

## EXPECTATIONS OF INTERNAL CONTROLS

Below is the general guide outlining the expectations of the online sport wagering licensee on the process of delivering their internal controls for approval.

The Massachusetts Gaming Commission requests the following process when addressing all internal controls submissions for the implementation of sports wagering in the Commonwealth.

If a licensee has completed several sections of a particular regulation and feels it will be several days before others are added or the document becoming complete, they are welcomed to send these sections in separate. When doing so please note that the submission is incomplete. Whenever sending a complete submission please note this as the *complete version*.

The format should follow the regulation as seen below.

### **Example:**

#### 238.02: Sports Wagering Operator's System of Internal Controls

- (1) At least 45 days prior to commencing operations, (**Licensee's name**) shall submit to the Commission its proposed system of Internal Controls, consisting of procedures and administrative and accounting controls, in accordance with 205 CMR 238.02(4). An Operations Certificate shall not issue until the Operator's Internal Controls are approved in accordance with 205 CMR 238.02(2).
  
- (2) A system of Internal Controls shall be organized and formatted as required by the Commission.
  
- (3) The Commission shall refer the proposed system of Internal Controls submitted in accordance with 205 CMR 238.02(1) to the Executive Director, who shall review the submission for compliance with M.G.L. c. 23N and 205 CMR. Upon completion of review, the Executive Director shall, in writing, either approve the submission or advise (**Licensee's name**) of any deficiency, and any corresponding recommendation or required change. The Executive Director may include any other recommendations or required changes intended to ensure that a robust system of Internal Controls is implemented by the Sports Wagering

Operator. (Licensee's name) may, by writing to the Executive Director, either accept a recommendation or required change or dispute the recommendation or required change. If (Licensee's name) disputes the recommendation or required change, (Licensee's name) shall also provide the reason(s) for its dispute. Any such dispute shall be resolved by the Commission.

(4) The Commission or the Executive Director may revisit any provision of a Sports Wagering Operator's Internal Controls at any time and render recommendations and required changes as necessary. If the Commission or Executive Director renders any such recommendations and required changes, the Commission or Executive Director shall provide (Licensee's name) a reasonable period to implement any such recommendations and required changes. Upon approval by the Executive Director, the Executive Director shall issue a written approval to the Sports Wagering Operator, including any associated conditions.

(5) If a Sports Wagering Operator seeks to change any provision of its approved Internal Controls, (Licensee's name) shall submit the proposed change, including an explanation thereof, and new certifications from its chief legal and financial officers consistent with 205 CMR 238.02(7)(i) and (j), to the Commission within 15 days of determining that such a change is necessary. The Commission shall refer the proposed change to the Executive Director who shall review the proposal for compliance with 205 CMR 238.00. Changes to the system of Internal Controls will generally be permitted if the proposed change does not lessen the applicable administrative, accounting, or physical control the Sports Wagering Operator has over its operations in the Commonwealth. Upon completion of review, the Executive Director shall either approve the proposed change or advise (Licensee's name) in writing as to why the proposal does not comply

with 205 CMR 238.00. (Licensee's name) may appeal the Executive Director's determination to the Commission, which shall resolve the dispute. Approved changes shall be maintained as part of the approved Internal Controls.

(6) A Sports Wagering Operator shall not implement modifications to Internal Controls until approved by the Executive Director or the Commission. Until such time, (Licensee's name) shall continue to implement the most recently approved Internal Controls; provided, however, that if the Executive Director does not object to or otherwise respond to the submission in writing within 15 business days of receipt of the submission, (Licensee's name) may implement the proposed change subject to further direction by the Executive Director in accordance with 205 CMR 238.02(4).

(7) The Internal Controls shall, at a minimum, include the following:

- (a) Administrative controls which include, as their primary objective, policies and procedures designed to assure that all activities and transactions of the Sports Wagering Operator are instituted and completed in accordance with applicable policy or procedure;
- (b) Accounting controls which include, as their primary objective, procedures to assure that all activities and transactions of the Sports Wagering Operator are accurately reported and recorded in accordance with generally accepted accounting principles;
- (c) Reporting controls which include policies and procedures for the timely furnishing of economic and social impact reports, and standard financial and statistical reports and information in accordance with 205 CMR 239.00;
- (d) For Category 1 Sports Wagering Operators and Category 2 Sports Wagering Operators, the Internal Controls required for a gaming establishment as specified in 205 CMR 138.00: Uniform Standards of

Accounting Procedures and Internal Controls shall apply to a Sports Wagering Area and Sports Wagering Facility. Where compliance with the provisions of both 205 CMR 138 and 205 CMR 238 is not possible, a Gaming Licensee or Sports Wagering Operator shall comply with 205 CMR 138 with respect to gaming operations and 205 CMR 238.00 with respect to Sports Wagering Operations and identify its intent to do so in its written system of Internal Controls;

(e) Access controls which include, as their primary objective, the safeguarding of the Operator's assets, including but not limited to, organizational safeguards, such as segregation of duties between incompatible functions, and physical safeguards, such as restricted access to assets and routine security devices such as cameras and locking doors. Such access controls shall be consistent with the requirements in 205 CMR 141.00 regarding surveillance of gaming establishments;

(f) An infrastructure and data security plan which employs technical security controls as described in 205 CMR 243.01;

(g) A plan to ensure compliance with 205 CMR 240.00 with respect to tax remittance and reporting;

(h) All applicable policies and procedures required pursuant to 205 CMR 238.04 through 238.72 and procedures and practices specified in 205 CMR 243.01;

(i) A certification by the Sports Wagering Operator's chief legal officer that the submitted Internal Controls conform to M.G.L. c. 23N, 205 CMR 238.00, and any applicable regulations referenced therein;

(j) A certification by the Sports Wagering Operator's chief financial officer that the submitted Internal Controls provide adequate and effective controls, establish a consistent overall system of internal procedures and administrative and accounting controls, and conform to generally accepted

accounting principles and 205 CMR; and

(k) A plan to ensure compliance with the Operator's House Rules, including House Rules issued in conformance with 205 CMR 243.00.

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Below is a regulation specifically referencing another section of regulations in the 100 section. As an online operator you will have to import the section that is applicable and fill out the necessary process in regard to your business model. Also, this regulation introduces another area of submissions with *Exhibits*.

**238.10: Jobs Compendium Submission**

A system of Internal Controls submitted by **Licensee's Name** in accordance with 205 CMR 238.02 shall include a jobs compendium detailing job descriptions, chains of command, and lines of authority for all personnel engaged in the operation of Sports Wagering, which meets the provisions specified in 205 CMR **138.10: Jobs Compendium Submission**.

**138.10: Jobs Compendium Submission**

(1) The system of internal controls submitted by **Licensee's Name** in accordance with 205 CMR 138.02 shall include a jobs compendium detailing job descriptions, chains of command, and lines of authority for all personnel engaged in the operation of the gaming establishment. The licensee shall maintain and update the jobs compendium on a regular basis.

(2) A jobs compendium shall include the following sections, in the order listed:

(a) An alphabetical table of contents listing the position title and job code for each job description included in 205 CMR 138.10(1) and the page number on which the corresponding job description may be found;

(b) A table of organization for each department and division, including all positions, and illustrating by position title, direct and indirect lines of authority within the department or division. Each page of a table of organization shall specify the following:

1. The date of its submission;
  2. The date of the previously submitted table of organization which it supersedes; and
  3. A unique title or other identifying designation for that table of organization.
- (c) A description of each employee position which accurately corresponds to the position title as listed in the table of organization and in the alphabetical table of contents.

Each position description shall be contained on a separate page, organized by departments or divisions, and shall include, at a minimum, the following:

1. Position title and corresponding department;
2. Job duties and responsibilities;
3. Detailed descriptions of experiential or educational requirements;
4. Proposed registration or license rank consistent with 205 CMR 134.01 through 134.03;
5. The date of submission of each employee position job description and the date of any prior job description it supersedes; and
6. The date of submission and page number of each table of organization on which the employee position title is included.

(3) A proposed amendment to a previously approved jobs compendium for any job position requiring licensure or registration, including any amendment to a table of organization, may be implemented by the gaming licensee without the prior approval of the commission in

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***Please note*** that this regulation has information required to be listed in an internal control and another submission we like to note as an exhibit (with the regulation number after it). The exhibit could be titled *Exhibit 238.10 Compendium*. The exhibit will have your Job Compendium listed following the internal control submitted. This exhibit will be a separate document accompanying the internal control.

Any regulation specifically asking a process must be addressed in that numbered/lettered section. Please use the same number/letter when addressing the subject matter in a regulation. If further sections are needed to address the process, please make it a numbered/lettered **subsection** of that numbered/lettered section.

238.11: Personnel Assigned to the Operation and Conduct of Sports Wagering

**Licensee's Name** shall be required to employ the following personnel in the following manner in the operation of its Sports Wagering regardless of the position titles assigned to such personnel by the Operator in its approved jobs compendium:

(1) Each Sports Wagering Operator shall at all times maintain a level of staffing that ensures the proper operation and effective supervision of all Sports Wagering. (Here you can place what your staffing will be like in the area or state a reference to where it can be found ex. 238.10 job compendium.)

(2) Each Category 1 Sports Wagering Operator or Category 2 Sports Wagering Operator shall be required to **employ a Sports Wagering manager**. The **Sports Wagering manager** shall be the executive assigned the responsibility and authority for the supervision and management of Sports Wagering employees in a Sports Wagering Area or Sports Wagering Facility, including, without limitation, the hiring and termination of all Sports Wagering employees within a Sports Wagering Area or Sports Wagering Facility.

**When submitting your internal controls please inform us the way in which you are sending them. If using a secure drop box, you will need an account setup by our IT department. If emailed, please include all necessary parties on the original email. Any other questions or concerns please feel free to reach out to the MGC as soon as possible.**

**Please do not forget the certification letter for all complete submissions.** *Incomplete regulation sections do not need accompanying certification letter.*

**Thank you,**

**The IEB Team**