



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

STATE HOUSE, BOSTON 02133

SUZANNE M. BUMP, ESQ.
AUDITOR

TEL (617) 727-2075
FAX (617) 727-3014

June 17, 2021

Representative Jerald A. Parisella, House Chair
Joint Committee on Economic Development and Emerging Technologies
24 Beacon Street
Room 42
Boston, MA 02133

Senator Eric P. Lesser, Senate Chair
Joint Committee on Economic Development and Emerging Technologies
24 Beacon Street
Room 410
Boston, MA 02133

Dear Chairs Parisella and Lesser:

I thank you for the opportunity to submit testimony about the issue of sports betting and its potential ramifications for the Commonwealth as a whole and my office in particular.

I do not intend to take a stand in support or opposition to legalized sports betting. Instead, I want to encourage you to keep in mind the accountability mechanisms necessary to ensure integrity, security and consumer protection, and their cost, should you decide to move forward in this area.

As I often say, governmental accountability does not consist of mere apologizing, identifying a scapegoat, or forming a special commission when a government agency misses the mark in fulfilling its mandate. True accountability is an active, front-end function within government to ensure systems are in place to protect against fraud, waste and abuse within a program or exploitation of a regulatory system. It does not happen on its own, but requires extensive planning, adequate staffing and other resources, and a commitment to the public interest on an on-going basis.

While estimates on the amount of revenue that will be generated from sports betting vary, what should be undisputed is that there will be real costs associated with the state's administration and oversight of sports betting.

The necessary internal control elements in the realm of in-person sports betting will likely be similar to those present in traditional casino gaming:

- A governmental entity to establish operational standards, license entities, inspect purveyors, track money, and implement corrective actions or punitive measures for licensees that are out of compliance;
- A law enforcement presence to ensure the system is secure and does not become corrupted by bad actors;
- A revenue collection agency; and
- A state auditor's office with the authority to access all necessary data to ensure that both the regulatory entity and the licensees themselves are meeting their respective responsibilities.

However, when you add the element of online betting, which recently has become more and more common in other states with legal industries, you add a new element of risk to the system and the consumer. It presents new opportunities for cyber criminals to infiltrate systems, to defraud bettors and reduce public trust in the institution. We're all aware of the recent cyberattacks on our national government institutions which surely had an impact here in the Commonwealth. Just recently, our very own Steamship Authority was disabled by a ransomware cyberattack that impacted scheduling and online ticketing for over a full week. Experts predict that in 2021, there could be upwards of 65,000 ransomware attacks on U.S. entities. Although online betting reduces barriers to entry to sportsbooks that want to enter the market, it also introduces immense complications to providing cybersecurity, oversight and accountability.

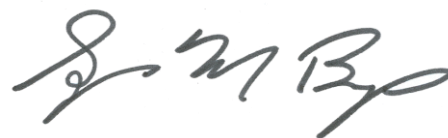
The history and implementation from other states has shown that consumers want to bet online. In New Jersey for example, the percentage of bets handled online rather than in-person was 85 percent in 2020.

There will be tremendous pressure on you to allow for online betting. It will be imperative that the state puts in place stringent requirements related to transparency, recordkeeping, and data access so that my office, and other oversight entities, can assure the public that the sports betting industry in the Commonwealth is operated with integrity. Additionally, given the numerous risks that will have to be managed by the regulating entity, and that will be subject to audit, it is quite possible, if not likely, that my office will need to establish a standing audit team—such as those that we currently have at the MBTA and MassHealth—to conduct audits on an on-going basis, rather than on a more typical three-year cycle. The budget for the MassHealth unit is \$1.2 million each year.

The bottom line is that consumers and the Commonwealth itself will need to be protected against threats like criminal activity, cyber-attack, and financial failure. State regulators must be able to dictate the terms of licensees' fitness, as well as their systems of internal policies and procedures to manage a wide range of risk and then be able to monitor compliance on an on-going basis. Finally, the State Auditor's office will require the resources to acquire the expertise it will need to audit this complex system.

Given the risks posed by sports betting, especially online betting, the cost of accountability is sure to be substantial, but absolutely necessary. Auditors are trained to look at both sides of the ledger—accounts receivable and accounts payable. I encourage you to do the same. It is more important to get it done right than to get it done quickly. Fixing a broken system that has lost the public trust is much harder than investing in effective controls in the first place.

Sincerely,

A handwritten signature in black ink, appearing to read "Suzanne M. Bump". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Suzanne M. Bump
Auditor of the Commonwealth