



NEW HAMPSHIRE
LOTTERY COMMISSION

Investigation & Compliance Division

Quarterly Monitor

JULY - SEPTEMBER 2022



Division Announcements

Scheduled Closings

Monday, July 4, 2022 - Independence Day

Monday, September 5, 2022 - Labor Day

Legislation to Watch

SB316 - Relative to Lucky 7 Licenses

This bill would authorize charitable organizations to sell Lucky 7 tickets at a facility licensed to conduct games of chance. SB316 was signed by the Governor and goes into effect on Tuesday, August 16, 2022.

SB318 - Extending Games of Chance (GOC) Hours

In the past, GOC facilities could operate between the hours of 11am and 1am the following day. SB318 extends the hours of operation to be between the hours of 8am and 4am the following day. This bill was signed by the Governor and went into effect on Tuesday, June 7, 2022. If a GOC facility will be extending their hours, please send an email directly to the licensing department at licensing@lottery.nh.gov.

Guidance for HHR Go-Live Upon Licensure

A guidance document has been created to assist game rooms who have completed the application process, and are ready to "Go-Live" with Historic Horse Racing (HHR) wagering. This guidance can be found on our website at www.racing.nh.gov under the "News and Events" box.

Criminal Records Release Forms

If an individual decides to use the State Portal to schedule a fingerprinting appointment, please keep in mind that they **do not** need to include a criminal records release form **or** a check for \$48.25 with their application. The portal asks all of the questions that are on the criminal records release form and the applicant will pay the \$48.25 fee online before receiving their fingerprinting appointment confirmation. The only documents we need for portal applicants are:

- Application (with supporting documentation);
- Licensing Fee; and
- Copy of Appointment Confirmation from State Police (Confirmation must include the applicants name, date of birth, confirmation #, and appointment details.)

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BETTING
REVENUE
JAN '22-
MAR '22**

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REVENUE
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Sports Betting Revenue - January 2022 to March 2022

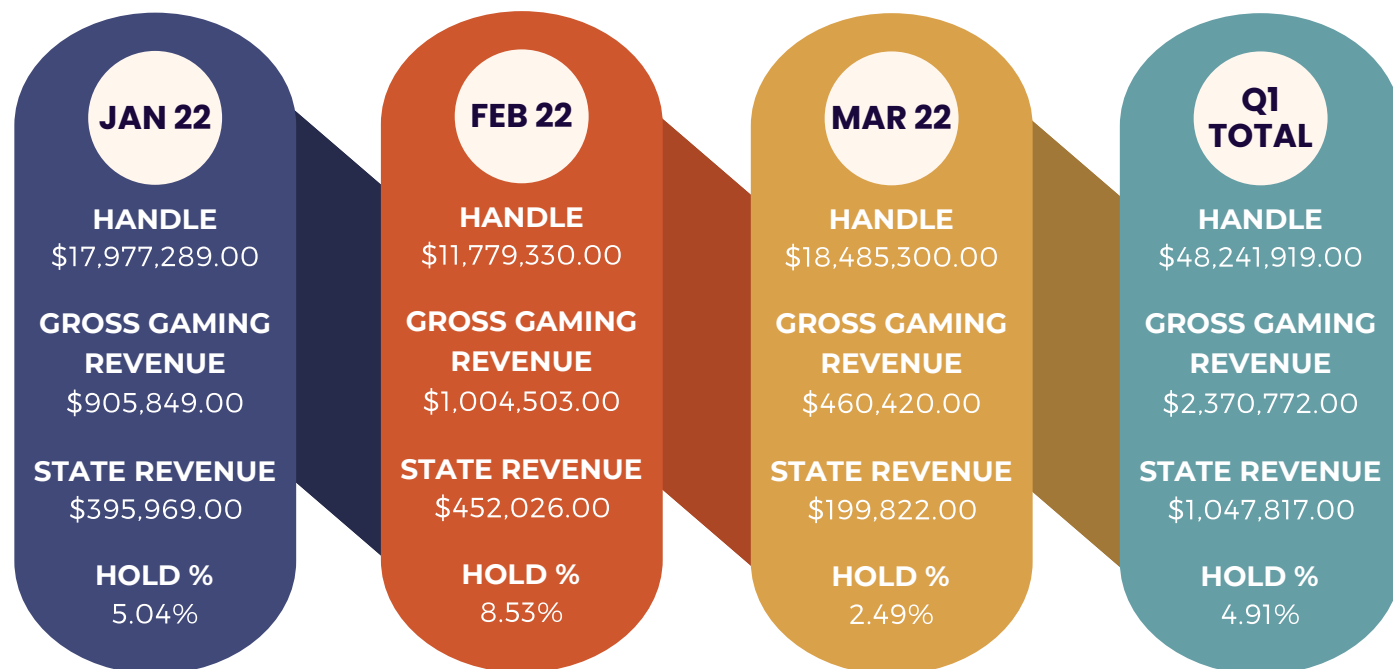
Key Definitions

Handle = Total amount of money bet by players

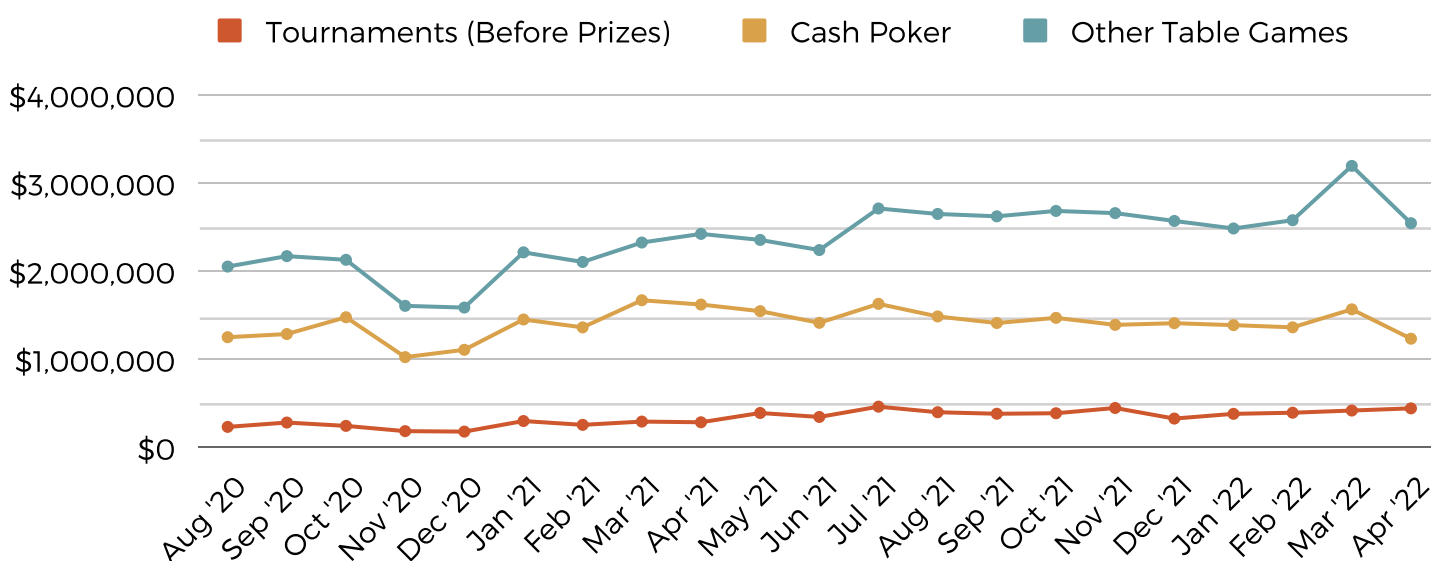
Gross Gaming Revenue "GGR" = Net gambling profit or loss (Handle minus winnings paid out to players)

State Revenue = New Hampshire share of GGR

Hold or Hold % = Percent of handle won or lost by sportsbook (GGR divided by Handle)



GOC Revenue From Games - August 2020 to April 2022



Tournaments (Before Prizes)

Up 85% since August 2020

Cash Poker

Down 1% since August 2020

Other Table Games

Up 24% since August 2020



Cage and Vault Accountability

Cage accountability is critical to the overall integrity of gaming operations.

All transactions that flow through the casino cage must be summarized on a cage accountability form for each of the cage's shifts. Increases and decreases to the total cage inventory must be supported by documentation. The cage and vault inventories are counted by at least two licensed staff, attested to by signature, and recorded in ink or other permanent form at the end of each shift during which the activity took place (at least once daily). Such documentation is to include the date, time, and shift for which the count was performed.

When assessing cage security, ask yourself these key questions:

- Is adequate video surveillance provided over the cage area?
- Does the cage door close and lock automatically?
- Is access to the cage limited to only licensed personnel who require access?
- Are cash value chips secured within the cage?
- Does each cashier have a locking cash drawer?
- Are chips stored in a locked safe, cabinet, or other secure container?



Vault security is equally critical to games of chance operations.

The vault is a secure area where duplicate keys, gaming forms and reserve supplies of monies and chips are stored. Items stored in the vault are not routinely used in the daily course of business. Access to the vault must be under dual control (i.e., two individuals, each with a unique key or lock combination). It requires two licensed staff to access the vault. Both persons are required to be present when the vault is accessed.

The following procedures should be performed for vault transfers:

- The PGO or other licensed staff decides when a transfer of funds shall be made to/from the vault.
- A vault transfer sheet is prepared showing the amount of cash or chips to be transferred to/from the vault and is signed by the PGO.
- The transfer takes place.
- The cashier verifies the amount of the transfer and signs the vault transfer sheet attesting to the transaction.
- The PGO immediately forwards the original copy to accounting. The cashier keeps the copy with the paperwork for that shift. The second copy must be given to the PGO who places it in the vault as documentation of the transfer and it is later used when the PGO or other licensed staff reconciles the inventory of the vault.
- The cashier makes the appropriate entry to the daily cash summary and vault inventory reconciliation.
- The vault must be inventoried, and a documented reconciliation performed at least once a day by two people independently verifying the inventory. The reconciliation must be performed by taking the beginning inventory, adding vault transfers in, subtracting vault transfers out, to arrive at the ending vault inventory. This figure must agree to the inventory amount physically counted. At the completion of the reconciliation, all paperwork is forwarded to accounting.

Cage and vault accountability is required for games of chance and HHR. GOEs must ensure proper controls are in place to safeguard these critical areas of the gaming operation.



Enforcement Update

These are exciting times with Games of Chance revenue at or near an all-time high, game rooms having the option to remain open for longer hours (SB 318), Lucky 7 soon to be permitted to be played in Games of Chance facilities without having to conduct bingo (SB 316), and of course, Historic Horse Racing (HHR) becoming operational.

If you are considering applying for an HHR license, we have the following general recommendations:

When submitting exhibits, make it known which requirement the exhibit is attempting to satisfy.

Avoid referring to another document to satisfy an exhibit.

We have 45 days from receipt of a completed application to perform a suitability review on an applicant and submit to the Attorney General's Office. We consider the application complete when we have the exhibits necessary to determine the applicant's suitability. To clarify, that timeline does not mean that we have to issue a license within 45 days. If an applicant is found suitable for licensure by the AG's Office, they still need to satisfy all operational requirements of the rule prior to issuance of an HHR license. This is dependent on the merits of the application, and can take a lot longer than 45 days.

If an exhibit example is embedded in another file, please submit the part that satisfies the requirement as an independent exhibit. For example, HHR pool information is commonly embedded in independent lab reports. These reports can be hundreds of pages long and contain many potential pool charts dependent on a number of factors. Identification of the unique pool information would be required in that instance, instead of just referring to the report.

Be aware of the specifics of the requirements. For example, the requirement for the previous 3 years financial records requires that the records are CPA reviewed or audited.

Take an honest assessment of the requirements and what it would take for your room to implement them. The requirements are more stringent than GOC, and may require significant upgrades or improvements in areas such as surveillance, cages and count rooms, internal controls, servers and technological components, count and accounting processes and procedures, to name a few.

Our general process thus far has been to make timely and frequent responses to applicants about the status of their applications and let them know of any deficiencies or outstanding items to facilitate potential licensure as quickly as possible.

With some of our licensees having applied for HHR, others working on getting ready to apply for HHR, and others making general improvements to their rooms, we ask that you please keep the following points in mind related to Games of Chance requirements:

- Please notify us if you change your game area layout. We will work with you to produce an updated and accurate game area layout and verify that the surveillance meets all of the requirements of Lot 7207.06.
- Notify us of any changes to your surveillance system. This would include adding or removing cameras.
- Notify us if you make any changes to your processes or controls. We will work with you to make sure they are accounted for in the appropriate documents.

*-Joshua Santos
Administrator of Gaming Operations*



History of Poker

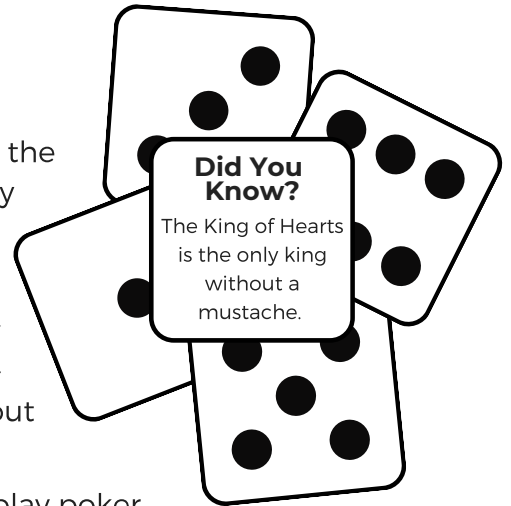
1. Poker is more than 1,000 years old. - Although it's mostly famous for being a game with beginnings in the American Old West, Historians believe poker actually started outside the United States hundreds of years before that time in the 10th century.

2. Poker used to be played with just 20 cards. - Early poker games were not played with the standard 52-card deck we use today; in fact, that deck came about in the mid 1800s to accommodate more players.

3. The first \$1 million game of poker took place in 2012. - Most of us play poker for low to middle stakes, but Guy Laliberte, co-founder of Cirque Du Soleil, suggested a \$1 million buy-in tournament in 2012. A total of 48 players participated in this tournament at the Rio Casino in Las Vegas, NV. Antonio "The Magician" Esfandiari ended up taking home a record \$18,346,673.00 in winnings.

4. The first-ever televised game of poker was in 1973. - Although poker was widely played prior to the 1970s, it hadn't made its way to being an interest to television audiences. But all that changed as interest grew in the **World Series of Poker** after its debut in 1970. CBS Sports covered the dramatic competition in 1973, and it became the first poker game broadcasted on national television.

5. The longest-running game of poker lasted more than 8 years. - The Bird Cage Theatre in Tombstone, Arizona, boasts that it hosted the longest poker game ever in 1881. The tournament which had a \$1,000.00 buy-in, was said to last eight years, five months and three days.



Periodic Physical Chip Inventory

Per Lot 7206.08(c)(2), the GOE must maintain "Control of games of chance equipment inventory to prevent unauthorized access, misappropriation, forgery, theft, or fraud, including systems and safeguards with regard to the receipt, storage, inventory and disbursal of chips, cards, dice, and other sensitive equipment utilized in games of chance". Per Lot 7208.01(b)(6)(g), a GOE is required to have "Chip inventory documentation forms, including purchase, receipt, balances on hand, storage, and destruction;"



Chips are cash equivalents and must be protected in the same manner as cash. If chips are missing from inventory, at any point in time they may be presented to the cashier for conversion to cash.

A periodic physical inventory, which involves a manual count of all chips, will accurately track the liability of outstanding chips.

Important points to keep in mind:

- Chips not in daily use should be stored in a vault, or other secure location.
- Chip counts are subject to dual control requirements.
- Chip walk should be represented on financial reports as a liability.
- Any destruction of chips, or addition of new chips should be recorded and included in the inventory.



Importance of Effective Key Controls

Control over access keys is a critical internal control. Safeguarding assets and preventing unauthorized individuals from accessing sensitive areas of the business can be achieved with strong key controls and tracking.

A robust key tracking system is an effective tool to enhance security and mitigate the risk of theft and fraud. As game rooms expand, automated systems may provide better organization and security over the multitude of keys required to run the business. An automated key tracking system also provides a solid audit trail.

Points to remember:

- All keys should be stored in a secure, locked location.
- Key storage should be covered by surveillance.
- Maintain a key log that includes staff name, date, time, reason for access.
- All keys should be stored on premises; staff must sign keys in at shift completion.
- Maintain and periodically review inventory records of number of keys made, duplicated, or destroyed.
- Maintain separate keys for removal of cash lockboxes from gaming tables or machines and access to the contents.
- Periodic review of users that are assigned access to secure areas should be performed to determine if their access to the assigned keys is appropriate relative to their job position.

Bingo & Lucky 7 Financial Reporting Forms

An organization's financial reporting forms serve the function of transparency and accountability within the market industry. These reports provide a snapshot of the organization's financial position, illustrating how well they are doing within their daily operations. This is why it is very important that these financials are completed correctly.

Here are some helpful tips to better prepare your financials for submission:

- Complete the financials electronically and not by hand. Our reports have built-in formulas that will complete most of the work for you. If a financial is hand-completed, it increases the risk of human error.
- Keep your Winner Take All (WTA) taxes and licensing fees on separate checks from each other. If these fees are combined on one check and something is wrong with one of the documents, we will have to return everything that was submitted due to all the fees being on one check.
- Email completed financial reports that do not have a payment due to our licensing inbox. If there is no payment due for a financial report, submitting it to our licensing inbox will ensure that we receive it quicker and could reduce the chance of your report being late.

