, to the appropriate state authority.]

**(a) CLC certification.** 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 applicant's business; applicant's federal tax identification number, Connecticut tax registration number, and, where applicable, social security number; 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 applicant, its officers, owners, or designated employees; an explanation of any tax disputes or delinquencies involving taxes owed to the state by 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 designated employee; 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 applicant’s sole expense in an amount determined by the CLC;

(2) The 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 one or more principal owner 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 said corporation, company, partnership, or other legal entity applicant acceptable to the department shall thereafter be 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 and/or the CLC may avail itself of any appropriate collection procedures against said 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 must 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 subsection 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 any corporate stock of a corporate agent.

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

(3) An agent wishing to change its name must 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 agent delinquent payment history, whether a lottery sales agent license suspension or revocation action is pending or an appeal of administrative action is pending.

(e) **Lottery sales agent license suspension and revocation.** The commissioner may impose a penalty not to exceed two thousand five hundred dollars 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 as approved by the commissioner.

(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.

**Sec. 12-568a-6. [Lottery sales agent] Special agents**

[(a)] **[CLC certification.** 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 a lottery sales agent upon licensure.

[(b)] **Qualifications for licensure.** Any person desiring a lottery sales agent license shall make application, under oath, on forms prescribed by the division. 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 applicant's business; applicant's federal tax identification number, Connecticut tax registration number, and, where applicable, social security number; names, addresses and dates of birth of officers, principal owners, and designated employee in charge of applicant's business; an explanation of any criminal conviction, other than minor traffic offenses, of applicant, its officers, principal owners, or employee-in-charge; an explanation of any tax disputes or delinquencies involving taxes owed to the state of Connecticut by applicant; and the names and addresses of two business references. No applicant will be issued a license to engage in business exclusively as a lottery sales agent. In determining an applicant's qualifications for licensure as a lottery sales agent, the division shall consider the following factors:

[(1)] The financial responsibility of the applicant. In this connection, the division may conduct an investigation into the credit worthiness of the applicant as it relates to the integrity of the applicant utilizing the services of a commercial credit-reporting agency. The CLC may require that the applicant post and maintain a surety bond at applicant's sole expense in an amount determined by the CLC;

[(2)] The veracity and completeness of the information submitted with the license application;

[(3)] The applicant's reputation for honesty and integrity;

[(4)] Insofar as permitted by law, any record of criminal convictions;

[(5)] The security of the particular business premises designated in the application as a lottery sales location;

[(6)] Certification of municipal tax compliance; and

[(7)] Such other information as the division may deem pertinent to the issuance of a lottery sales agent license, including, but not limited to, the provisions of section 12-568a-10(d) of the Regulations of Connecticut State Agencies.

[(c)] **Corporate or limited liability company or partnership applicants.** In the event the applicant is a corporation, limited liability company or limited liability partnership, the division shall require that its principal owner or a natural person connected with the corporate, limited liability company or limited liability partnership applicant acceptable to the division, assume in writing, joint and several liability with said corporate, limited liability company or limited liability partnership applicant prior to the issuance of said lottery sales agent license. In the event said corporate or limited liability company or partnership lottery sales agent licensee shall thereafter be adjudicated a delinquent agent pursuant to section 12-568a-13 of the Regulations of Connecticut State Agencies, and the CLC Rules of Operation, the division and/or the CLC may avail itself of any appropriate collection procedures against said corporate or limited liability company or partnership licensee or natural person or both.

[(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 licensee's business enterprise is to be transferred, if the proposed transferee wishes to continue lottery sales in connection with such enterprise, said transferee must 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 license will be issued to the transferee if the transferor's lottery obligations are unpaid. This subsection 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 any corporate stock of a corporate agent.

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

[(3)] An agent wishing to change its name must inform the division in writing. In considering whether to issue a license to such transferee or to permit lottery sales following a change in business name or location the division may apply the same criteria used in determining initial eligibility. The division, however, may defer action on any such application or request if a delinquency assessment has been imposed, a license suspension or revocation action is pending against the agent or decision having been rendered, an appeal is pending.

[(e)] **License suspension and revocation.** The executive director or any designee authorized by him shall have the authority to suspend or revoke a lottery sales agent's license after a hearing held in accordance with chapter 54 of the Connecticut General Statutes for good cause for any one of the following reasons:

[(1)] If the agent's 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-23, 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 lottery tickets in accordance with the official procedures of the CLC.

[(f)] **License renewal.**

[(1)] Any lottery sales agent license issued by the division shall be valid for no more than one year.

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

[(3)] Each applicant for license renewal shall certify on the application that all information on file with the division is current, accurate and complete. In the event of any changes, such changes shall be reported to the division within 30 days of such change and the division may require an applicant to apply for a license pursuant to the provisions of this section.

[(4)] The division shall notify each agent 60 days in advance of the due date for such renewal application.]

(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 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. 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 15 business days from the date of receipt by the Department.

#### **Sec. 12-568a-7. [Special lottery sales agents] Lottery sales**

[(a)] [**Special licenses, conditions.** The division may issue a special license to a proper applicant whom, in its opinion, will best serve the public interest and convenience of the state. A special license may be issued to the CLC, a temporary agent or an agent whose premises consist of a motor vehicle registered in the state of Connecticut. The division may attach such reasonable conditions to a special license as will assure the integrity of the lottery program. By way of example and not limitation, these conditions may include:

- [(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 other regulations shall apply to a special lottery sales agent license.

[(c)] **High tier claims.** No agent may cash tickets in excess of the established maximum threshold unless the department approves such agent as a high tier claim center.]

(a) **Categories of sales.** The CLC in its discretion, shall determine the categories of tickets (1) instant game, (2) terminal game, and (3) others, which an agent shall be allowed 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, department or CLC disciplinary proceedings or orders 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 law; however, minors may receive tickets as gifts.

(5) An agent shall accept only pay 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.

**Sec. 12-568a-8. [Lottery sales] Obligations of agent**

[(a)] [**Categories of sales.** The CLC in its discretion, shall determine the categories of tickets (1) instant, (2) on-line, and (3) others, which, for the convenience of the public, an agent shall be allowed 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 lottery tickets by an agent at other than its licensed premises is prohibited.

[(c)] [**Multiple locations.** Any agent who desires to sell lottery tickets at more than one address or location must hold a separate license for each location, however, division or CLC disciplinary proceedings or orders concerning any activity by such an agent at any one licensed location may apply to any other licensed location of the agent. Any category (1) instant tickets as described in subsection (a) of this section, allocated for one licensed location, shall be sold at that licensed location only.

[(d)] [**Limitations on sales.**

[(1)] All ticket sales shall be final.

[(2)] Only duly licensed lottery sales agents, and/or locations or their designated employees may sell lottery tickets, however, persons who may lawfully purchase lottery tickets may make a gift of lottery tickets to another.

[(3)] Lottery 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 lottery tickets from providing those tickets to customers 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 law, however, minors may receive lottery tickets as gifts.

[(5)] An agent for lottery ticket purchases shall accept only bet slips provided by the CLC.]

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) CLC instructions. 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 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 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.

### **Sec. 12-568a-9. [Obligations of licensed agents] Agent employees**

[The issuance of a license by the division to any person as a lottery sales agent shall constitute acceptance by the agent of the following conditions:

(1) Fiduciary relationship. An agent shall assume, in the sale of lottery tickets and the receipt of revenue therefrom, a fiduciary relationship with the CLC. All moneys received by lottery sales agents from the sale of lottery tickets shall constitute a trust fund. The sales agent, or in the case of a corporation, the natural person guarantor, shall be personally liable for all such lottery 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 lottery sales agent.

(2) Laws and regulations. An agent shall agree to be bound by the provisions of the act, all regulations duly adopted by the division and procedures of the CLC.

(3) CLC instructions. An agent shall conduct the sale and exchange of lottery tickets pursuant to the CLC's instructions for any 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 and equipment entrusted to its care and shall prevent 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) Financial records. In accordance with a written request of the executive director, an agent shall permit inspection of the financial books and records relating to its business operation and allow the performance of an audit upon those books or records as it pertains to lottery sales or activities. Only persons clearly authorized by the executive director shall conduct such audit. An agent shall also, upon request, furnish any other papers or information required for the purposes of this section.

(6) Inspection of premises. An agent shall permit physical inspection of its premises during normal business hours upon the request of any division representative for the purpose of determining whether the agent is functioning in a manner consistent with the act and with sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies.

(7) License displayed. An agent shall display its license in a location approved by the division. Such license is the property of the division and shall be returned to the division upon license surrender, cancellation, suspension or revocation.

(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 immediately provide the division with a full description of any significant operational or other change in the information submitted as part of its application.

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

(a) **Permitted.** An agent may utilize the services of its employees in the activities authorized under such agent's license. The agent shall assume full responsibility for the activities and their consequences of such employees. The department reserves the right to order that an employee not be engaged 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 15 days whenever said 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 strictly liable.** In any proceedings initiated by the department against an agent it shall be no defense that an employee of that agent acted contrary to an order or that the agent did not participate in any violations. An agent shall be held strictly 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.

**Sec. 12-568a-10. [Lottery sales agent employees] Accountability**

[(a)] **[Permitted.** A licensed lottery sales agent may utilize the services of its employees in the activities authorized under such agent’s license. The agent shall assume full responsibility for the activities and their consequences of such employees. The division reserves the right to order that an employee not be engaged in the sale or exchange of lottery tickets. Any such determination of non-eligibility shall be final and shall be complied with promptly.

[(b)] **Person in charge.** Where the agent itself will not be directly involved in the sale or exchange of lottery tickets, the agent shall notify the division of a designated employee who shall be the person in charge responsible for managing the agent’s lottery business. Such person in charge shall be subject to the approval of the division. An agent shall notify the division in writing within 15 days whenever said person in charge is replaced.

[(c)] **Agent strictly liable.** In any proceedings initiated by the division against an agent it shall be no defense that an employee of that agent acted contrary to an order or that the agent did not participate in any violations. A lottery sales agent shall be held strictly liable for any violations of the act, and sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies.]

(a) **Agent’s responsibility.** Tickets before sale remain exclusively the property of the 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) **CLC Responsibility.** The CLC shall notify the department immediately of all lost, stolen or otherwise unaccounted for tickets.

**Sec. 12-568a-11. [Accountability] Proceeds, CLC property**

[(a)] **[Agent’s responsibility.** Lottery tickets before sale remain exclusively the property of the 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 lottery sales agent from the sale of lottery tickets is solely the responsibility of the agent.

[(c)] **CLC Responsibility.** The CLC shall notify the division’s Security Unit immediately of all lost, stolen or otherwise unaccounted for tickets reported by an agent or other person.]

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, said 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 said proceeds are held in trust for the CLC by such agents, said proceeds shall remain property of the CLC.

**Sec. 12-568a-12. [Proceeds, CLC property] Agent delinquencies**

[As used in this section, “proceeds” means any moneys received from the sale, both actual and presumed, of lottery tickets. In accordance with the provisions of section 12-813(b) of the Connecticut General Statutes, all moneys received by lottery sales agents from the sale of lottery tickets constitute property of the corporation while in such agent’s possession and shall be held in trust for the corporation by such agents. During the time period lottery tickets are held in trust for the corporation by such agents, said tickets shall remain the property of the corporation. Agents shall

hold in trust for the corporation the proceeds generated from the sale of tickets minus the authorized agent compensation. During the time period said proceeds are held in trust for the corporation by such agents, said proceeds shall remain property of the corporation.]

**(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 CLC. Such collection agent shall be bonded in an amount established by the department. The president shall designate a specific CLC employee 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) CLC'S determination, 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 said 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 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 law enforcement officer, marshal, constable or designated collection agent employed by the CLC 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.

**Sec. 12-568a-13. [Agent delinquencies] Sales suspension**

[(a)] [**Collection agents.** The president may designate any person or entity as a collection agent to collect or receive settlements and delinquencies. Such collection agent shall be bonded in an amount established by the president as sufficient to protect and save harmless the CLC against any loss.

[(b)] **CLC'S determination, division notices to agent.**

[(1)] 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 said period of time the agent remains delinquent, the president shall make a finding of delinquency and notify said agent and the executive director. Thereafter, the executive director shall charge the delinquent agent:

[(A)] The amount due but unremitted as of the stated past settlement date;

[(B)] A delinquency assessment equal to ten percent of the amount due and unremitted or ten dollars, whichever amount is greater;

[(C)] 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 the settlement was due to the date of payment.

[(2)] Subject to the provisions of section 12-568a of the Connecticut General Statutes, the executive director may waive all or part of the penalties provided under subparagraph (B) of this subsection if it is proven to executive director's satisfaction that the failure to pay the moneys due to the state within the time allowed was due to reasonable cause and was not intentional or due to neglect.

[(c)] **Opportunity for hearing, notice.** Included conspicuously in the finding of 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 executive director. The notice shall establish a date and time for the hearing which shall not be later than seven (7) calendar days from the date on the notice. The notice shall further inform the agent that failure to appear at the hearing will result in a conclusive presumption of delinquency with the attendant consequences thereof under the act and sections 12-568a-1 to 12-568a-23, 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 executive director may require a statement, under oath, from the agent explaining these extraordinary circumstances.

[(d)] **Delinquency assessment hearing.** At a delinquency assessment hearing, the following shall be received into evidence: (1) the agent's settlement, if any; (2) CLC and division reports; (3) the initial notification of indebtedness; (4) the finding of delinquency; (5) the agent's past record regarding late settlements; and (6) any other relevant testimony or documents. The agent may then present any testimony, documents or other evidence designed to establish that the alleged delinquency is incorrect in any or all respects. At the conclusion of the hearing and based upon the evidence presented therein, the executive director is authorized to affirm, modify, or rescind the delinquency assessment. The agent shall be formally notified, in writing, of the executive director's decision in this regard.

[(e)] **Delinquency assessment modification.** If the executive director decides to modify the delinquency assessment, the executive director may, as a condition to the modification or the continued licensure of the agent, 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;

[(2)] Thereafter post a bond in such form and amount as the division determines is required to protect and save harmless the CLC from any future loss.

[(f)] **Delinquency assessment affirmance.** If the executive director affirms the finding of delinquency at a delinquency assessment hearing, the executive director shall issue in writing a formal finding of delinquency assessment. Thereafter, the president may employ collection agents for the purpose of collecting the delinquency assessment. In this regard, the CLC shall prepare and the executive director may sign a warrant directed to any sheriff, deputy sheriff, constable or designated collection agent employed by the CLC for distraint upon any property (real, personal, tangible or intangible) owned by the agent, 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 executive director 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.

[(g)] **Agency action.** Notwithstanding any other provisions of this section, the division may at any time initiate the delinquency assessment hearing process against an agent.]

(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.

#### **Sec. 12-568a-14. [Sales suspension] Summary suspension**

[(a)] [The president may suspend for cause any licensed lottery sales agent subject to a final determination through a hearing provided in accordance with sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, and the division rules of practice and hearing procedures.

[(b)] Upon suspension, 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 division hearing to be scheduled for said agent within three business days of receipt of notice of the sales suspension. Said notice shall be provided by the CLC to the division within two (2) working days of the sales suspension.

[(c)] No lottery agent shall be entitled to a hearing by the division 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.]

If the commissioner determines that public health, safety or welfare imperatively requires emergency action, a lottery sales agent license 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 CLC employee or officer who is alleged to have: defrauded, produced, altered, forged, passed or counterfeited a ticket; tampered with CLC 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.

**Sec. 12-568a-15. [Summary suspension] Occupational badges and licenses**

[If the division finds that public health, safety or welfare imperatively requires emergency action, and incorporates a finding to that effect in its order, summary suspension of a lottery sales agent license may be ordered pending proceedings for revocation or other action. These proceedings shall be promptly instituted and determined by the division.]

(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, license suspension or revocation.

2. The CLC shall file a list of persons and specific duties of such persons not licensed as occupational licensees who must 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 said 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 CLC, all other CLC officers, 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 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 lottery and the operation of 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 shall find 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.

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

**Sec. 12-568a-16. [Occupational badges and licenses] Violations of rules and regulations; fine, suspension or revocation**

**[(a)] [Badges.**

[(1)] The division 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. All badges are the property of the division and shall be returned to the division upon termination, license suspension or revocation.

[(2)] The CLC shall file a list of persons and specific duties of such persons not licensed as occupational licensees who must 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 division, at its discretion, may provide temporary badges to facilitate operations when an occupational licensee does not have such badge available.

No licensee shall permit any other person to use said 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 I or class II occupational licensee by the executive director pursuant to sections 12-568a and 12-800 to 12-818, inclusive, of the Connecticut General Statutes.

[(2)] The president, all other officers, and any other individual who in the judgment of the executive director will exercise control, shall be required to be licensed as a class II occupational licensee. All other employees shall be required to be licensed as class I occupational licensees.

[(3)] If the division shall find 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 lottery generally, in conformity with the purposes of chapters 226, 226b and 229a of the Connecticut General Statutes, it shall thereupon grant an occupational license. If the division shall find 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.

[(4)] Notwithstanding the provisions of subdivisions (1) to (3), inclusive, of this subsection, former employees of the Division of Special Revenue who continue employment with the CLC shall not be required to be fingerprinted; however, such individuals may be subject to a security background investigation as deemed necessary by the executive director and shall be licensed by the division.

[(c)] **Vendor licenses.** No person or business organization 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 or business organization submits to and successfully completes a state police background investigation or is issued a vendor license by the executive director after successful completion of a security background investigation.

[(d)] **Suspension - revocations.** If the division finds that the financial responsibility, character and general fitness of the licensee are such that the continued participation of such person will not be consistent with the public interest, convenience or necessity, and with best interests of lottery generally, in conformity with the purposes of the act, it may thereupon revoke or suspend said license.

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

**(a) Liability.** Any licensee violating 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 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) The CLC or any licensee shall immediately report to the commissioner any incident or allegation of misconduct involving any CLC employee, vendor, affiliate employee, agent employee or agent that threatens the integrity of the lottery. In addition to the reporting requirements established by section 4-33a of the Connecticut General Statutes, the CLC shall also notify the commissioner promptly 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 CLC.

(c) The CLC or any licensee shall immediately report to the commissioner any statutory, regulatory and criminal incident, or allegation of an incident. The department, in its sole discretion, may conduct its own investigation into any and all suspected incidents or violations.

(d) 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 game.

(e) **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 or revoke any lottery sales agent license issued by the department.

(1) The commissioner may for good cause fine, deny, suspend, revoke, or place conditions upon any license. Any licensee, vendor employee, or CLC employee or officer who is alleged to have defrauded, 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.

(f) **Fraudulent activity.** Any licensee, or employee of any 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.

(g) **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 administrative, civil and criminal prosecution.

(h) **Prohibition of prize payments for compromised tickets.** The CLC shall insure 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.

(i) **Confidentiality of win files and restricted access to proprietary information.** The CLC

shall prohibit unauthorized person(s) from accessing lottery game win files. In the event that the CLC becomes aware of a compromise or potential compromise of security regarding exposure of information contained in the game win files, the CLC shall immediately notify the commissioner. The CLC shall thereafter take all necessary steps to restore security as quickly as possible.

(j) **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 their website and through such other means as required by the department, that the winning ticket holders must claim by a certain date to be eligible for payment.

(k) **Prohibition of financial interest in vendors.** No CLC Board member, CLC officer or employee 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.

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

### **Sec. 12-568a-17. [Violations of rules and regulations] Requirements of the CLC**

[(a)] **[Liability.** Any officer or employee of the CLC violating the act or sections 12-568a-1 to 12-568a-23, 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 such officers to know sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies. Nothing in sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies shall be deemed to lessen the primary responsibility of the CLC to enforce these rules and regulations.

[(b)] **Violations.** A violation of chapters 226 and 229a of the Connecticut General Statutes or sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, shall result in the following:

[(1)] The executive director or designee may for good cause suspend or revoke any occupational license. The executive director or designee may for good cause suspend and revoke any vendor licensee. Any licensee, vendor employee, or CLC employee or officer who is alleged to have defrauded, produced, altered, forged, passed or counterfeited a lottery ticket, may be summarily suspended from involvement with the lottery, and such licensee, employee or officer may be subject to license suspension or revocation.

[(2)] The executive director or the executive director's designee may order that any licensees under suspension shall be denied admission to or attendance at all facilities subject to division regulation in Connecticut, including all pari-mutuel operations, CLC offices and lottery high tier claim centers.

[(3)] In the case of license revocation, the executive director may bar such licensees from all facilities subject to division regulation in Connecticut, including all parimutuel operations, CLC offices and lottery high tier claim centers.

[(4)] 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-23, inclusive, of the Regulations of Connecticut State Agencies, and the division rules of practice and hearing procedures.

[(5)] All decisions of the division may be appealed pursuant to section 4-183 of the Connecticut General Statutes.

[(c)] **Fraudulent activity.** Any licensee, vendor employee, or CLC employee or officer who, with intent to defraud, produces, alters, forges, passes or counterfeits a lottery 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 or officer of the CLC who influences or attempts to influence the winning of a prize, through the use of coercion, fraud, abuse, misuse or misappropriation of confidential system information, including the tampering of lottery files, software or equipment, may be subject to license suspension or revocation.

[(e)] **Prohibition of prize payments for compromised tickets.** The CLC shall insure that no prize shall be paid arising 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 win files and restricted access to proprietary information.** The CLC shall prohibit game win files from access by unauthorized person(s). In the event that the CLC becomes aware of a compromise or potential compromise of security regarding exposure of information contained in the game win files, the CLC shall immediately notify the executive director and the division director of security. 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 in at least two newspapers having substantial circulation in the state, that the winning ticket holders must claim by a certain date to be eligible for payment.

[(h)] **Prohibition of financial interest in vendors.** No CLCB member, CLC officer or employee 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 lottery ticket(s), and shall not directly or indirectly receive prizes.

[(j)] **Summary suspension.** If the division finds that public health, safety or welfare imperatively requires emergency action, and incorporates a finding to that effect in its order, summary suspension of an occupational or vendor license may be ordered pending proceedings for revocation or other action. These proceedings shall be promptly instituted and determined by the division.]

(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 insure 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 CLC for a lottery game design, official procedure or working paper, such approval shall occur before the item is presented to DCP 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 CLC payroll listings and organizational charts.** The CLC shall provide to the department a complete payroll listing of all CLC employees on a monthly basis. Upon request of the department, 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 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 CLC.** The CLC shall reimburse the department for all reasonable direct and indirect 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.

(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 for the purpose of:

(1) Inspecting, examining or testing any and all files, books and records.

(2) Monitoring and testing the internal control system of all phases of the cash flow, revenue and expenditures.

(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 reason(s) 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. Said 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 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 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 individual(s) knowledgeable in, and responsible for, the CLC's accounting and reporting systems as contact person(s) 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(s) of contact persons from each financial consultant and CPA firm utilized for financial advice, accounting and auditing functions, as applicable, and shall provide the name(s) of contact person(s) from any law firm utilized for legal counsel and advice. CLC shall advise the department within five business days after a change in any such contact persons.

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

(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.

#### **Sec. 12-568a-18. [Requirements of the CLC] Financial reporting**

**[(a)] [New games, division approval.** After acquiring the CLCB's approval, the CLC shall obtain the division's review and approval of all new game designs, and official game procedures and working papers, in order to insure the integrity of the games. The division's review or approval shall be conducted within seven (7) business days of receipt. If the division fails to approve or disapprove within such seven (7) day period, it shall be deemed to have approved such game designs and procedures. Such approval shall not be unreasonably withheld.

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

**[(c)] **Provision of CLC payroll listings and organizational charts.****

The CLC shall provide to the division a complete payroll listing of all CLC employees on a monthly basis. The CLC shall provide to the division on an annual basis a complete organizational

chart, including officers and directors, and advise the division promptly concerning changes in key personnel.

**[(d)] Annuity providers, division 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 division 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 CLC.** The CLC shall reimburse the division for all reasonable direct and indirect costs associated with the regulatory oversight of the corporation, as determined by the division in its sole discretion.

**[(f)] Offices for Division.** The CLC shall provide suitable office space for the use of division 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 division. Division 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.

**[(h)] Return of agent licenses.** The CLC shall obtain the lottery sales agent license certificate of surrendered, canceled, suspended, or revoked agents. If the CLC is unable to obtain the license, it shall provide the division with an affidavit explaining the reason therefor.

**[(i)] Changes in agent status.** The CLC shall, on a monthly basis, notify the division of changes in the status of issued lottery sales agent licenses and the reason(s) for such, and any withdrawal of pending license applications.

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

**[(k)] Acceptance testing.**

[(1)] Prior to the installation of any on-line wagering system or the implementation of any software or hardware modifications, the CLC shall certify to the division 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 division prior to implementation.

[(2)] In the sole discretion of the division, the CLC shall require a vendor to produce a test system accessible and available for division testing prior to implementation of the on-line wagering system or any software or hardware modifications.

[(3)] The division shall have final approval over the implementation of any system modification.

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

[(1)] The CLC shall maintain a separate accounting of unclaimed prize funds.

Information on unclaimed prize contributions for on-line gaming shall be made available through the CLC's on-line wagering system's management information system and for off-line gaming from other sources, as approved by the division. Such information shall include, but not are limited to, accurate reports of purged tickets.

[(2)] Information on unclaimed prize dispersals shall be submitted quarterly to the division by the CLC and shall be distinguished by allowable categories as specified in section 12-806(b)(10) of the Connecticut General Statutes.

[(3)] The CLC shall make available all information required under this section and shall submit an annual report of all unclaimed prize funds available for disposition after the expiration date of the unclaimed prize. All information shall be in a format approved by the CLC.

**[(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, 226b and 229a of the Connecticut General Statutes pertaining to lottery prize winners, lottery agents and any other applicable person or entity. The division shall be held harmless from any federal or state tax penalties or interest that may arise as a result of the CLC's activities in performing these responsibilities.

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

[(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 lottery agents, any other applicable person or entity and the division, 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 individual(s) knowledgeable in, and responsible for, the CLC's accounting and reporting systems as contact person(s) who shall respond to and cooperate with the division regarding accounting and other financially related questions or problems.

[(2)] The CLC shall provide the division with the names(s) of contact persons from each financial consultant and CPA firm utilized for financial advice, accounting and auditing functions, as applicable, and shall provide the name(s) of contact person(s) from any law firm utilized for legal counsel and advice. Such information as submitted to the division shall be updated for any changes as they occur.

[(3)] The CLC shall provide the division with the name(s) of vendor contact personnel in the event of system problems.

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

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

[(2)] The provisions of subdivision (1) of this subsection shall apply only to (A) advertisements in newspapers, magazines, brochures and on posters and (B) television and radio advertisements thirty seconds or longer for one game.

[(3)] The CLC shall include a prominent and clear statement of the odds of winning each individual prize level on all game brochures.

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

(a) **Department consultation.** Prior to any audit of the CLC that shall be performed by a 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) Disclosure of all related-party transactions;
- (2) 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 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.

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

(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 said 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 representative(s), 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 said recommendations shall be required.

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

## **Sec. 12-568a-19. [Financial reporting] Security and compliance**

[(a)] **[Division consultation.** Prior to any audit of the CLC that shall be performed by a certified public accountant, the CLC shall provide to the division 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 division 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 division on an annual basis:

- [(1)] Disclosure of all related-party transactions
- [(2)] 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

[(E)] Professional fees, including legal, accounting and consulting fees Information which is submitted to the division on a more frequent basis in connection with other sections of these regulations need not be reduplicated in the annual report.

[(4)] A report as to whether any material deficiencies in internal control were noted by the independent auditor during the course of the annual audit of CLC's financial statements. In addition, the CLC shall submit to the division a copy of any report 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 control.

[(6)] Access to articles of organization and any changes thereto, resolution, amendments to by-laws, minutes of CLC meetings, and schedules of percentage distribution of income.

[(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 division as to why said recommendations will not be implemented.

[(e)] **Additional audits.**

[(1)] The division may require, in its sole discretion, the CLC or any vendor to submit to an audit of its internal control systems. The division or its duly authorized representative(s), 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 division. If the CLC disagrees with the recommendations, it shall provide a written explanation to the division as to why said recommendations should not be implemented. Thereafter, a final determination shall be made by the division as to whether said recommendations shall be required.]

(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 CLC buildings and 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; 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 or 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 or 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 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 CLC facilities.** Employees of the department and its designated representatives shall have the right to unannounced and unfettered entry to all CLC and vendor facilities. The department shall inspect CLC and vendor facilities for possible breaches of security and physical 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 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, distributed or new pack 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 termination.

(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.

(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 insures 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, winfiles/console log review.** The lottery gaming system vendor shall utilize software protection in the lottery gaming system to prohibit CLC or vendor employees from tampering with pools, liabilities or winfiles. 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 CLC determines that its contract with the vendor permits such a charge.

## **Sec. 12-568a-20. [Security] Reporting requirements**

**[(a)] [Director of security.** Any director of security the CLC may employ shall be a duly qualified, full time director of security licensed by the executive director as a class II occupational licensee. The duties of the director of security include, but are not limited to, responsibility for the security of CLC buildings and facilities and for monitoring the wearing of badges at said facilities.

**[(b)] Division security unit.** The security unit within the division shall enforce all regulations and state statutes as adopted by legislation pertaining to the CLC, ensuring that the lottery is operated with absolute integrity and for the public good. The division security unit shall have overall responsibility for both regulatory and criminal investigations. The division security unit chief shall have the discretion to determine the need to conduct an investigation into any and all perceived or actual incidents or violations.

**[(c)] Reporting requirements.**

**[(1)]** The CLC shall immediately report to the division all incidents or allegations of misconduct involving any CLC employee, vendor employee or lottery retailer that threatens the integrity of the lottery. In addition to the reporting requirements established by section 4-33a of the Connecticut

General Statutes, the CLC shall also notify the division of any unauthorized, illegal, irregular or unsafe handling or expenditure of state or quasi-public agency funds.

[(2)] The CLC shall immediately report to the division all statutory, regulatory and criminal incidents, or allegations of incidents. The division, in its sole discretion, may conduct its own investigation into any and all suspected incidents or violations.

[(3)] Failure by the CLC to report said incidents in a timely manner may be cause for license suspension or revocation of CLC officers, after being afforded the opportunity for a hearing in accordance with sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, and the division rules of practice and hearing procedures.

[(d)] **Division notification of system problems and disruptions.**

[(1)] The CLC shall notify the division immediately of all material system problems, downtime, disruptions, or system modifications involving lottery games and/or tickets. Upon notification, the CLC shall estimate the time needed to bring the system back to full operation. Thereafter, the CLC shall provide a documented report of the events causing the disruption, the steps taken to resolve the situation, and the name of a contact person in the event additional clarifications are warranted.

[(2)] Failure to immediately report said incidents may be cause for license suspension or revocation of CLC officers, after being afforded the opportunity for a hearing in accordance with sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, and the division rules of practice and hearing procedures.

[(e)] **Drawings.** Division security representatives shall oversee drawings conducted by the CLC. Division security shall formulate, implement, and conduct security procedures for all drawings, and shall be responsible for the safeguarding and testing of all drawing equipment. The division security shall have sole responsibility for the ultimate decision for any and all drawing problems or circumstances that may arise.

[(f)] **Security of transaction tapes prior to the drawings.** Until such time as an Internal Control System (ICS) provides the division with direct access to transaction tapes, division security representatives shall take possession of transaction tapes from the on-line vendor prior to any drawing being held.

[(g)] **Promotional drawings.** The CLC shall provide the division with advance notice of, and drawing procedures for, any promotional drawings. Said procedures shall be reviewed by the division and approved prior to said events being held. The division security representatives shall oversee promotional drawings. Division security 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 CLC facilities.** Employees of the division and its designated representatives shall have the right to unannounced and unfettered entry to all CLC and vendor facilities. Division security shall inspect CLC and vendor facilities for possible breaches of security and physical standards. The CLC shall ensure that all vendors comply with physical security standards as approved by the division.

[(i)] **Instant tickets.** The CLC shall submit working papers for instant games to the division. The division shall review and approve said papers for integrity purposes prior to ticket production. Division security representatives shall obtain a sample of instant tickets during production and shall submit such samples to an 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 division.

[(j)] **Master system console logs.** The CLC shall maintain system console logs of activity for the on-line system. These console log reports shall reflect all system activity, including, but not limited to, all system access, system transmissions and system errors.

[(k)] **Retention and inspection of system console logs.** The CLC shall retain all system console

logs. The logs shall be in a media and format acceptable to the division and shall be retained for no less than five (5) years. The division, in its sole discretion, may request to review the system console logs at any time.

[(l)] **Disaster recovery.** The CLC shall submit for division approval a disaster recovery plan for the on-line system.

[(m)] **Redundant fault-tolerant system.** The CLC shall insure the on-line system records each transaction in at least two separate locations for each processor.

[(n)] **Ticket validation requirements.** The CLC shall set minimum ticket validation requirements for both instant and on-line tickets subject to division approval. All claims presented shall be verified in accordance with established procedures for validating winning tickets processed through the on-line system.

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

[(p)] **Tampering with pools, liabilities, winfiles/console log review.** The on-line vendor shall utilize software protection in the on-line system to prohibit CLC or vendor employees from tampering with pools, liabilities or winfiles. The on-line vendor shall produce system pool reports generated immediately at the close of games. These reports shall be provided to the division to verify liabilities. If an attempt is made to tamper with information, such activity shall be indicated on the system console log.

[(q)] **System management reports.** The CLC shall provide system reports which 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 division's request and shall be used to verify the operating status of the system and agent terminals.

[(r)] **Liability for loss of data.**

[(1)] In the event of loss of any data or records necessary for the performance of division duties, where such loss is due to the error or negligence of the CLC, the CLC shall cause the vendor to recreate such lost data or records at the CLC's own expense.

[(2)] In the event of loss of any data or records necessary for the performance of division duties, where such loss is due to the error or negligence of the vendor, the CLC shall cause the vendor to recreate such lost data or records at the vendor's own expense.]

(a) The CLC or any licensee shall immediately report to the department all incidents or allegations of misconduct involving any CLC employee, 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.

**Sec. 12-568a-21. [Instant ticket vending machines] Ticket vending machines**

[(a)] [**Licensed agents only.** Only lottery sales agents licensed by the division shall provide instant ticket vending machines on their premises. Said machines shall be at all times within the line of sight of the lottery sales agent or their designated employee. Agents and their designated employees shall use all reasonable efforts to insure that minors do not utilize the instant ticket vending machines.

[(b)] **Disabling Equipment.** Prior to utilization by an agent, all instant ticket vending machines shall be equipped with a device capable of instantly disabling said machines from operation.]

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

(b) **CLC or licensed agents only.** The CLC shall submit official procedures to the department, subject to department approval, 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 assigned employee(s), unless said machine has an operational age verification capability. Each licensee or assigned employee(s) 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 assigned employee(s). Ticket vending machines that do not have age verification capability shall be equipped with a device capable of instantly disabling the machine from operation. Licensee(s) or assigned employee(s) are responsible for utilizing said disabling device in the event a machine is not being used lawfully or the age verification mechanism is malfunctioning.

**Sec. 12-568a-22. Management information system [(MIS) MIS] implementation.**

(a) The CLC shall implement, or ensure that its vendor implement, a [management information system (MIS),] MIS including computers, management information workstations, networking, databases, software, and data interfaces to insure networked access to the [on-line] lottery gaming system by [division] department users as designated by the [division] department. The [system] 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 [division] department shall have access to such reports through the MIS [system].

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

**Sec. 12-568a-23. Internal control system [(ICS)]**

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

(1) All [division] CLC ICS hardware and network and communication software shall be enhanced

and updated by the CLC to remain current [technology. Said] The department shall confirm that said enhancements [shall be confirmed by the division as] are operating successfully prior to implementation.

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

(3) The [on-line wagering] lottery gaming system transactions provided by the CLC through the [on-line] lottery gaming system vendor via real-time communication[, tape, or both, at the division's option,] 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 [division] department, upon request, with [up-to-date information on validation files and the inventory of instant and other off-line games, via tape input, in a format readable by the division] daily, weekly, or monthly ICS file backups.

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

(1) In addition to the problem reporting requirements [of subsections (c) and (d)] of section 12-568a-20 of the Regulations of Connecticut State Agencies, the CLC shall immediately notify the [division] department of [on-line system problems which] any issues that may have an impact on the ICS system.

(2) The CLC shall implement [division] department approved procedures for the resolution of [system] ICS problems.

**(c) Backup capability.** The [division] 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. [At a minimum, this shall include:

(1) Fully maintained and tested computer hardware (servers) in a “hot environment”, connected to the network and capable of immediate system switchover with minimal intervention;

(2) Tape cartridge backup of ICS databases for high speed backup and restore processing;

(3) Software to provide full or partial restoration of databases; and

(4) Operating system software to allow network system switchover to backup equipment.]

**Sec. 12-568a-24. [Executive director's] 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 [executive director] commissioner retains the authority to make a [decision(s)] decision in the best interests of the lottery and the state of Connecticut.

R-39 Rev. 02/2012

**Statement of Purpose**

This regulation updates existing regulations concerning lottery operations. The revised regulation includes operational changes to: minimize paper submissions and mandatory reporting to the Department; provide transparency with policies and procedures set forth by the Connecticut Lottery Corporation; update technological requirements including obtaining cybersecurity insurance; and clarify mandatory reporting protocols. Additionally, the proposed regulation makes a number of technical clean-up changes such as deleting the obsolete Gaming Policy Board and replacing the reference with the Department of Consumer Protection.