

**CHAPTER 1206. ACCOUNTING AND INTERNAL CONTROLS—
TEMPORARY REGULATIONS**

Sec.

1206.1. Fantasy contest accounting and internal controls.

Cross References

The provisions of this chapter cited in 58 Pa. Code § 1205.6 (relating to licensed gaming entities).

§ 1206.1. Fantasy contest accounting and internal controls.

(a) At least 45 days prior to commencing fantasy contests under this subpart, except as provided for in § 1203.3 (relating to existing activity), a fantasy contest licensee or an applicant for a fantasy contest license shall submit to the Board for approval all internal control systems and audit protocols for the fantasy contest operations.

(b) An applicant for a fantasy contest license who is conducting fantasy contests in this Commonwealth prior to the effective date of 4 Pa.C.S. Chapter 3 (relating to fantasy contests) shall submit a copy of its internal control systems and audit protocols for the fantasy contest operations simultaneously with its application for a fantasy contest license.

(c) A fantasy contest licensed operator's internal controls and audit protocols must include all of the following:

(1) Provide for reliable records, accounts and reports of any financial event that occurs in the conduct of fantasy contests, including reports to the Board related to fantasy contests.

(2) Provide for accurate and reliable financial records related to the conduct of fantasy contests, including by or through participants located in this Commonwealth.

(3) Establish procedures and security for the recordation of wagering, winnings, and fantasy contest adjusted revenue and taxation.

(4) Establish procedures and security standards for the maintenance of fantasy contests and associated equipment used in connection with the conduct of fantasy contests.

(5) Establish procedures and rules to govern the conduct of fantasy contests and the responsibility of employees related to fantasy contest.

(6) Establish procedures for the collection, recording and deposit of revenue from the conduct of fantasy contests by or through participants located in this Commonwealth.

(7) Establish reporting procedures and records required to ensure that all money generated from fantasy contests by or through participants located in this Commonwealth is accounted for.

(8) Ensure that all functions, duties and responsibilities related to fantasy contests are appropriately segregated and performed in accordance with sound financial practices by qualified employees.

(9) Ensure the confidentiality of participant's personal and financial information.

(10) Ensure the segregation of participant funds from operational funds in separate accounts and maintain a reserve in the form of cash, cash equivalents, security deposits held by banks and processors, an irrevocable letter of credit, payment processor reserves and receivables, a bond or a combination thereof in an amount sufficient to pay all prizes and awards offered to winning participants.

(d) The submissions required under subsections (a) and (b) must include a detailed description of the fantasy contest license operator's administrative and accounting procedures related to fantasy contests, including its written system of internal controls. Each written system of internal controls must include all of the following:

(1) An organizational chart depicting appropriate functions and responsibilities of employees involved in fantasy contests.

(2) A description of the duties and responsibilities of each position shown on the organizational chart.

(3) A detailed narrative description of the administrative and accounting procedures to satisfy the requirements in 4 Pa.C.S. § 325 (relating to conditions of licensure).

(4) The record retention policy of the licensed operator.

(5) The procedure to be utilized to ensure that money generated from the conduct of fantasy contests is safeguarded, including mandatory counting and recording procedures.

(6) Procedures to ensure that recorded accountability for assets is compared with actual assets at intervals required by the Board and appropriate action is taken with respect to discrepancies.

(7) Procedures to be utilized by an employee of a licensed operator in the event of a malfunction of a fantasy contest terminal or other equipment used in the conduct of fantasy contests.

(8) Procedures to be utilized by a licensed operator to prevent minors from entering fantasy contests.

(9) Other items the Board may request in writing to be included in the internal controls.

(10) A statement signed by the chief financial officer of the proposed licensed operator or other competent person and the chief executive officer of the proposed licensed operator or other competent person attesting that the officer believes, in good faith, that the system satisfies the requirements in 4 Pa.C.S. § 325.

(e) Except as provided in § 1203.3, prior to authorizing a licensed operator to commence the conduct of fantasy contests, the Board will review the system of internal controls and audit protocols submitted under subsections (a) and (b) to determine whether it conforms to the requirements in this chapter and whether it provides adequate and effective controls for the conduct of fantasy contests.

(f) If a licensed operator intends to make a change or amendment to its system of internal controls, it shall submit the change or amendment electronically to the Bureau of Gaming Operations in a manner prescribed by the Bureau of Gaming Operations. The licensed operator may implement the change or amendment upon receipt of approval or on the 30th calendar day following the filing of a complete submission unless the fantasy contest licensee receives written notice tolling the change or amendment in accordance with subsection (g) or written notice from the Board's Executive Director rejecting the change or amendment.

(g) If during the 30-day review period in subsection (f), the Bureau of Gaming Operations preliminarily determines that a procedure in a submission contains an insufficiency likely to negatively affect the integrity of fantasy contests or the control of revenue generated from fantasy contests, the Bureau of Gaming Operations, by written notice to the licensed operator, will:

(1) Specify the nature of the insufficiency and, when possible, an acceptable alternative procedure.

(2) Direct that the 30-calendar day review period in subsection (f) be tolled and that any internal controls at issue not be implemented until approved under subsection (i).

(h) Examples of submissions that may contain an insufficiency likely to negatively affect the integrity of fantasy contests include the following:

(1) Submissions that fail to provide information sufficient to permit the review of fantasy contests.

(2) Submissions that fail to provide for the segregation of incompatible functions so that no employee is in a position to commit an error or perpetrate a fraud and to conceal the error or fraud in the normal course of the employee's duties.

(3) Submissions that do not include forms or other materials referenced in the submission or required under 4 Pa.C.S. Chapter 3 or this subpart.

(4) Submissions that would implement operations or accounting procedures not authorized by 4 Pa.C.S. Chapter 3 or this subpart.

(i) When a change or amendment has been tolled under subsection (g), the licensed operator may submit a revised change or amendment within 30 days of receipt of the written notice from the Bureau of Gaming Operations. The licensed operator may implement the revised change or amendment upon receipt of written notice of approval from the Board's Executive Director or on the 30th calendar day following the filing of the revision unless the licensed operator receives

written notice tolling the change or amendment in accordance with subsection (g) or written notice from the Board's Executive Director rejecting the change or amendment.

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