

**112-201-1. Definitions.** Each of the following words and terms, when used in this article of the commission’s regulations, shall have the meaning specified in this subsection unless the context indicates otherwise:

(a) “Affiliate” means an entity that provides goods or services to a Kansas-certified integrated sports wagering platform and required to be registered under K.A.R. 112-202-5, but not to be certified as an interactive sports wagering platform.

(b) “Age and identity verification” means a method, system, or device used by a lottery gaming facility manager or its interactive sports wagering platform provider to verify the validity of a patron’s age and the patron’s identity.

(c) “Canceled wager” means a wager that has been canceled by the lottery gaming facility manager or its interactive sports wagering platform provider through the interactive sports wagering platform due to an issue with an event that prevents the wager completion.

(d) “Cash equivalents” means instruments with a value equal to United States currency or coin, including certified checks, cashier’s checks, traveler’s checks, money orders, gaming tickets, winning sports wagering tickets, sports wagering vouchers, and coupons.

(e) “Communications Technology” means a process in which components are employed to facilitate the transmission of information including, but not limited to, transmission and reception systems based on wire, cable, radio, microwave, light, optics or computer data networks and the internet.

(f) “Dormant account” means a sports wagering account that has had no login for a period of three (3) years.

(g) “Executive Director” means the executive director of the Kansas Racing and Gaming Commission and/or anyone within the agency he designates to carry out the duties on behalf of the agency.

(h) “Gaming Day”, means the period that corresponds with the lottery gaming facility manager’s gaming day that has been previously approved by the executive director.

(i) “Internet” means the international computer network of both federal and non-federal interoperable packet switched data networks.

(j) “Interactive sports wagering platform provider” means a sports wagering supplier that contracts with a lottery gaming facility manager to provide an interactive sports wagering platform. If a lottery gaming facility manager develops its own interactive sports wagering platform, the lottery gaming facility manager is also considered an interactive sports wagering platform provider for the purposes of this article.

(k) “Market” means a wager type (e.g. money line, spread, over/under) on which opportunities are built for wagering on one or more events.

(l) “Marketing Plan” means a plan that must be submitted to the executive director for creation of sports wagering accounts.

(m) “Layoff wager” means a wager placed by an interactive sports wagering platform provider with another interactive sports wagering platform provider for the purpose of offsetting patron wagers.

(n) “Mobile application” means any application on a mobile device through which an individual is able to place a sports wager through an interactive sports wagering platform.

(o) “Payout” means the total payment due on a winning wager whether or not:

- (1) The patron collects the total payment due at one time.
  - (2) All or a portion of the payment due is made in the form of cash, chips or other form of payment; or
  - (3) All or portion of the payment due is used by the patron to place another wager.
- (p) “Penetration Testing” means attempt to exploit vulnerabilities in the form of simulated attacks.
- (q) “Personally Identifiable Information (PII)” means any information or data used to confirm an individual’s identity. Personally identifiable information includes, but is not limited to, name, address, IP address, phone number, social security number, and driver’s license number. Any combination of those pieces of information either alone or in combination with the other pieces of data, would be considered PII.
- (r) “Prohibited sports wagering participant” means any involuntarily-excluded person, any voluntarily-excluded person, and all of the following:
- (1) Any person who is under the age of twenty-one (21);
  - (2) Any person placing wagers while not within the State of Kansas;
  - (3) A lottery gaming facility manager, and any director, officer, owner and employee of such manager, and any relative living in the same household as such persons, placing wagers with the manager at the manager’s location or through the manager’s interactive sports wagering platform;
  - (4) An interactive sports wagering platform, any director, officer, owner and employee of such platform, and any relative living in the same household as such persons, placing wagers through such platform or at the manager’s location;

(5) Any director, officer, owner and employee of the interactive sports wagering platform, and any relative living in the same household as such persons, placing wagers with the manager;

(6) Athletes, coaches, referees, team owners, employees of a sports governing body or its member teams, and player and referee union personnel placing wagers on any sporting event overseen by such sports governing body;

(7) Any person with access to nonpublic confidential information held by the lottery gaming facility manager from placing wagers with such manager;

(8) Any person placing wagers as agents or proxies for other person; and

(9) Any person placing wagers who has been convicted of any felony or misdemeanor offense involving sports wagering, including, but not limited to, the use of funds derived from illegal activity to make wagers, placing wagers to conceal money derived from illegal activity, the use of other individuals to place wagers as part of any wagering scheme to circumvent any provision of federal or state law and the use of false identification to facilitate the placement of any wager or the collection of any prize in violation of federal or state law, from placing wagers;

(s) “Sports book” means a designated area in a lottery gaming facility offering sports wagering in accordance with established regulations.

(t) “Sports wagering account” means an account established through a lottery gaming facility manager or its interactive sports wagering platform provider for an individual patron to use for sports wagering.

(u) “Sports wagering kiosk” means an automated device that may be used for sports wagering ticket processing and other automated functions as approved by the executive director.

(v) “Sports wagering operation” means the Kansas Lottery business of accepting wagers pursuant to the Kansas Expanded Lottery Act, as amended, at a lottery gaming facility, through an interactive sports wagering platform or pursuant to a marketing agreement approved by the executive director of the Kansas Lottery.

(w) “Sports Wagering Manager” means a licensed sports book employee who is responsible for operating the interactive sports wagering platform and providing final approval of all odds established on an agreed upon wager.

(x) “Sports wagering registrant” means an individual or entity that is contracted to provide goods or services that the executive director determines affects the conduct of sports wagering but falls outside the scope of an interactive sports wagering platform certification or a vendor’s certification.

(y) “Sports wagering ticket” means a printed record issued or an electronic record maintained by the interactive sports wagering platform that evidences a sports wager.

(z) “Sports wagering voucher” means a printed record, or digital representation thereof, issued by an interactive sports wagering platform that may be used to fund a wager or may be redeemable for cash.

(aa) “Sports wagering promotional credit” means any cashable or non-cashable credit, free play, patron incentives, coupon or voucher redeemable by a patron and issued in accordance with a promotional program or activity approved by the Kansas Lottery.

(bb) “Strong authentication” means a method that has been demonstrated to the satisfaction of the executive director to effectively provide higher security than a username and password alone.

(cc) “Ticket writer” means a cashier that handles sports wagering transactions.

(dd) “Voided wager” means a sports wager voided by an employee of the lottery gaming facility manager or interactive sports wagering platform operator and approved pursuant to the internal controls or house rules.

(ee) “Wager” means any commitment of credits or money by the patron on the results of events.

(ff) “Wagering Communication” means the transmission of a wager between a point of origin and a point of reception by aid of a communications technology.

(gg) “Wagering Instructions” means the instructions given by a patron on the grounds of a sports book who maintains a sports wagering account to effect a wagering communication to an interactive sports wagering platform. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-2. Accounting controls for the Sports book.** (a) A ticket writer shall begin a shift with an imprest amount of sports wagering inventory, consisting of currency and coin. No funds shall be added to or removed from the sports wagering inventory during such shift except:

- (1) in collection of sports wagers;
- (2) in order to make change for a patron buying a sports wagering ticket;
- (3) in collection for the issuance of sports wagering vouchers;
- (4) in payment of winning or properly canceled or refunded sports wagering tickets;
- (5) in payment of sports wagering vouchers; or
- (6) in exchanges with the ticket writer's cage, a satellite cage, or sports book vault

supported by proper documentation, and which documentation shall be sufficient for accounting reconciliation purposes.

(b) A sports wagering count sheet shall be completed and signed by a supervisor, and the following information, at a minimum, shall be recorded thereon at the commencement of a shift:

- (1) The date, time, and shift of preparation.
- (2) The denomination of currency and coin in the sports wagering inventory issued to the ticket writer.
- (3) The total amount of each denomination of currency and coin in the sports wagering inventory issued to the ticket writer.
- (4) The sports wagering window number to which the ticket writer is assigned.
- (5) The signature of the sports wagering shift supervisor.

(c) A ticket writer assigned to a ticket writer window shall count and verify the sports wagering inventory at the sports wagering vault, and shall agree to the count to the sports wagering count sheet. The ticket writer shall sign the count sheet attesting to the accuracy of the information recorded thereon. The sports wagering inventory shall be placed in a ticket writer's drawer and transported directly to the appropriate sports wagering lounge booth window by the ticket writer.

(d) If the system generated sports wagering window net receipts for the shift do not agree with the sports wagering count sheet total plus the sports wagering inventory, the shift supervisor shall record any overage or shortage. If the count does not agree, the ticket writer and the shift supervisor shall attempt to determine the cause of the discrepancy in the count. Any discrepancy that cannot be resolved by the ticket writer and the shift supervisor shall be reported in writing to the department supervisor in charge at such time. Any discrepancy in excess of five hundred dollars (\$500) shall be reported to the commission. The report shall include the:

- (1) date on which the discrepancy occurred;
- (2) shift during which the discrepancy occurred;
- (3) name of the ticket writer;
- (4) name of the supervisor;
- (5) window number; and
- (6) amount of the discrepancy.

(e) The sports book shift supervisor shall compare the ticket writer window net for the shift as generated by the terminal, and if it agrees with the sports wagering count sheet total plus the sports wagering inventory, shall agree the count to the sports wagering count sheet and

sign the sports wagering count sheet attesting to the accuracy. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-3. Reserve requirements.** All lottery gaming facility managers or their interactive sports wagering platforms providers shall maintain a reserve in the form of cash, cash equivalents, payment processor reserves, payment processor receivables, an irrevocable letter of credit, a bond, or a combination thereof, of not less than the greater of five hundred thousand dollars (\$500,000) or the amount necessary to ensure the ability to cover all unclaimed winnings. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-4. Issuance and sports wagering ticket control requirements.** (a) Immediately upon accepting a wager, the interactive sports wagering platform shall create a sports wagering ticket on which the terms of the wager are written.

(b) Printed sports wagering tickets must bear the name and address of the sports book.

(c) An interactive sports wagering platform shall be capable of processing lost or destroyed sports wagering tickets.

(d) When a sports wager is voided or canceled, the lottery gaming facility manager or its interactive sports wagering platform provider shall clearly indicate that the sports wager is voided or canceled ensuring it is nonredeemable and log it into the interactive sports wagering platform indicating the void or cancellation and the identity of the cashier or automated process.

(Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-  
\_\_\_\_\_.)

**112-201-5. General wagering requirements.** (a) Lottery gaming facility managers or their interactive sports wagering platform providers may not accept anonymous wagers unless made with:

- (1) Cash and cash equivalents;
- (2) Electronic bank transfers of money, including transfers through third parties;
- (3) Bank and wire transfers of money;
- (4) Debit and credit cards;
- (5) Online and mobile application payment systems that support online money transfers;
- (6) Sports wagering promotional credits provided by a lottery gaming facility manager; and
- (7) Any other payment method approved by the executive director.

(b) A lottery gaming facility manager or its interactive sports wagering platform provider shall accept wagers only on its licensed premises, and only at ticket writers or sports wagering kiosks approved by the executive director or through an interactive sports wagering platform that has been approved by the executive director.

(c) A lottery gaming facility manager or its interactive sports wagering platform provider shall not knowingly accept money or its equivalent purportedly as a wager upon an event whose outcome has already been determined. A lottery gaming facility manager or its interactive sports wagering platform provider shall not accept a wager on an event unless the date and time at which the outcome of the event is determined or can be confirmed from reliable sources satisfactory to the executive director.

(d) All accepted wagers shall be listed in the house rules as follows:

(1) Lottery gaming facility managers or their interactive sports wagering platform providers may accept wagers that comply with the definition of “sports wagering” as defined in K.S.A. 46-2301 (ss) and have been approved by the executive director.

(2) The lottery gaming facility manager or its interactive sports wagering platform provider shall ensure that any statistics/line data that is made available to the patron pertaining to an event uses a source allowed by the Kansas lottery. The source providing the statistics/line data shall be accurate and updated in a timely manner as directed by the KRGC.

(e) No lottery gaming facility manager, interactive sports wagering platform provider, agent or employee of lottery gaming facility manager or an interactive sports wagering platform provider may accept a wager from a person who the lottery gaming facility manager, interactive sports wagering platform provider, agent or employee knows or reasonably should know is a messenger bettor or is placing the wager in violation of state or federal laws.

(f) No lottery gaming facility manager or its interactive sports wagering platform provider may hold a patron’s money or its equivalent on the understanding that the lottery gaming facility manager or its interactive sports wagering platform provider will accept the money as a wager only upon the occurrence of a specified, future contingency, unless a sports wagering ticket documenting the wager and contingency is issued immediately when the lottery gaming facility manager or its interactive sports wagering platform provider receives the money or its equivalent.

(g) A lottery gaming facility manager or its interactive sports wagering platform provider shall limit each patron to one (1) active and continuously used sports wagering account

and username for each interactive sports wagering platform.

(h) A lottery gaming facility manager or its interactive sports wagering platform provider shall implement rules and publish procedures to suspend all, but one active account for any sports wagering patron that establishes, or seeks to establish, multiple active accounts in a single interactive sports wagering platform, whether directly or by use of another person as a proxy.

(i) In the event a patron has a pending wager and then self-excludes, the wager shall settle, and the funds shall be remitted to the problem gambling grant fund established under K.S.A. 79-4805, and amendments thereto, if the wager settles as a win or push.

(j) A full age and identity verification must be undertaken before a patron is allowed to place a wager on an interactive sports wagering platform as follows:

(1) Only patrons twenty-one (21) years of age and older may deposit funds or participate in wagering. The lottery gaming facility manager and interactive sports wagering platform provider must deny the ability to deposit funds or participate in wagering to any person that submits a birth date that indicates the person is under twenty-one (21) years of age.

(2) Age and identity verification must use commercially reasonable standards to confirm that the patron is not a prohibited sports wagering participant.

(3) Details of age and identity verification must be kept in a secure manner.

(4) Third-party service providers may be used for age and identity verification of patrons.

(5) The lottery gaming facility manager and interactive sports wagering platform provider must have a documented policy for the handling of patrons discovered to be using a

sports wagering account in a fraudulent manner, including, but not limited to:

(A) The maintenance of information about any patron's activity, such that if fraudulent activity is detected, the regulatory body has all of the necessary information to take appropriate action;

(B) The suspension of any patron account discovered to be providing access to fraudulent patrons; and

(C) The treatment of deposits, wagers, and wins associated with a fraudulent patron's sports wagering account. (Authorized by and implementing K.S.A. 74-8772, as amended by L.2022, ch.91; effective T-\_\_\_\_\_.)

**112-201-6. Cash transactions over \$10,000.** (a) A lottery gaming facility manager shall file a currency transaction report (CTR) of each transaction, involving either cash in or cash out, of more than \$10,000.

(b) Before concluding any transaction with respect to which report is required under §1010.311, §1010.313, §1020.315, §1021.311, or §1021.313 of this chapter, a casino and card club shall verify and record the name and address of the individual presenting a transaction, as well as record the identity, account number, and the social security or taxpayer identification number, if any, of any person or entity on whose behalf such transaction is to be effected. Verification of the identity of an individual who indicates that he or she is an alien or is not a resident of the United States must be made by a passport, alien identification card, or other official document evidencing nationality or residence.

(c) Each lottery gaming facility manager's or its interactive sports wagering platform provider's internal control system shall include internal controls to meet the requirements of 31 C.F.R. Chapter X, dated March 1, 2011, for the reporting of certain currency transactions. The internal controls shall be submitted to and approved by the commission.

(d) The lottery gaming facility manager or its interactive sports wagering platform provider shall file with the commission a copy of any currency transaction report (CTR) that the facility manager is required to file under 31 C.F.R. Chapter X §1021.311, and amendments thereto. Each CTR shall be filed with the commission concurrently with the federal filing.

(Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-  
\_\_\_\_\_.)

**112-201-7. Multiple wagers.** (a) A Lottery gaming facility manager and its employees shall not knowingly allow, and each interactive sports wagering platform provider shall take reasonable steps to prevent, the circumvention of K.A.R. 112-201-6 by multiple cash wagers within its designated gaming day with a patron or by the use of a series of cash wagers that are designed to accomplish indirectly that which could not be accomplished directly. As part of a lottery gaming facility manager's or its interactive sports wagering platform provider's efforts to prevent such circumventions relative to K.A.R. 112-201-6, a lottery gaming facility manager or its interactive sports wagering platform provider shall establish and implement wagering multiple transaction logs.

(b) Each lottery gaming facility manager or its interactive sports wagering platform provider shall record in the wagering multiple transaction log, all cash wagers of \$3000 or more and properly complete a currency transaction report (CTR) for all single cash transactions and for a series of multiple cash transactions in excess of \$10,000.

(c) Each log entry in a wagering multiple transaction log shall be made by the employee accepting or approving the cash wager.

(d) When aggregated cash wagers exceed \$10,000, the lottery gaming facility manager or its interactive sports wagering platform provider shall complete the recordkeeping and reporting requirements of K.A.R. 112-201-6. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-8. Structured wagers.** (a) A Lottery gaming facility manager or its interactive sports wagering platform provider shall not encourage or instruct the patron to structure or attempt to structure wagers (31 C.F.R. Chapter X § 1021.314). This subsection does not prohibit a lottery gaming facility manager or its interactive sports wagering platform provider from informing a patron of the regulatory requirements imposed upon the sports book, including the definition of structured wagers.

(b) A lottery gaming facility manager or its interactive sports wagering platform provider shall not knowingly assist a patron in structuring or attempting to structure wagers.

(c) As used in this section, “structure wagers” or “structuring wagers”, means to willfully conduct or attempt to conduct a series of wagers in any amount on one or more days in any manner as to willfully evade or circumvent CTR reporting requirements. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-9. Recordkeeping and reporting requirements.** (a) The lottery gaming facility manager and its interactive sports wagering platform provider shall maintain compliance with the identification, recordkeeping and reporting requirements of K.A.R. 112-201-6 and 112-201-7.

(b) The lottery gaming facility manager and its interactive sports wagering platform provider shall comply with all requirements of K.A.R. 112-104-6.

(c) The lottery gaming facility manager and its interactive sports wagering platform provider shall also comply with all Federal Anti-Money Laundering and all other recordkeeping and reporting requirements.

(d) The lottery gaming facility manager or its interactive sports wagering platform provider shall maintain records of:

(1) All wagers placed, including personally identifiable information of the person placing the wager;

(2) the amount and type of wager;

(3) the time the wager was placed;

(4) the location of the wager, including the IP address, if applicable;

(5) the outcome of the wager;

(6) any records of abnormal wagering activity; and

(7) video camera recordings, in the case of in-person wagers.

(e) Any interactive sports wagering platform used by a lottery gaming facility manager shall allow any individual placing a sports wager through such platform to elect to not have such individual's personally identifiable information collected by such platform or by such

lottery gaming facility manager for any purpose other than recording the placing of the sports wager, payment of any prize, or as authorized by the Kansas Racing and Gaming Commission.

(1) Lottery gaming facility managers shall maintain personally identifiable information (PII) of persons placing a sports wager. Use of PII shall be limited to purposes that facilitate placing of a sports wager or payment of any prize as well as for compliance with any federal or state law.

(2) PII, including the IP address from which a sports wager is placed, will be used by sports wagering platforms to allow placement of sports wagers on an approved mobile app. Permissible uses of PII include, but are not limited to, age verification; voluntary exclusions; geolocation; detection of location anonymizers such as proxy servers, VPNs, and TOR exit nodes; re-geolocation; fraud detection and investigation; and FinCen reporting.

(3) A patron may elect to prohibit collection of PII by a sports wagering platform or gaming facility manager if that election does not interfere with the ability of a platform to initiate a sports wager or facilitate payment of a prize.

(4) Sports wagering platforms and gaming facility managers shall not use for marketing purposes any person's PII who has elected to not have their PII collected for any purpose other than placing a sports wager or receiving payment of a prize. The person's election to prohibit collection of PII shall be maintained by the sports wagering platform and facility manager until the person affirmatively, through the platform or by other written means, cancels such election.

(f) The records described in subsections (d)(1) through (d)(6) and any other reports deemed necessary by the executive director shall be maintained for at least two years after the sporting event occurs. Video recordings described in subsection (d)(7) shall be maintained for at least 30 days after the sporting event occurs. A lottery gaming facility manager and its interactive sports wagering platform provider shall make such records available for inspection upon request by the Kansas Lottery or the Kansas Racing and Gaming Commission or as required by court order. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-10. Payment of winning wagers.** (a) Except as otherwise provided in this subsection, lottery gaming facility manager or their interactive sports wagering platform providers shall make a payment on a winning anonymous wager to the patron who presents the patron's original sports wagering ticket representing the wager. A lottery gaming facility manager or its interactive sports wagering platform provider shall not make payment to a patron who the interactive sports wagering platform knows or reasonably should know is collecting the payment on behalf of another monetary consideration or in violation of federal law. A lottery gaming facility manager or its interactive sports wagering platform provider may withhold payment of a winning wager if a patron refuses to supply identification or any other documentation required by state or federal law.

(b) The lottery gaming facility manager or its interactive sports wagering platform provider shall honor winning sports wagering tickets for 180 days after the ticket has been settled unless a longer period is approved by the executive director. The lottery gaming facility manager or its interactive sports wagering platform provider shall state the redemption period on each sports wagering ticket on the house rules and on notices conspicuously placed about the licensed premises. Interactive sports wagering platforms shall maintain the information and documentation presented for a period of two years.

(c) Any patron unclaimed winnings shall meet all requirements of K.A.R. 112-104-32.(Authorized by and implementing K.S.A. 74-8772, as amended by L.2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-11. Wager Cancellations.** Lottery gaming facility managers or their interactive sports wagering platform providers shall provide internal controls pertaining to wagering transactions that can be voided or cancelled.

(a) A lottery gaming facility manager or its interactive sports wagering platform provider may, in its discretion, void or cancel an accepted wagering transaction for an obvious error. An obvious error must be defined in the internal controls.

(b) Except as otherwise provided in this article, a lottery gaming facility manager or its interactive sports wagering platform provider shall not unilaterally void or cancel any wager without the prior approval of the executive director. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-12. Reporting of suspicious activity.** (a) As used in this section, “suspicious transaction” means a transaction which a lottery gaming facility manager or its interactive sports wagering platform provider knows or, in the judgment of its employees, has reason to suspect:

(1) Is, or would be if completed, in violation, or is part of a plan to violate or evade, any federal, state, or local law or regulation;

(2) Is, or would be if completed, wagering by, or on behalf of, a coach or participant in a sporting event or other event on such event;

(3) Is, or would be if completed, a structure wager as defined in KAR 112-201-8; or

(4) Has no business or apparent lawful purpose or is not the sort of transaction the patron would normally be expected to perform, and the lottery gaming facility manager knows of no reasonable explanation for the transaction after examining the available facts, including the background of the transaction.

(b) A lottery gaming facility manager shall utilize an independent integrity monitoring provider to identify non-normal irregularities in volume or odds swings that could signal suspicious activity and further investigation.

(1) Internal Controls shall state details for how integrity monitoring efforts and notifications pertaining to them will be handled.

(2) In situations involving immediate attention, such as large odd swings or irregularities in volume, the lottery gaming facility manager shall immediately notify the on-site Kansas Racing and Gaming Commission agent in addition to timely filing of a report as determined by the Kansas Racing and Gaming Commission.

(c) The lottery gaming facility manager or its interactive sports wagering platform provider shall file with the commission a copy of any suspicious activity report (SAR) the facility manager is required to file under 31 C.F.R. §1021.320. Each SAR shall be filed with the commission concurrently with the federal filing.

(d) A lottery gaming facility manager, interactive sports wagering platform provider, director, officer, employee, or agent who reports a suspicious activity shall not notify any person involved in the suspicious activity that the suspicious activity has been reported.

(e) The lottery gaming facility manager or its interactive sports wagering platform provider shall maintain a copy of any report filed and the original of business record equivalent of any supporting documentation for a period of five years from the date of the filing the report. Supporting documentation shall be identified and maintained by the lottery gaming facility manager or its interactive sports wagering platform provider as such and shall be deemed to have been filed with the report. The lottery gaming facility manager or its interactive sports wagering platform provider shall make all supporting documentation available to the board and any appropriate law enforcement/regulatory agencies upon request of the executive director.

(f) Nothing in this regulation shall be construed as relieving a lottery gaming facility manager or its interactive sports wagering platform provider from meeting any obligation to prepare or maintain any book, record, or document required by any other federal, state, or local governmental body, authority, or agency. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-13. Wagers, terms and conditions.** (a) The terms and conditions of this subsection do not prohibit the granting of the following by an interactive sports wagering platform provider or a licensed lottery gaming facility manager where the sports book is located or an affiliate of one or more of those entities that holds a gaming license:

(1) Room, food, and beverage, that are available to the public from other sources, including spa services, movies, bowling and entertainment admissions; or

(2) Limousine or other car service transportation to and from the gaming establishment where the sports book is located.

(b) A lottery gaming facility manager or its interactive sports wagering platform provider, including all marketing entities that have contracted with the lottery gaming facility manager or its interactive sports wagering platform provider to provide sports wagering, may award loyalty program points based on wagers placed by a patron; however, such points may only be redeemed in accordance with the rules of the program, or for items or services that do not fall under one of the exceptions listed under subsection (a). The lottery gaming facility manager shall include a description and controls for player loyalty programs related to sports wagering in their internal controls.

(c) Complimentaries issued by a sports wagering operation will follow the requirements of KAR 112-104-9.

(d) A lottery gaming facility manager or its interactive sports wagering platform provider shall not, in an attempt to provide a benefit to the patron in violation of subsection (a), offer a wagering proposition, or set or move its wagering odds, lines or limits, or do anything that would violate their house rules.

(e) Other than as part of an approved promotional mechanism, an interactive sports wagering platform provider shall not set lines or odds, or offer wagering propositions, designed for the purposes of ensuring that a patron will win a wager or series of wagers. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-  
\_\_\_\_\_.)

**112-201-14. Wagering communications, establishing patron wagering for sporting events.**

(a) A lottery gaming facility manager or its interactive sports wagering platform provider shall only accept sport wagering initiated from within the State of Kansas. Each lottery gaming facility manager or its interactive sports wagering platform provider shall conspicuously display signs to that effect on its premises.

(b) A lottery gaming facility manager or its interactive sports wagering platform provider shall not accept wagering instructions for sport wagers unless the transmission of the wagering instructions is initiated from within the State of Kansas.

(c) Each lottery gaming facility manager or its interactive sports wagering platform provider that accepts wagering communications shall establish and implement a system of internal controls for such transactions and comply with both its system of internal controls and all other applicable Kansas Administrative Regulations.

(d) Each lottery gaming facility manager or its interactive sports wagering platform provider shall prepare a written description of its house rules and procedures for wagering communications and shall make a copy available to all patrons upon request.

(e) Before each lottery gaming facility manager or its interactive sports wagering platform provider accepts a wagering communication on any sports wager or any other event wager over the internet, the following must occur:

(1) A lottery gaming facility manager or its interactive sports wagering platform provider shall register patrons and create sports wagering accounts”, either remotely or in person, as follows:

(A) Identity verification shall be undertaken before a patron is allowed to place a wager. To confirm a player's identity, the patron shall provide the following registration information:

- (i) The patron's full legal name;
- (ii) The patron's date of birth;
- (iii) The patron's permanent residential address (other than P.O. Box);
- (iv) The patron's Social Security number, or the last four (4) digits of the Social Security number, or an equivalent identification number for a noncitizen patron, such as a passport or taxpayer identification number; and
- (v) Any other information collected from the patron used to verify his or her identity and to prove the patron is at least twenty-one (21) years of age.

(B) A lottery gaming facility manager or its interactive sports wagering platform provider may register and create sports wagering accounts for patrons, including inspecting a patron's registration information provided in (A) to confirm their identity, as required by filing a request with the executive director for permission to have its employees register and create sports wagering accounts for patrons. The request must include a comprehensive marketing plan setting out, at a minimum, the types of locations and types of potential patrons which a lottery gaming facility manager or its interactive sports wagering platform provider intends to send its employees for the purposes of registering and creating sports wagering accounts for patrons. A lottery gaming facility manager or its interactive sports wagering platform provider may not act under its marketing plan prior to the executive director approving the request. The executive director may impose limitations and conditions on any approved request. The executive director

may rescind approval of a request of a lottery gaming facility manager or its interactive sports wagering platform provider to have its employees register and create accounts outside the premises of the sports book upon written notice to the lottery gaming facility manager or its interactive sports wagering platform provider.

(2) Before registering a patron for a sports wagering account, the lottery gaming facility manager or its interactive sports wagering platform provider shall have the patron affirm that the patron has been informed and acknowledges that patrons are prohibited by law from placing sports wagers and other event wagers while physically located outside of Kansas, and that the interactive sports wagering platform is prohibited from accepting such wagers.

(f) A lottery gaming facility manager or interactive sports wagering platform provider may place a layoff wager with another sports wagering licensee located in the state of Kansas for the purpose of offsetting patron wagers provided that:

(1) The lottery gaming facility manager or interactive sports wagering platform provider placing the layoff wager discloses the identity to the licensee receiving the layoff wager; and

(2) The receiving licensee agrees to accept the layoff wager after notification of the identity of the sports wagering licensee placing the layoff wager is provided. The lottery gaming facility manager's or its interactive sports wagering provider's employee must record:

(A) The authorized employee for the other lottery gaming facility manager's or its interactive sports wagering platform provider's name, permanent business address (other than a P.O. Box), and business telephone number;

(B) The documents used to verify the other lottery gaming facility manager or its interactive sports wagering platform provider is a lottery gaming facility manager or its interactive sports wagering platform provider and that the authorized employee is an employee of the other lottery gaming facility manager or its interactive sports wagering platform provider, and is authorized to open this sports wagering account;

(C) The amount of the authorized employee of the other lottery gaming facility manager's or its interactive sports wagering platform providers's initial sports wagering account or front money deposit;

(D) The authorized employee of the other lottery gaming facility manager's or its interactive sports wagering platform provider's account number with the interactive sports wagering platform; and

(E) The date the authorized employee of the other lottery gaming facility manager's or its interactive sports wagering platform provider's account with the sports book is opened.

(3) The authorized employee of the other lottery gaming facility manager or its interactive sports wagering platform provider must sign, in the presence of a supervising employee of the lottery gaming facility manager or its interactive sports wagering platform provider, statements attesting that the authorized employee of the lottery gaming facility manager or its interactive sports wagering platform provider:

(A) Confirms the accuracy of the information recorded;

(B) Has received a copy, or has had a copy made available to them, of the interactive sports wagering platform's house rules and procedures for sports wagering communications;

(C) Has been informed and understands that authorized employees of other lottery gaming facility manager or its interactive sports wagering platforms providers that establish a sports wagering account pursuant to this subsection are prohibited by law from placing wagering communications from outside the state of Kansas and that the lottery gaming facility manager or its interactive sports wagering platform provider is prohibited by law from accepting them; and

(D) Consents to the monitoring and recording by the executive director and the lottery gaming facility manager or its interactive sports wagering platform provider of any wagering communication.

(4) The employee who verifies the authorized employee of the other lottery gaming facility manager's or its interactive sports wagering platform provider's information and who obtains and records the information on behalf of the lottery gaming facility manager's or its interactive sports wagering platform provider and the supervising employee described in subparagraph (c), must each sign statements that they witnessed the authorized employee's signature and confirmed the authorized employee of the other lottery gaming facility manager's or its interactive sports wagering platform provider's identity and residence.

(g) In addition to the posting of the wager in the interactive sports wagering platform, all wagering communications shall be electronically recorded and retained for a period of two years. The method of recording the wager must be approved by the executive director. Such recordings shall be made immediately available to any enforcement agent upon request.

(h) All sports wagering account applications or amendments thereto for active accounts shall be retained by the lottery gaming facility manager or its interactive sports wagering platform provider. All sports wagering account applications or amendments thereto for

rejected applications shall be retained by the lottery gaming facility manager or its interactive sports wagering platform provider for no less than two years following the rejection of the related application. All sports wagering account applications or amendments thereto for closed accounts shall be retained by the lottery gaming facility manager or its interactive sports wagering platform provider for no less than two years following the closure of the related sports wagering account.

(i) A lottery gaming facility manager or its interactive sports wagering platform provider shall not allow the use of a sports wagering account established pursuant to this section for forms of gaming other than sports wagering or other event wagering unless administrative approval has been granted by the executive director. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-15. Lottery gaming facility manager or interactive sports wagering platform**

**provider duties.** (a) A lottery gaming facility manager or its interactive sports wagering platform provider shall provide for the patron's review and confirmation of all wagering information before the wagering communication is accepted by the interactive sports wagering platform. The interactive sports wagering platform shall create a record of the confirmation. This record of the communication of the wager shall be deemed an actual transaction of records, regardless of whether or not that wager was recorded by the interactive sports wagering platform;

(b) A lottery gaming facility manager or its interactive sports wagering platform provider shall prohibit wagers from being changed after the patron has reviewed and confirmed the wagering information, and the specific wagering communication transaction has been completed.

(c) A lottery gaming facility manager or its interactive sports wagering platform provider shall prohibit the acceptance of wagers after post time.

(d) A lottery gaming facility manager or its interactive sports wagering platform provider shall prohibit an interactive sports wagering platform from accepting an account wager, or a series of account wagers, in an amount in excess of the available balance of the wagering account;

(e) A lottery gaming facility manager or its interactive sports wagering platform provider shall prohibit an interactive sports wagering platform from accepting out-of-state sports wagers.

(f) A lottery gaming facility manager or its interactive sports wagering platform provider shall post payment on winning account wagers as a credit to the patron's wagering account based on approved house rules.

(g) A lottery gaming facility manager or its interactive sports wagering platform provider shall maintain complete records of every deposit, withdrawal, wager, winning payoff and other debit or credit for each account;

(h) A lottery gaming facility manager or its interactive sports wagering platform provider shall not permit a patron to transfer funds from a sports wagering account to another sports wagering account.

(i) Lottery gaming facility managers or their interactive sports wagering platform providers shall provide an account statement with account details to a patron on demand, which shall include detailed account activity for at least six (6) months. In addition, a lottery gaming facility manager or its interactive sports wagering platform provider shall, upon request, be capable of providing a summary statement of all patron activity during the past two (2) years.

(j) A lottery gaming facility manager or its interactive sports wagering platform provider shall periodically re-verify a patron's identification upon reasonable suspicion that the patron's identification has been compromised.

(k) The utilization of funds to place a wager under this regulation shall be initiated only by a patron using an access control, such as a password. Access controls shall require the use of a unique access code for each patron. The access code shall be selected by and available to only the patron.

(l) A patron's sports wagering account may be funded using approved methods which shall produce a sufficient audit trail for verification of the source of the deposits.

Approved methods include:

- (1) Cash and cash equivalents;
- (2) Electronic bank transfers of money, including transfers through third parties;

- (3) Bank and wire transfers of money;
  - (4) Debit and credit cards;
  - (5) online and mobile application payment systems that support online money transfers;
  - (6) Sports wagering promotional credits provided by a lottery gaming facility manager or an interactive sports wagering platform provider; and
  - (7) Any other payment method approved by the executive director.
- (m) Lottery gaming facility managers or their interactive sports wagering platform providers shall provide a conspicuous and readily accessible method for a patron to close the patron's account through the account management or similar page or through the lottery gaming facility manager's or interactive sports wagering platform provider's customer support team. Any withdrawable balance remaining in a patron's sports wagering account closed by a patron shall be returned to the patron under the lottery gaming facility manager's or its interactive sports wagering platform provider's internal controls.
- (n) A patron must be allowed to withdraw the funds maintained in the patron's open sports wagering account. Internal controls should state the process for the patron to receive funds from an account that has been closed.
- (o) A lottery gaming facility manager or interactive sports wagering platform provider must honor such patron request to withdraw funds within five (5) business days of the request, unless the conditions set forth in subsection (p) are met.
- (p) The lottery gaming facility manager or interactive sports wagering platform provider may decline to honor a patron request to withdraw funds only if the lottery gaming facility manager or its interactive sports wagering platform provider believes in good faith that

the patron engaged in either fraudulent conduct or other conduct that would put the lottery gaming facility manager or interactive sports wagering platform provider in violation of the law. In such cases, the lottery gaming facility manager or interactive sports wagering platform provider shall conduct its investigation in a reasonable and expedient fashion, providing the patron additional written notice of the status of the investigation every tenth business day starting from the day of the patron request.

(q) For purposes of this provision, a request for withdrawal will be considered honored if it is processed by the lottery gaming facility manager or its interactive sports wagering platform provider notwithstanding a delay by a payment processor, credit card issuer, or the custodian of a financial account.

(r) A lottery gaming facility manager or its interactive sports wagering platform provider shall consider a patron account to be dormant if the patron has not logged into the account for at least three (3) years.

(1) The lottery gaming facility manager or its interactive sports wagering platform provider shall provide notice to the patron prior to closing a dormant account. The notice shall provide options to reactivate the account prior to closure. Funds of patrons that remain in a dormant patron account shall be presumed abandoned.

(2) The lottery gaming facility manager or is interactive sports wagering platform provider shall report and deliver all funds of patrons that are presumed abandoned as required under the Kansas Expanded Lottery Act and applicable regulations. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-

\_\_\_\_\_.)

**112-201-16. House rules requirements.** (a) House rules shall be approved by the Kansas Lottery and approved house rules must be submitted to the executive director.

(b) House rules shall establish operational procedures on how to deal with the following anomalies:

- (1) Wager adjustments;
- (2) Event cancellations;
- (3) Schedule changes;
- (4) Rain delays/Game rainouts;
- (5) Rejected wagers;
- (6) Canceled wagers;
- (7) Overtime/end of regulation;
- (8) Handling of wagers with multiple events such as parlays when (1) or more legs are canceled.
- (9) Injuries; and
- (10) Any situation that can potentially affect the terms of the wager. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-17. Assign regulatory staff.** The executive director at any time may require a lottery gaming facility manager or its interactive sports wagering platform provider to allow Kansas racing and gaming commission staff to be permanently present on the sport book's premises, and to require the costs and expenses for such Kansas racing and gaming commission staff to be borne by the lottery gaming facility manager or its interactive sports wagering platform provider in a manner deemed reasonable by the executive director. Kansas racing and gaming commission staff shall have full and complete access to all books, records, emails, and any telephone conversations originating from or received at the licensed premises. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-18. Records and forms.** Lottery gaming facility managers or their interactive sports wagering platform providers shall create and maintain the records and reports required by this article in such manner by using forms that the executive director requires. All forms shall be approved by the executive director. The lottery gaming facility manager or its interactive sports wagering platform provider shall maintain all records required in KAR 112-201-9. The executive director may also require the lottery gaming facility manager or interactive sports wagering platform provider to create and maintain such other records and reports as are necessary or convenient for operation of interactive sports wagering platforms. The commission and the Kansas lottery may at any time examine and copy records of any lottery gaming facility manager or interactive sports wagering platform provider. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**112-201-19. Sports wagering requirements.** (a) The sports book, professional sports team, or auto racetrack facility shall utilize ticket writers or sports wagering kiosks for wagering transactions in a location approved by the executive director. Sports wagering kiosks shall be subject to the approvals and other requirements of the Kansas Racing and Gaming Commission. This does not preclude the use of a remote wagering devices throughout the lottery gaming facility, or at a professional sports team or auto racetrack facility.

(b) Each lottery gaming facility manager shall file with the commission a schedule setting forth the specific times at which the canisters will be brought to or removed from the sports wagering kiosks. The sports wagering kiosk drop shall be monitored and recorded by surveillance. The sports wagering kiosk drop schedule and drop route shall be approved by the executive director. All sports wagering kiosk drop procedures shall be incorporated in the internal controls.

(1) The bill validator and bill validator canisters must meet the requirements of K.A.R. 112-104-17.

(2) The issuance, receipt, and reconciliation of imprest funds used by sports wagering kiosks shall be completed in accordance with KAR 112-201-2(f).

(c) Whenever a point-of-sale is opened/closed for wagering or turned over to a new ticket writer, the ticket writer signs on/off and the interactive sports wagering platform creates a point-of-sale session record indicating the ticket writer's identity, the date and time, the point-of-sale number, and the fact that the point-of-sale was opened/closed. A point-of-sale session shall timeout within an appropriate time after the last input. When the timeout occurs must be based upon at least, but not limited to, the amount of security provided by lottery gaming facility

manager personnel near the Point-of-Sale, the physical barriers that limit access to the Point-of-Sale, and the frequency of sports wagers being made at the Point-of-Sale. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T\_\_\_\_\_.)

**112-201-20. Sports Wagering requirements.** (a) Payment by sports wagering voucher as a method of credit redemption is only permissible when the interactive sports wagering platform supports this functionality.

(b) A sports wagering voucher shall contain the following information:

(1) Sports book name/site identification (for a printed paper voucher, it is permissible for the information to be contained on the ticket stock itself);

(2) Ticket writer or sports wagering kiosk which issued the voucher;

(3) Date and time the sports wagering voucher was issued;

(4) Numeric value of the sports wagering voucher in dollars and cents;

(5) Voucher number (and which for a printed paper voucher, must appear on the leading edge of the sports wagering);

(6) Bar code or any machine readable code representing the validation number;

(7) Indication if the sports wagering voucher is a “duplicate”;

(8) Type of transaction or other method of differentiating sports wagering voucher types;

(9) Responsible gambling information (for a printed paper voucher, it is permissible for the information to be contained on the ticket stock itself); and

(10) Indication of an expiration date which is 180 days from the date of issue (for a printed paper voucher, this must be printed on the sports wagering voucher).

(c) The sports wagering voucher record on the interactive sports wagering platform shall contain the following sports wagering voucher information:

(1) Voucher number;

- (2) Date and time the sports wagering voucher was issued;
  - (3) Type of transaction or other method of differentiating sports wagering voucher types;
  - (4) Numeric value of the sports wagering voucher in dollars and cents;
  - (5) Status of sports wagering voucher (i.e. valid, unredeemed, pending, void, invalid, redemption in progress, redeemed, etc.);
  - (6) Date and time the sports wagering voucher will expire;
  - (7) Ticket writer or sports wagering kiosk which issued the sports wagering voucher;
- and
- (8) Date and time the sports wagering voucher was redeemed, voided, or expired.
- (d) Before redeeming a sports wagering voucher, the complete validation number of the unredeemed sports wagering voucher shall be available only to the platform when accessed by users with supervisor or higher authority.
  - (e) Sports wagering vouchers can be redeemed at a sports wagering kiosk, point-of-sale, ticket writer booths or other kiosks as approved by the executive director, and provided they support sports wagering voucher validation with a interactive sports wagering platform.
  - (f) Upon presentation of a sports wagering voucher for redemption, the interactive sports wagering platform shall be used to verify the validity of the serial number and value of the voucher, and if valid, the platform shall immediately update the sports wagering voucher status and permit the redemption of the voucher for the value indicated thereon.
  - (g) The interactive sports wagering platform shall have the ability to identify these occurrences and notify the cashier or ticket writer that one of the following conditions exists:

- (1) Sports wagering voucher cannot be found (beyond expiration date, forgery, etc);
- (2) Sports wagering voucher has already been paid; or
- (3) Amount of sports wagering voucher for confirmation by a cashier or ticket writer during the redemption process. (Authorized and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**112-201-21. Patron Disputes.** (a) Patron disputes or complaints concerning the payment of alleged winnings will be addressed in accordance with KAR 112-104-33 Disputes.

(b) A lottery gaming facility manager and interactive sports wagering platform providers must include on its interactive sports wagering platform a notice or link to advise patrons of their right to make a complaint against the lottery gaming facility manager or interactive sports wagering platform provider, including information explaining how complaints may be filed, how complaints are resolved, and how the patron may submit a complaint to the Kansas Racing & Gaming Commission. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-22. Sports Wagering Transactions.** To offer sports wagering on behalf of the Kansas lottery at the lottery gaming facility, a lottery gaming facility manager with an approved sports wagering management contract shall submit internal controls along with a floor plan and corresponding surveillance floor plan to the Kansas Racing & Gaming Commission.

(a) The floor plan shall be approved by the executive director.

(b) The Internal Controls shall be approved by the Kansas Racing & Gaming Commission.

(c) Sports wagering transactions shall be conducted from:

(1) A counter or window located in the sports book or other cage cashier window locations as approved by the executive director;

(2) Sports wagering kiosks in locations as approved by the executive director; or

(3) A mobile application installed on a mobile device or accessed over the internet through a website within the geographical boundaries of Kansas. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-23. Internal controls.** (a) Each applicant for a lottery gaming facility manager or its interactive sports wagering platform provider certificate shall submit to the commission and the Kansas lottery a written plan of the applicant's initial system of administrative and accounting procedures, including its internal controls and audit protocols prior to the deadline set by the executive director to begin sports wagering operations. This plan shall be called the internal control system. The lottery gaming facility manager shall be responsible for and shall submit all the internal controls for sports wagering. The internal controls shall specify the functions that the interactive sports wagering platforms will perform to meet regulatory obligations. The internal controls shall include the following:

(1) An organization chart and job descriptions that outline appropriate segregation of duties.

(2) a description of the duties and responsibilities of each licensed or permitted position shown on the organization charts and the lines of authority;

(3) a detailed narrative description of the administrative and accounting procedures designed to satisfy the requirements of this article;

(4) a record retention policy in accordance with K.A.R. 112-104-8;

(5) the following controls and procedures:

(A) Administrative controls that include the procedures and records that relate to the decision making processes leading to management's authorization of transactions;

(B) accounting controls that have as their primary objectives the safeguarding of assets and revenues and the reliability of financial records. The accounting controls shall be designed to provide reasonable assurance that all of the following conditions are met:

- (i) The transactions or financial events that occur in the operation of sports wagering are executed in accordance with management's general and specific authorization;
- (ii) the transactions or financial events that occur in the operation of sports wagering are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, the act, and this article;
- (iii) the transactions or financial events that occur in the operation of sports wagering are recorded in a manner that provides reliable records, accounts and reports, including the recording of cash and evidence of indebtedness, for use in the preparation of reports to the commission related to sports wagering;
- (iv) access to assets is permitted only in accordance with management's general and specific authorization; and
- (v) the recorded accountability for assets is compared with existing physical assets at reasonable intervals, and appropriate action is taken with respect to any discrepancies;
- (C) procedures and controls for ensuring that all functions, duties, and responsibilities are segregated and performed in accordance with legitimate financial practices by trained personnel;
- (D) procedures and controls for ensuring all applicable sports wagering technical standards are followed;
  - (6) a completed internal control checklist;
  - (7) Problem gambling program procedures as required by KAR 112-112-3.
  - (8) Any other internal control deemed necessary by the executive director.
- (b) The internal controls shall address the following items regarding sports wagering,

at a minimum:

- (1) An overview of the interactive sports wagering platform design;
- (2) Detail the location of the sports wagering servers, including any third-party remote location servers, and what controls will be in place to ensure security of the interactive sports wagering platform servers;
- (3) If an interactive sports wagering platform allows online wagering, method for verifying geolocation systems to establish a patron's geographic location;
- (4) User access controls for all KRGC-authorized sports wagering personnel;
- (5) Override policies and restrictions;
- (6) Logical and physical access controls and restrictions;
- (7) Network security;
- (8) Terms & Conditions for establishing a sports wagering account;
- (9) Automated and manual risk management procedures;
- (10) Procedures for identifying and reporting fraud and suspicious conduct including identifying unusual betting activity and reporting such activity to the KRGC as required by KAR 112-104-6(n);
- (11) Description of anti-money laundering, CFR, Title 31 compliance standards, which shall include limitations placed on anonymous wagering at sports wagering kiosks as required by (KAR 112-104-6(n));
- (12) Process for submitting or receiving approval of all types of wagers available to be offered by the interactive sports wagering platform;
- (13) Description of the process for line setting and line moving;

(14) In the event of a failure of the interactive sports wagering platform's ability to pay winning tickets, the lottery gaming facility manager or its interactive sports wagering platform provider shall have internal controls detailing the method of manually paying winning tickets. The lottery gaming facility manager, or its contracted interactive sports wagering platform provider, shall file an incident report for each platform failure and document the date, time, and reason for the failure along with the date and time the platform is restored to the executive director of the Kansas Racing & Gaming Commission;

(15) Detail the procedure for reconciliation of assets and documents contained in any ticket writer's drawer and sports wagering kiosks, which shall include the drop and count procedures for sports wagering kiosks.

(16) Detailed procedures for making adjustments to a patron's account, providing a method for a patron's sports wagering to close out an account, and detail how a patron will be refunded after the closure of an account;

(17) Procedures to prevent wagering by prohibited sports wagering participants;

(18) Identifying and restricting prohibited sports wagering participants;

(19) Procedures for voluntary or involuntary exclusion of patrons, including the following:

(A) Providing a notification containing the voluntary or involuntary exclusion status and general instructions for resolution or change of status, if applicable;

(B) Confirmation that immediately upon executing the voluntary or involuntary exclusion, no new wagers or deposits are accepted from the patron, until such time as the interactive sports wagering platform provider exclusion has been revoked; and

(C) Confirmation that the patron is not prevented from withdrawing any or all of their account balance, provided that the lottery gaming facility manager or the interactive sports wagering platform provider acknowledges that the funds have cleared, and that the reason(s) for exclusion would not prohibit a withdrawal.

(D) A lottery gaming facility manager or interactive sports wagering platform provider shall comply with article 112 regarding its onsite and mobile sports wagering patrons.

(20) Maintaining the security of identity and financial information of patrons, and in particular compliance with the provisions of SB 84 of the Kansas Expanded Lottery Act, as amended;

(21) Instituting a process to close out dormant accounts;

(22) Method for securely issuing, modifying, and resetting a patron's account password, personal identification number (PIN), or other approved security feature, when applicable;

(23) Methods of patron notification, including any password or security modification via electronic or regular mail, text message, or other manner approved by the executive director.

Such methods shall include at a minimum:

(A) Proof of identity, if in person;

(B) The correct response to two (2) or more challenge questions; or strong authentication.

(24) Method by which the lottery gaming facility manager will identify and cancel wagers, including defining "obvious error".

(25) Any other internal control deemed necessary by the executive director.

(c) The internal control system shall be accompanied by the following:

(1) An attestation by the chief executive officer or other competent person with a direct reporting relationship to the chief executive officer attesting that the officer believes in good faith that the submitted internal controls conform to the requirements of the act and this article; and

(2) an attestation by the chief financial officer or other competent person with a direct reporting relationship to the chief financial officer attesting that the officer believes in good faith that the submitted internal controls are designed to provide reasonable assurance that the financial reporting conforms to generally accepted accounting principles and complies with all applicable laws and regulations, including the act and this article.

(d) Each internal control system shall be reviewed by the commission in consultation with the Kansas lottery to determine whether the system conforms to the requirements of the act and this article and provides adequate and effective controls to ensure the integrity of the operation of sports wagering at a lottery gaming facility. If the commission determines that the system is deficient, a written notice of the deficiency shall be provided by the executive director to the applicant or facility manager. The applicant or lottery gaming facility manager shall be allowed to submit a revision to its submission. Each lottery gaming facility manager shall be prohibited from commencing sports wagering operations until its internal control system is approved by the commission.

(e) If a lottery gaming facility manager intends to update, change, or amend its internal control system, the facility manager shall submit a written description of the amendment and the two original, signed certifications described in subsection (c).

(f) A current version of the internal control system of a lottery gaming facility manager shall be maintained in or made available in electronic form through secure computer access to the accounting and surveillance departments of the lottery gaming facility manager and the commission's on-site facilities. The lottery gaming facility manager shall also maintain a copy, in either paper or electronic form, of any superseded internal control procedures, along with the two certifications required to be submitted with these procedures, for at least seven years. Each page of the internal control system shall indicate the date on which the page was approved by the commission.

(g) The lottery gaming facility manager shall stamp or otherwise mark each page of the internal control procedures submitted to the commission with the word "CONFIDENTIAL" if the material submitted is not subject to disclosure. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-201-24. Waiver of requirements.** (a) One or more of the requirements of this article applicable to sports wagering may be waived by the commission on its own initiative, upon the commission's determination that the compensating control or procedure, as documented in a lottery gaming facility manager's or its interactive sports wagering platform provider's internal control system, meets the operational integrity requirements of the act and this article.

(b) Any lottery gaming facility manager or interactive sports wagering platform provider may submit a written request to the commission for a waiver for one or more of the requirements in this article. The request shall be filed on an amendment waiver and request form and shall include supporting documentation demonstrating how the proposed auditing and internal controls for which the waiver has been requested would meet the operational integrity requirements of the act and this article. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-202-1. License required, applications.** (a) No person may operate or own an interest of 5% or more in an interactive sports wagering platform provider in Kansas, unless that person holds:

(1) A gaming license specifically permitting the person to do so; and

(2) Applications for a license to operate an interactive sports wagering platform, must be made processed and determined in the same manner as applications for a gaming license, using such forms as the executive director may require; and

(3) Each application for approval made by an interactive sports wagering platform provider must be accompanied by an internal control system prepared and submitted to include the organizational structure of the interactive sports wagering platform provider.

(b) No person shall provide goods, services, software, or any other components necessary for the determination of the odds or the outcomes of any wager on a sporting event, directly or indirectly, to a lottery gaming facility manager or its interactive sports wagering platform provider, including data feeds and odds services, unless such person holds a license issued pursuant to this section.

(c) The interactive sports wagering platform provider must comply with any other license requirements in K.A.R. 112-101-1 through K.A.R. 112-101-16 as deemed necessary by the executive director.

(d)(1) Upon receipt of a complete application and payment of the required license fee, the commission may issue a sports wagering supplier license to a person who satisfies the requirements of this section and any rules and regulations adopted pursuant thereto.

Applications for a sports wagering supplier license shall be submitted in such form and manner as prescribed by the executive director.

(2) Such application shall include:

(A) The identity of:

(i) Each person who directly owns at least a 10% ownership interest in the applicant;

(ii) Each holding, intermediary or parent company that directly owns at least a 15% ownership interest in the applicant; and

(iii) the chief executive officer and chief financial officer of the applicant or the individual holding an equivalent office with respect to the applicant, as determined by the commission; and

(B) such other information as required by the commission.

(3) The disclosure of any of the following direct or indirect shareholders of the applicant shall be waived:

(A) Any government-created entity, including, but not limited to, any statutorily authorized pension investment board or crown corporation of Canada; and

(B) any investment funds or entities registered with the securities and exchange commission, including any investment advisors or entities under the management of an entity registered with the securities and exchange commission.

(e) Upon request by the applicant, the commission may issue a provisional sports wagering supplier license if the applicant has submitted a complete application and paid the required application fee. Such provisional license shall be for a term specified on the license but not to exceed one year. The holder of the provisional license shall surrender such license to the commission upon the issuance of a sports wagering supplier license to such person.

(f) The commission shall establish a fee for the issuance and renewal of a sports wagering supplier license and provisional sports wagering supplier license. An applicant will be responsible for all fees and costs incurred by the commission in performing the background investigation of the applicant, its officers, directors and key gaming employees any persons known to meet the requirements of (d), and any other person as the executive director deems necessary, including any person specified in article 102 or 103.

(g) A sports wagering supplier license shall be valid for a period of two years from the date issued.

(h) A sports wagering supplier license may be renewed by the licensee prior to the expiration thereof upon application and payment of the required renewal fee. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-202-2. Provider suitability requirements.** (a) A person shall not function as the provider of an interactive sports wagering platform unless the person has been found suitable and has been certified by the executive director.

(b) All interactive sports wagering platform provider licensee(s) shall be in adherence to K.A.R. 112-101-6.

(c) Applications for suitability to function as the provider of an interactive sports wagering platform shall be made, processed, and determined using such forms as the executive director may require for approval. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-202-3. Licensing requirements for sports wagering employees.** Any employee of a lottery gaming facility manager or interactive sports wagering platform provider, who fulfills the function of receiving and transmitting wagering instructions and any employee supervising this function is a gaming employee and subject to the provisions of K.A.R. 112-103-1 through K.A.R. 112-103-16. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-202-4. Risk management requirements.** (a) An approved interactive sports wagering platform provider engaging in risk management may provide direction, management, consultation, and/or instruction to the lottery gaming facility manager concerning:

- (1) The management of risks associated with sports wagering and other event wagering;
- (2) The determination of where lines, point spreads, odds, or other activity relating to betting or wagering are initially set and the determination of whether to change such lines, point spreads, odds, or other activity relating to betting or wagering;
- (3) Whether or not to accept or reject bets or wagers;
- (4) The use, transmittal, and accumulation of information and data for the purpose of providing risk management; and
- (5) Any other activity associated with wagering if approved by the executive director prior to an interactive sports wagering platform provider commencing direction, management, consultation, and/or instruction concerning the activity.

(b) An approved interactive sports wagering platform provider which intends to provide risk management shall:

- (1) Enter into a written agreement to provide risk management with any lottery gaming facility manager of an approved interactive sports wagering platform that the interactive sports wagering platform provider proposes to provide risk management. A copy of such executed agreement with a lottery gaming facility manager shall be provided to the executive director and Kansas lottery no later than the date on which the interactive sports wagering

platform provider commences risk management for the interactive sports wagering platform of the sports wagering event;

(2) Provide details to the executive director regarding any permissible jurisdiction other than Kansas where the approved interactive sports wagering platform provider intends to provide risk management no later than the date on which the approved interactive sports wagering platform provider commences risk management in such permissible jurisdiction;

(3) No later than the date on which the approved interactive sports wagering platform provider commences risk management, submit the interactive sports wagering platform provider's systems of accounting and internal control utilized for risk management to the executive director. Such systems must include provisions for complying with all federal and state laws and regulations; and

(4) Provide such other information as the executive director may require concerning risk management.

(c) In addition to the requirements contained in subsection (b) of this section, at least 30 days prior to providing risk management to a Kansas licensee, an interactive sports wagering platform provider shall submit to the executive director and the Kansas lottery the written agreement for the risk management to a Kansas licensee. The executive director or the Kansas lottery may object. If the executive director or the Kansas lottery objects to an agreement, the interactive sports wagering platform provider shall not provide risk management to the Kansas licensee until the interactive sports wagering platform provider has resubmitted the agreement to the executive director and the Kansas lottery, and the executive director and the Kansas lottery has indicated the resubmitted agreement has been approved.

(d) Each lottery gaming facility manager's or its interactive sports wagering platform provider's internal controls shall contain details on its risk management framework, including but not limited to:

- (1) Automated and manual risk management procedures;
- (2) Employee management, including access controls and segregation of duties;
- (3) Information regarding identifying and reporting fraud and suspicious conduct;
- (4) Controls ensuring regulatory compliance;
- (5) Description of Anti-Money Laundering (AML) compliance standards including procedures for detecting structuring to avoid reporting requirements;
- (6) Description of all software applications that comprise the interactive sports wagering platform;
- (7) Description of all types of wagers available to be offered by the interactive sports wagering platform;
- (8) Description of the method to prevent past-post wagers from being placed;
- (9) Description of all integrated third-party service providers; and
- (10) Any other information required by the executive director. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-202-5. Sports wagering registration requirement.** (a) An individual or entity that is contracted to provide goods or services that the executive director determines affects the conduct of sports wagering but falls outside of the scope of an interactive sports wagering platform certification or a vendor's certification shall be required to register with the commission as a sports wagering registrant.

(b) A lottery gaming facility manager shall conduct due diligence in a commercially reasonable manner of each contracted sports wagering registrant. The due diligence check is for high-level company officers and employees with decision making ability that directly affects sports wagering related operations.

(c) A lottery gaming facility manager or its interactive sports wagering platform provider shall have each contracted sports wagering registrant complete a sports wagering registrant form and provide these to the commission.

(d) All information deemed necessary shall be provided to the commission upon request. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-203-1. Communications technology.** (a) Before installing or permitting the installation of communications technology on the premises of a sports book, the lottery gaming facility manager shall notify the executive director in writing of the location and number or other identifier of each communications technology and shall obtain the written approval of the executive director for each communications technology. The executive director may condition the approval in any manner the executive director considers appropriate.

(b) Before the interactive sports wagering platform accepts any wagering communications, and before the interactive sports wagering platform accepts any wagering instructions, the lottery gaming facility manager shall obtain written approval from the executive director to accept such wagering communications and wagering instructions, and thereafter use only the communications technology approved for that purpose.

(c) As a condition to the granting of the privilege of having communications technology upon the licensed premises, the lottery gaming facility manager shall be deemed to have consented to the authority of the executive director to require the immediate removal of any communications technology from the licensed premises at any time without prior notice.

(d) Upon the request of the executive director, the lottery gaming facility manager shall provide a written consent for the executive director to examine and copy the records of any communications company or utility that pertains to the operation of the interactive sports wagering platform. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-203-2. Change management requirements.** (a) The Change Management program shall ensure that all changes to the interactive sports wagering platform are conducted by an established set of processes, submitted to, and approved by the executive director, and shall leave a complete audit trail. These processes must be:

- (1) Developed in accordance with the most current version of Gaming Laboratories International's GLI-CMP Change Management Program Guide; and
- (2) Approved prior to its deployment and is subject to an audit at an annual interval by the executive director or its designee which may be a Kansas Racing & Gaming Commission-approved independent testing laboratory.

(b) The Change management program shall ensure transparency in relation to changes in the interactive sports wagering platform and the system process behind those changes.

(c) The Change management system framework shall consist of the following:

- (1) Framework for managing system changes;
- (2) Definition of responsibilities, to include:
  - (A) License Holder Responsibilities; and
  - (B) Responsibility of Change Management System SME (Subject Matter

Expert)/Manager;

(i) Role – the interactive sports wagering platform shall appoint one or more among their staff to take overall responsibility of system changes.

(ii) Skill – The responsible manager(s) shall possess sufficient experience and competence in relation to change management and hold a key position within the interactive sports wagering platform in relation to change management.

(iii) Log – The responsible manager(s) need not necessarily handle the system changes personally. The interactive sports wagering platform shall keep a log of the persons who have been involved in the decision process.

(3) Prior to approval of system changes by the executive director, the responsible managers shall confirm that the proposed system changes are;

- (A) Consistent;
- (B) Necessary;
- (C) Have acceptable consequences; and
- (D) Carefully considered, documented, and categorized.

(4) Program change control procedures shall be adequate to ensure that only authorized versions of programs are implemented on the production environment. These change controls shall include;

(A) An appropriate software version control or mechanism for all software components and source code;

(B) Records kept of all new installations and/or modifications to the system, including:

(i) The date of the installation or modification;

(ii) Details of the reason or nature of the installation or change such as new software, server repair, significant configuration modifications;

(iii) A description of procedures required to bring the new or modified component into service (conversion or input of data, installation procedures, etc);

(iv) The identity of the user(s) performing the installation or modification;

(v) A strategy for reverting back to the previous implementation if install is unsuccessful, including complete backups of previous versions of software and a test of the rollback plan prior to the implementation to the production environment;

(vi) A policy addressing emergency change procedures;

(vii) Procedures for testing and migration of changes;

(viii) Segregation of duties between the developers, quality assurance team, migration team and users; and

(ix) Procedures to ensure technical and user documentation is updated as a result of a change.

(d) Remote access into the interactive sports wagering platform shall meet the requirements of KAR 112-107-31. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-203-3. Interactive sports wagering platform requirements.** (a) All wagers shall be initiated, received, and otherwise made within the State of Kansas unless otherwise permitted in accordance with applicable federal and state laws. Consistent with the intent of the United States Congress as articulated in the Unlawful Internet Gambling Enforcement Act of 2006 (31 U.S.C. §§ 5361 et seq.), the intermediate routing of electronic data relating to a lawful intrastate wager authorized under this provision shall not determine the location or locations in which such wager is initiated, received, or otherwise made.

(b) A lottery gaming facility manager or its interactive sports wagering platform provider shall document and maintain any system malfunction or deviation from the interactive sports wagering platform and maintain the data for a minimum period of two years.

(c) A lottery gaming facility manager or its interactive sports wagering platform provider shall provide the executive director or the executive director's designee with access to wagering transactions and related data as deemed necessary in a manner approved by the executive director.

(d) All interactive sports wagering platforms shall be designed to ensure the integrity and confidentiality of all patron communications and ensure the proper identification of the sender and receiver of all communications. If communications are performed across a public or third-party network, the platform shall either encrypt the data packets or utilize a secure communications protocol to ensure the integrity and the confidentiality of the transmission.

(e) The interactive sports wagering platform shall employ a mechanism capable of maintaining a separate copy of all information required on a separate and independent logging device capable of being administered by an employee with no incompatible function. If the

interactive sports wagering platform can be configured such that any logged data is contained in a secure transaction file, a separate logging device is not required.

(f) All interactive sports wagering platform data shall be required to be exported in a format required by the Kansas Racing and Gaming Commission.

(g) All procedures used to meet the interactive sports wagering requirements shall be submitted in the internal controls. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-203-4. Electronic asset disposal.** Prior to disposal of an electronic asset any sensitive and confidential data shall be sanitized from the equipment by performing a data wipe or over-write, or physical destruction. The lottery gaming facility manager shall submit a request in writing with an attached approval letter from the Kansas lottery requesting the destruction of an electronic asset. The notice shall contain the asset that is requested to be destroyed and shall be submitted at least 14 days in advance of the requested disposal date. Sanitization may occur by one of the following methods:

- (a) overwriting the media;
- (b) magnetic erasure of the media;
- (c) physical destruction of the media; or
- (d) other method approved by the commission. (Authorized by and implementing

K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-203-5. Server location and access.** (a) A lottery gaming facility manager or its interactive sports wagering platform provider must locate its primary server responsible for the acceptance of sports wagers in the State of Kansas. The executive director may approve of the use of internet or cloud-based hosting of duplicate data or data not related to transactional wagering data upon written request of a lottery facility manager.

(1) The locations selected must have adequate security and twenty-four hour surveillance.

(2) The location must be approved by the executive director of the Kansas Racing and Gaming Commission prior to installation.

(b) The server shall provide a mechanism for the executive director to query and export all sports wagering data. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**112-203-6. Geofence Requirement.** (a) In order to prevent unauthorized use of the internet or a mobile device to place a sports wager when a patron is not within the state of Kansas, the lottery gaming facility manager or its interactive sports wagering platform provider shall utilize a geofence system to reasonably detect the physical location of a patron attempting to access the interactive sports wagering platform and place a wager, and to monitor and block unauthorized attempts to place a wager when a patron is not within the State of Kansas.

(b) The geofence system shall ensure that any patron is located within the state of Kansas when placing any wager, and shall be equipped to dynamically monitor the patron's location and block unauthorized attempts to place a wager throughout the duration of the patron's session.

(c) Before being deployed in this state the geofence system shall be certified by a Kansas Racing & Gaming Commission approved independent testing laboratory, including applicable field testing and evaluation of the following geo-location techniques and methods:

- (1) Basic methods that include IP addresses;
- (2) Advanced methods using trilateration (i.e. triangulation) through;
  - (A) Cell towers;
  - (B) Wi-Fi; and
  - (C) GPS.
- (3) Methods utilized in order to prevent unauthorized use of interactive sports wagering platform.
- (4) Geo-location techniques reasonably possessing the ability to detect the physical location of a patron attempting to access the interactive sports wagering platform and to monitor and block unauthorized attempts.

- (5) Any other requirements required by the executive director.
- (d) The executive director shall approve technical specifications for geofence systems and any specific requirements related to geolocation technology.
- (e) Nothing in these regulations regarding sports wagering shall restrict any lottery gaming facility manager, any interactive sports wagering platform provider, or any subcontracted party related to sports wagering from having employees located outside of the State of Kansas so that all job functions will conform with 18 U.S.C. Section 1081 et seq. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**112-203-7. Certification testing.** (a) Prior to offering sports wagering on behalf of the Kansas lottery and on an annual basis, the interactive sports wagering platform and equipment used in conjunction with sports wagering shall be evaluated by a Kansas Racing & Gaming Commission approved independent testing laboratory for certification testing.

(b) The Kansas Racing & Gaming Commission approved independent testing laboratory shall certify that the interactive sports wagering platform and equipment used in conjunction with the sports wagering operation meets or exceeds the most current version of Gaming Laboratories International's GLI-33, Standards for Event Wagering Systems and its appendices, or equivalent standard as approved by the commission, and the standards established by this document. Lottery gaming facility managers are prohibited from offering on behalf of the lottery, sports wagering in Kansas without such certification, whether directly or through any interactive sports wagering platform provider.

(c) Interactive sports wagering platforms and equipment, shall be subject to the following testing:

- (1) Wagering account controls/authentication;
- (2) Geolocation verification;
- (3) Base and peripheral web pages (artwork and functionality);
- (4) Wagering disclosure and operation;
- (5) Settlement determination and display;
- (6) Payment of winnings;
- (7) All supporting wager types (straight, fixed odds, etc.);
- (8) Cancellation, voiding, suspension or termination of bets or events;

- (9) Financial/operational accounting and reporting;
- (10) Wagering history;
- (11) Shutdown and recovery;
- (12) Desktop and mobile compatibility;
- (13) Technical standards-specific requirements;
- (14) Source code review;
- (15) Software and system version control; and
- (16) Submitted documentation review. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**112-203-8. Waiver of requirements.** (a) One or more of the requirements of this article applicable to technology and interactive sports wagering platform requirements may be waived by the commission on its own initiative, upon the commission's determination that the compensating control or procedure, as documented in a lottery gaming facility manager's or its interactive sports wagering platform provider's internal control system, meets the operational integrity requirements of the act and this article.

(b) Any lottery gaming facility manager or interactive sports wagering platform provider may submit a written request to the commission for a waiver for one or more of the requirements in this article. The request shall be filed on an amendment waiver and request form and shall include supporting documentation demonstrating how the proposed auditing and internal controls for which the waiver has been requested would meet the operational integrity requirements of the act and this article. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-204-1. Sports book surveillance system requirements.** (a) A lottery gaming facility manager or applicant for an interactive sports wagering platform provider certification shall have a surveillance system before beginning sports wagering operations. The surveillance system shall include a digital video system capable of the following:

- (1) Instant replay;
- (2) Recording by any camera in the system; and
- (3) Allowing simultaneous and uninterrupted recording and playback.

(b) The surveillance system shall include a communication system capable of monitoring the sports book, including the security department.

(c) The surveillance system shall be connected to all facility alarm systems.

(d) The surveillance system shall be capable of monitoring the entire property, except private offices and restrooms.

(e) The surveillance system shall include the following features:

- (1) Redundant system drives;
- (2) A backup power supply capable of operating all surveillance equipment during a power outage. The backup power supply shall be tested on a monthly basis;

(3) Backup storage components that will automatically continue or resume recording in the event of failure of any single component of the system, so that the failure of any single component will not result in the loss of any data from the system; and

(4) Automatic restart if a power failure occurs.

(f) The digital video system shall meet the following requirements:

- (1) Function as a closed network;

- (2) Have its access limited to the personnel identified in the surveillance system plan;
  - (3) Be equipped to ensure that any transmissions are encrypted, have a firewall at both ends, and are password-protected;
  - (4) Be equipped with a failure notification system that provides an audible and visual notification of any failure in the surveillance system or the digital video recording storage system;
  - (5) Record all images and audit records on a hard drive;
  - (6) Be locked by the manufacturer to do the following:
    - (A) Disable the erase and reformat functions; and
    - (B) Prevent access to the system data files; and
  - (7) Be equipped with data encryption or watermarking so that surveillance personnel will be capable of demonstrating in a court of law that the video was not altered or manipulated in any way.
- (g) The surveillance system shall include cameras dedicated to monitoring the following with sufficient clarity to identify any person and their activities:
- (1) All designated sports wagering areas including:
    - (A) Where tickets are purchased or redeemed;
    - (B) Where ticker monitors are displayed;
    - (C) The viewing area(s) where patrons view sporting events;
    - (D) Where point-of-sale and sports wagering kiosks are located; and
    - (E) All areas of the sports book inclusive of sports wagering and other gaming activity.

(h) The surveillance system required by this regulation shall be equipped with light-sensitive cameras with lenses of sufficient magnification to allow the operator to read information on ticker and television monitors displaying sporting events. The surveillance systems shall be capable of clandestine monitoring in detail from various vantage points during:

(1) The conduct and operation of the cashier cage, satellite cashier cages, sports wager cashier, sports wagering windows, while all data is displayed on all tickets at each kiosk, count rooms and vault(s), and;

(2) The movement of cash and any other gaming facility assets.

(i) All cameras shall be equipped with lenses of sufficient magnification capabilities to allow the operator to clearly distinguish the value of the following:

(1) All data displayed on all ticker monitors, and;

(2) All data displayed on television monitors showcasing sporting events in designated areas for sports wagering activity.

(j) All surveillance system display screens shall meet all of the following requirements:

(1) Be equipped with a date and time generator synchronized to a central clock that meets the following requirements:

(A) Is displayed on any of the surveillance system display screens; and

(B) Is recorded on all video pictures or digital images;

(2) Be capable of recording what is viewed by any camera in the system; and

(3) Be of a sufficient number to allow the following:

(A) Simultaneous recording and coverage as required by this article;

- (B) Off-line playback;
  - (C) Duplication capabilities;
  - (D) Single-channel monitors in the following areas:
    - (i) Each entry and each exit;
    - (ii) The main bank and cages;
    - (iii) Sports Wagering Kiosks; and
    - (iv) Designated sports wagering area(s); and
  - (E) No more than four channels per monitor in all other areas where surveillance is required.
- (k) The surveillance system shall be connected to at least one video printer. Each video printer shall be capable of generating clear color copies of the images depicted on the surveillance system display screen or video recording.
- (l) All wiring within the surveillance system shall be tamper-resistant.
  - (m) The surveillance system shall be linked to the commission's security office with equipment capable of monitoring or directing the view of any system camera.
  - (n) The commission's director of security shall be notified at least 48 hours in advance of the relocation of any camera on the surveillance system's floor plan. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-\_\_\_\_\_.)

**112-204-2. Sports book surveillance system plan.** (a) Each sports book's surveillance plan shall be submitted to the executive director prior to approval of a surveillance system.

(b) A sports book shall not commence sports wagering activities until its surveillance system plan is approved by the executive director.

(c) To be approved, the surveillance system plan shall include the following:

- (1) A schematic showing the placement of all surveillance equipment;
- (2) A detailed description of the surveillance system and its equipment;
- (3) The policies and procedures for the surveillance department;
- (4) The plans for staffing as required in K.A.R. 112-106-4;
- (5) The monitoring activities for both the sports wagering area and adjacent areas;

and

(6) A list of the sports book's personnel that may have access to the surveillance system.

(d) All proposed changes to the surveillance system plan shall be submitted by the director of surveillance to the commission for approval at least 30 days before the director of surveillance desires to implement the changes. A new schematic will be submitted if placement of equipment is altered. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-204-3. Sports book surveillance department.** (a) Each sports book shall have a surveillance department that is responsible for the following:

(1) Detection of cheating, theft, embezzlement, and other illegal activities in the sports book;

(2) Detection of the presence in the sports book of any person who is required to be excluded pursuant to voluntary or involuntary exclusion;

(3) Detection of persons under age 21 and any voluntarily excluded persons within the sports book; and

(4) Clandestine video recording of activities in the sports book.

(b) The surveillance department shall be independent of all aspects of sports book operations.

(c) The director of surveillance shall ensure that procedures are created for maintaining the chain of evidence custody of surveillance information that reasonably can be expected to be used in a criminal or regulatory investigation.

(d) Upon request, each sports book shall provide the executive director and his/her employees with access to its surveillance system and transmissions.

(e) Each member of the surveillance department shall comply with any request made by a commission employee to perform the following:

(1) Use, as necessary, any surveillance room that monitors the sports book;

(2) Display on the monitors in the surveillance room any event capable of being monitored by the surveillance system; and

(3) Make a video recording and, if applicable, audio recording of, and take a still photograph of, any event capable of being monitored by the surveillance system.

(f) The director of surveillance shall notify commission security employees as soon as possible but within 30 minutes of any incident of surveillance equipment failure.

(g) The director of surveillance shall ensure that a reasonable attempt to repair or replace malfunctioning equipment is made within 24 hours. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-204-4. Sports book surveillance department staffing.** (a) The surveillance department shall be supervised by a director of surveillance. The director of surveillance shall report directly to the lottery gaming facility manager's or its interactive sports wagering platform provider's board of directors or similar body. The director of surveillance shall not report to or take direction from any authority at or below the level of the general manager.

(b) The personnel of the sports book's surveillance department shall at all times be employees or contracted employees of the lottery gaming facility manager or its interactive sports wagering platform provider. The lottery gaming facility manager or its interactive sports wagering platform provider shall not outsource the surveillance function to any third party.

(c) The surveillance department shall be reasonably staffed, as determined by the executive director, considering the size, layout and optimal operating capacity of the sports book.

(d) No surveillance department employee shall transfer from the surveillance department to another department of the sports book, unless at least one year has passed since the surveillance department employee worked in surveillance. The lottery gaming facility manager or its interactive sports wagering platform provider may request that the executive director waive this requirement if the lottery gaming facility manager demonstrates that the surveillance and security systems of the sports book will not be jeopardized or compromised by the employment of the surveillance employee in the particular position requested.

(e) Each surveillance employee shall be trained in the following:

- (1) Surveillance techniques;
- (2) The operation of all surveillance equipment;
- (3) Regulatory requirements;

- (4) Internal control procedures;
- (5) The rules of sports wagering;
- (6) The methods of cheating, theft, embezzlement, and other illegal activities in a gaming facility; and
- (7) The surveillance department's procedures on handling surveillance evidence.

(Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-  
\_\_\_\_\_.)

**112-204-5. Sports book surveillance room.** (a) Each sports book shall have a secure surveillance room of their own with reasonable space or be allowed to utilize the lottery gaming facility manager's surveillance room if approved by the executive director. The surveillance room shall accommodate the required equipment and operator stations that are determined appropriate by the executive director.

(b) Each surveillance room shall be located out of the view of the gaming area. The entrances to the surveillance room shall be locked at all times and shall not be accessible to members of the public or non-surveillance employees of the sports book.

(c) KRGC shall have unrestricted access to the surveillance room and all information received or stored by the surveillance system.

(d) Access to the surveillance room shall be limited to surveillance employees of the gaming facility, the Kansas Lottery employees, and KRGC employees, except those persons with a legitimate need to enter the surveillance room may do so upon receiving approval from a commission enforcement agent.

(1) Each person, other than surveillance personnel and commission enforcement agents, entering the surveillance room shall sign a surveillance room entry log.

(2) The surveillance room entry log shall meet the following requirements:

(A) Be maintained in the surveillance room by surveillance room personnel;

(B) Be maintained in a book with bound numbered pages that cannot readily be removed;

(C) Be signed by each person entering the surveillance room, with each entry containing the following:

- (i) The date and time of entering the surveillance room;
  - (ii) The entering person's name and that person's affiliation or department within the gaming facility;
  - (iii) The reason for entering the surveillance room; and
  - (iv) The date and time of exiting the surveillance room; and
  - (D) Be retained for at least one year after the date of the last entry. The destruction of the surveillance room entry log shall be approved by the commission's director of security.
- (3) The surveillance room entry log shall be made available for inspection by the KRGC employees upon demand.
- (e) The surveillance room shall be subject to periodic inspection by commission employees to ensure that all of the following conditions are met:
- (1) All equipment is working properly.
  - (2) No camera views are blocked or distorted by improper lighting or obstructions.
  - (3) All required surveillance capabilities are in place.
  - (4) All required logs are current and accurate.
  - (5) There is sufficient staff to protect the integrity of gaming at the facility.
  - (6) The surveillance room employees are not performing tasks beyond the surveillance operation. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-204-6. Sports book surveillance monitoring.** (a) The surveillance department employees shall continuously monitor the transmissions (record upon the executive director's request) from the cameras used to observe the following locations, persons, activities, and transactions:

- (1) All designated sports wagering areas including;
  - (A) Where tickets are purchased or redeemed;
  - (B) Where ticker monitors are displayed;
  - (C) The viewing area(s) where patrons view sporting events;
  - (D) Where point-of-sale and sports wagering kiosks are located; and
  - (E) All areas of the sports book inclusive of sports wagering and other gaming

activity.

- (2) Each transaction conducted at a cashiering location, whether or not that cashiering location services patrons;

- (3) The main bank, vault, and satellite cages;
- (4) The collection of cash storage boxes from sports wagering kiosks;
- (5) Any armored car collection or delivery;
- (6) Automated bill breaker, sports wagering voucher redemption, machines whenever

the machines are opened for replenishment or other servicing; and

- (7) Any other areas specified in writing by the commission.

- (b) The surveillance department employees shall maintain a surveillance log of all surveillance activities in the surveillance room. The log shall be maintained in a book with bound, numbered pages that cannot be readily removed or in an electronic format with an audit

function that prevents modification of information after the information has been entered into the system. The log shall contain the following, at a minimum:

- (1) The date and time of each entry;
  - (2) The identity of the employee making the entry;
  - (3) a summary of the activity recorded;
  - (4) The location of the activity;
  - (5) The location of the recorded information; and
  - (6) the surveillance department's disposition of the activity.
- (c) The surveillance department employees shall record by camera and log the

following events when they are known to occur on the property:

- (1) Any activity by patrons and employees, alone or in concert, that could constitute cheating or stealing;
- (2) Any activity that could otherwise be criminal;
- (3) Any procedural violation by an employee;
- (4) The detention of persons;
- (5) The treatment of disorderly individuals;
- (6) Emergency activities capable of being observed by the surveillance system;
- (7) The presence of persons on the involuntary exclusion list;
- (8) The presence of persons on the self-exclusion list;
- (9) Arrests and evictions;
- (10) The treatment of ill or injured patrons;

(11) The on-site maintenance and repair of any gaming or money handling equipment;  
and

(12) Any winning amount that would trigger a tax event.

(d) Surveillance department employees shall record by camera the movement of the following on the gaming facility floor:

(1) Cash;

(2) Cash equivalents;

(e) The surveillance department employees shall continuously monitor and record by camera the following:

(1) Soft count procedures;

(2) Hard count procedures;

(3) Currency collection; and

(4) The removal of the daily bank deposit from the sports book by armored car officers. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-204-7. Sports book retention of surveillance recordings.** (a) All recordings depicting the detention or questioning of an individual suspected of procedural errors, regulatory violations, or criminal activity shall be copied and provided to law enforcement agents upon request. Each recording shall be retained by the lottery gaming facility manager for at least 60 days.

(b) Each recording not specified in subsection (a) shall be retained for at least 30 days. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-204-8. Sports book surveillance exceptions.** If the sports book is not located within the (4) four designated Kansas state-owned casinos, only K.A.R. 112-204-2 and K.A.R. 112-204-3 would apply. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-204-9. Waiver of requirements.** (a) One or more of the requirements of this article applicable to surveillance may be waived by the commission on its own initiative, upon the commission's determination that the compensating control or procedure, as documented in a lottery gaming facility manager's or its interactive sports wagering platform provider's internal control system, meets the operational integrity requirements of the act and this article.

(b) Any lottery gaming facility manager or interactive sports wagering platform provider may submit a written request to the commission for a waiver for one or more of the requirements in this article. The request shall be filed on an amendment waiver and request form and shall include supporting documentation demonstrating how the proposed auditing and internal controls for which the waiver has been requested would meet the operational integrity requirements of the act and this article. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-205-1. Compliance and audit requirements.** (a) Each lottery gaming facility manager or its interactive sports wagering platform provider must have documented revenue audit procedures. Documentation must be maintained evidencing the performance of all revenue audit procedures, any exceptions noted, and follow-up of all exceptions. The executive director will approve the method of documentation and may require additions or modifications to revenue audit procedures:

(b) The lottery gaming facility manager or its interactive sports wagering platform provider, mobile management services provider, or management services provider must notify the commission of any report that is filed, or required to be filed, with the securities and exchange commission or other securities regulatory agency.

(c) Each lottery gaming facility manager or its interactive sports wagering platform provider must file concurrently with the commission a copy of any suspicious activity report filed with the Financial Crimes Enforcement Network related to the conduct of sports wagering in Kansas. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-205-2. Revenue reporting.** (a) Reports generated from the interactive sports wagering platform shall be made available as determined by the commission. The interactive sports wagering platform shall be capable of issuing reports by wagering day, wagering month, and wagering year. Wagering data shall not be purged unless approved by the commission. The interactive sports wagering platform shall provide for a mechanism to export the data for the purposes of data analysis and auditing or verification. The interactive sports wagering platform shall be able to provide, at a minimum, the following sports wagering information:

- (1) The date and time each event started and ended;
- (2) Total amount of wagers collected;
- (3) Total amount of winnings paid to patrons;
- (4) Total amount of wagers canceled, voided, and expired;
- (5) Commission or fees collected;
- (6) Total value of promotional play or free play used to purchase or execute a sports wager;
- (7) Event status;
- (8) Total amount held by the operator for the sports wagering accounts;
- (9) Total amount of wagers placed on future events; and
- (10) Total amount of winnings owed but unpaid by the lottery gaming facility manager or interactive sports wagering platform provider on winning wagers.

(b) For accounting and revenue audit purposes each lottery gaming facility manager or its interactive sports wagering platform provider must have procedures and systems for the preparation, use, and maintenance of complete, accurate, and legible accounting and wagering

records, which must include all transactions.

(c) All books, forms, records, documents, and data submitted to the commission must have the name of the entity, date of completion, and the title of the book, form, record, document, or stored data.

(d) General accounting records must be maintained on a basis consistent with generally accepted accounting principles.

(e) Reports shall be provided in a format approved by the commission.

(f) The commission shall provide written notice to any licensee if additional reports are determined necessary. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-205-3. Annual integrity and security audit.** If an interactive sports wagering platform provider is conducting sports wagering for a lottery gaming facility manager, an audit of the sports wagering operations for the interactive sports wagering platform provider or parent company of the provider shall be conducted by certified public accountants authorized to practice in the state of Kansas, and the audit shall be provided to the commission within 120 days of the provider's fiscal year and meet the following conditions:

(a) Inclusion of an internal control letter, audited balance sheet, and audited profit-and-loss statement including a breakdown of expenditures and subsidiaries of sports wagering activities.

(b) Inclusion of a supplement schedule indicating financial activities on a calendar-year basis if the provider's fiscal year does not correspond to the calendar year.

(c) Inclusion of a supplement schedule for all Kansas locations in which the provider operates.

(d) Report of any material errors, irregularities that may be discovered during the audit, or notice of any audit adjustments.

(e) Availability, upon request, of an engagement letter for the audit between the provider or parent company of the provider and the auditing firm.

(f) The annual audit for sports wagering will meet the regulatory requirements of 112-104-6.

(g) Each lottery gaming facility manager or its interactive sports wagering platform provider must contract with an independent third party to perform an IT audit. The third party must be approved by the executive director as qualified, independent, and capable of performing

the audit. The audits must be performed, and a copy of the report provided to the commission, within ninety days of commencing initial operations and at least once each calendar year. The audit and corresponding report must assess the following:

(1) The design, controls, maintenance, and security of the interactive sports wagering platform's IT systems, including:

(A) Document review

(i) Reviewing system architecture

(ii) Policies and procedures review

(B) Onsite audits

(i) Physical and environmental security

(ii) Verification of procedures

(B) Network security

(i) Vulnerability assessment (internal and external)

(ii) Penetration testing (network and application layer)

(iii) Firewall rules review

(2) The lottery gaming facility manager's or its interactive sports wagering platform provider's compliance with the IT and interactive sports wagering platform requirements of this chapter; and

(3) Any other subject required by the executive director.

(h) The required system validations shall consist for the following:

(1) Laboratory document review.

(A) Reviewing system architecture.

(B) Policies and procedures review.

(2) Onsite audits

(A) Physical and environmental security.

(B) Verification of procedures.

(i) The lottery gaming facility manager or its interactive sports wagering platform provider must file with the commission the report required by paragraph (j) of this rule in a format determined by the executive director within one hundred twenty days following the end of the fiscal year or upon receipt, whichever is earlier.

(j) At any time, the executive director may require a special audit of an lottery gaming facility manager or its interactive sports wagering platform provider, by commission personnel, an independent registered certified public accounting firm, or any other third party the executive director approves as qualified, independent, and capable of performing the special audit. The scope, procedures, and reporting requirements of any special audit are to be established by the executive director. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-205-4. Sports promotional contests, tournaments, or promotional activities.** Sports promotional contests, tournaments, or promotional activities may be permitted by the lottery gaming facility manager or its interactive sports wagering platform provider providing the following:

(a) Rules shall be made available to participants for review prior to registering. Rules shall include, at a minimum: all conditions registered patrons must meet to qualify to enter or advance through the event, available prizes or awards, fees, and distribution of prizes or awards based on specific outcomes.

(b) Rules are followed. Changes to rules shall not be made after participants have registered, unless approved by the Kansas lottery and the executive director.

(c) Results for promotional contests with an entry fee shall be made available for the registered patrons to review at the same location at which or in the same manner in which patrons registered. Results shall include, at a minimum: name of the event, date of the event, total number of entries, amount of entry fees, total prize pool, and amount paid for each winning category.

(d) Fees collected less any prizes paid will be considered sports wagering revenue.

(e) Rules include terms and conditions. All emails or digital advertisements promoting contests, tournaments, and promotional activities shall include a link or other easily obtainable source that includes rules or terms and conditions.

(f) There is compliance with all other federal, state, and local laws and rules outside of the commission's jurisdiction.

(g) Rules shall be submitted at least 30 days prior to the event and shall need approval from the Kansas Lottery and the Kansas Racing and Gaming Commission before the activity can

take place.

(1) The lottery gaming facility manager or its interactive sports wagering platform provider may obtain pre-approval of promotional, contest and tournament mechanics by submitting to the Kansas Lottery and the Kansas Racing and Gaming Commission. Notification must be provided at least 5 days prior to the event to the Kansas Lottery and the Kansas Racing and Gaming Commission for promotions utilizing the pre-approved mechanics.

(2) The lottery gaming facility manager or its interactive sports wagering platform provider shall maintain a digital log of all promotions, contests and tournaments. These shall be made available to the Kansas Lottery and the Kansas Racing and Gaming Commission. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-  
\_\_\_\_\_.)

**112-205-5. Internal Audit.** (a) Each lottery gaming facility manager's internal control system or its interactive sports wagering platform provider shall include internal controls for internal audit standards. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. Lottery gaming facility managers or their interactive sports wagering platform providers must maintain a separate internal audit department, located on-site, which is independent of the sports wagering operation and may be the internal audit department of a parent entity of the lottery gaming facility manager or interactive sports wagering platform provider; to semi-annually assess compliance with this article and approved internal controls.

(b) The internal audit department must audit the lottery gaming facility manager's or its interactive sports wagering platform provider's compliance with rules and regulations adopted by the commission, the internal controls as approved by the commission, the house rules, and any other required procedures, as required by the executive director.

(c) The internal audit department must follow the standards, conventions, and rules governing audits in the United States.

(d) The audit satisfying the requirements of this rule must be performed at least semi-annually with the results documented in an audit report that must be provided to the commission.

(e) Documentation must be maintained to evidence all work performed as it relates to the requirements of this rule, including all instances of noncompliance.

(f) All audit reports shall be prepared, maintained, and provided to the commission on a schedule approved by the executive director.

(g) Follow-up observations and examinations shall be performed to verify that corrective action has been taken regarding all instances of noncompliance cited by internal audit,

the independent accountant, and the commission. The verification shall be performed within three months of the issuance of the audit report.

(h) Whenever possible, internal audit observations shall be performed on an unannounced basis.

(i) All exceptions disclosed during audits shall be investigated and resolved, with the results being documented and retained for seven years.

(j) The executive director may require internal audits to be conducted more frequently and may designate specific internal audits.

(k) All internal audit findings shall be reported to management, who shall be required to respond to internal audit findings stating corrective measures to be taken to avoid recurrence of the audit exception. The management responses shall be included in the internal audit reports that are delivered to the lottery gaming facility manager's management, the commission, audit committee of the board of directors, or other entity designated by the executive director.

(Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T-  
\_\_\_\_\_.)

**112-205-6. External audits and other reports.** (a) Each lottery gaming facility manager or its interactive sports wagering platform provider, must have its annual financial statements audited by an independent registered certified public accounting firm approved by the executive director and licensed to practice in Kansas. The audit must be in accordance with generally accepted auditing standards and, when applicable, the standards of the accountancy board. The lottery gaming facility manager or interactive sports wagering platform provider must report to the commission the name of the independent registered certified public accounting firm as well as the lead audit partner or other individual taking primary responsibility for the financial statement audit engagement before the start of the engagement.

(b) The lead audit partner or other individual taking primary responsibility for the financial statement audit engagement may serve a maximum of five years in such a position before being required to rotate off the engagement.

(c) The annual financial statements audit must be prepared on a comparative basis for the current and prior fiscal years and present financial position and results of operations in conformity with generally accepted accounting principles.

(d) The audit required by paragraph (a) of this rule must be filed with the commission, in a format determined by the executive director, within one hundred twenty days following the end of the fiscal year.

(e) All audits and reports required by this rule are to be prepared at the sole expense of the lottery gaming facility manager or its interactive sports wagering platform provider.

(f) The commission may require the termination of any audit engagement under this rule due to lack of qualification, independence, or capacity or a finding that the contract or conduct

performed thereunder poses a material risk to the integrity of sports wagering in Kansas. If an audit engagement contract is terminated, the lottery gaming facility manager or its interactive sports wagering platform provider, must enter into a new audit engagement contract to ensure the requirements of this rule are met. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)

**112-205-7. Waiver of requirements.** (a) One or more of the requirements of this article applicable to auditing and accounting may be waived by the commission on its own initiative, upon the commission's determination that the compensating control or procedure, as documented in a lottery gaming facility manager's or its interactive sports wagering platform provider's internal control system, meets the operational integrity requirements of the act and this article.

(b) Any lottery gaming facility manager or its interactive sports wagering platform provider may submit a written request to the commission for a waiver for one or more of the requirements in this article. The request shall be filed on an amendment waiver and request form and shall include supporting documentation demonstrating how the proposed auditing and internal controls for which the waiver has been requested would meet the operational integrity requirements of the act and this article. (Authorized by and implementing K.S.A. 74-8772, as amended by L. 2022, ch. 91; effective T- \_\_\_\_\_.)