



**ANNUAL REPORT ON THE  
CHARITABLE GAMING ACTIVITIES OF THE VIRGINIA  
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES  
FOR FISCAL YEAR 2011**

**Matthew J. Lohr  
Commissioner**

**Annual Report on the Charitable Gaming Activities of the  
Virginia Department of Agriculture and Consumer Services for Fiscal Year 2011**

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**Executive Summary**

The Office of Charitable Gaming (OCG) in the Virginia Department of Agriculture and Consumer Services is tasked with the licensing, training, inspection, and auditing of organizations, suppliers, and personnel involved in charitable gaming in the Commonwealth.

Information in this report includes the number of registrations and permits issued by OCG, training sessions and on-site inspections conducted by field staff, audits of financial records, and enforcement activities.

Permitted organizations report on their charitable gaming activities on a calendar year basis. During calendar year 2010, these organizations reported over \$269 million in gross sales, of which approximately \$31 million, or 11.7% of gross sales, was donated for charitable, community, educational or religious purposes. Overall, organizations' gross sales and total donations decreased from calendar year 2009, during which charitable gaming organizations reported over \$279 million in gross sales, of which approximately \$35 million, or 12.6% of gross sales, was donated for charitable, community, educational or religious purposes.

OCG collected over \$2.7 million in fees that was deposited to the Commonwealth's general fund.

## **LEGISLATIVE MANDATE**

This report is required by § 18.2-340.18(8) of the Code of Virginia.

## **GENERAL OVERVIEW**

Charitable gaming is a source of crucial funding for many non-profit organizations in Virginia. The Office of Charitable Gaming (OCG) is tasked with the licensing, training, inspection, and auditing of suppliers, organizations, and personnel involved in charitable gaming. OCG also seeks to ensure that permitted organizations meet use-of-proceeds requirements; currently, permitted organizations must use at least 10% of their gross sales for charitable purposes. During calendar year 2010, permitted organizations reported over \$269 million in gross sales, of which approximately \$31 million, or 11.7% of gross sales, was donated for charitable, community, educational or religious purposes. Overall, organizations' gross sales and total donations decreased from calendar year 2009, during which charitable gaming organizations reported over \$279 million in gross sales, of which approximately \$35 million, or 12.6% of gross sales, was donated for charitable, community, educational or religious purposes.

## **FINANCIAL INFORMATION**

The general fund appropriation for OCG during FY 2011 was \$1,755,245. OCG also collected \$2,585,195 in audit and administration fees, \$106,200 in permit application fees, \$57,325 in late fees, and \$500 in other revenue, for a total of \$2,749,220 in fees that was deposited to the Commonwealth's general fund.

## **ORGANIZATION AND ACCOMPLISHMENTS**

OCG is committed to providing timely and professional services to the charitable gaming community. To facilitate the delivery of these services, OCG is divided into three functional areas: Licensing and Registrations, Audit, and Enforcement and Inspections.

### **Licensing and Registrations Unit**

During this reporting period, the Licensing and Registrations Unit issued 372 permits to organizations wishing to conduct both bingo and raffles, issued 42 raffle permits, registered 76 bingo managers and 110 bingo callers, and issued 22 charitable gaming supplier permits.

### **Audit Unit**

During this reporting period, the Audit Unit received 500 annual financial reports reflecting approximately \$269 million in charitable gaming total gross sales. Staff performed 114 financial reviews and identified over \$1.4 million in unreported sales. On average, permitted organizations donated 11.7% of their gross sales for charitable, community, educational or

religious purposes. Staff continued to work with organizations to maximize the charitable use of their gaming proceeds, including the review of unspent bank account balances, analysis of cash shortages, and evaluation of the prize payout structure.

### **Enforcement and Inspections Unit**

During this reporting period, OCG inspectors completed 1,555 on-site inspections and conducted 49 game management training sessions, including four bingo manager and bingo caller sessions, 40 sessions for organizations that were new to gaming or which had requested training assistance, and five sessions resulting from specific findings during audits.

Enforcement staff initiated 21 investigations based on information that was received via the OCG complaint hotline, developed through the audit or inspection processes, or reported by members of organizations. Two noteworthy enforcement cases included investigations in Henrico County and in Virginia Beach, as outlined below.

Anthony L. Fusaro was arrested in Henrico County in March 2011 on four counts of misappropriating bingo funds totaling more than \$500,000. Mr. Fusaro was registered with OCG as a bingo manager for several groups and had access to at least one bingo account. His actions were initially uncovered by OCG's Audit Unit. The case was eventually turned over to the Henrico County Commonwealth's Attorney, who agreed to prosecute the case. The National White Collar Crime Center was also involved in the investigation. Mr. Fusaro's trial is scheduled for December 2011.

David A. Zimmerman, the former president and bingo manager for Plaza Little League in Virginia Beach, was indicted in February 2011 by a Grand Jury in that city on 13 counts of felony embezzlement, with each charge carrying a potential sentence of one to 20 years. Mr. Zimmerman is accused of stealing more than \$8,000 from Plaza Little League's bingo funds in 2008 and 2009. Mr. Zimmerman was arrested in March 2011 in Virginia Beach and was released on a \$50,000 bond. His trial is scheduled for October 2011.

### **REGULATORY ACTIVITY**

OCG filed a Notice of Intended Regulatory Action in the fall of 2010. The proposed regulation is intended to consolidate the two current regulations, 11 VAC 15-22, *Charitable Gaming Rules and Regulations*, and 11 VAC 15-31, *Supplier Regulations*, into one single regulation that will also establish guidelines regarding electronic pull-tabs. At its March 2011 meeting, the Charitable Gaming Board approved a motion to propose 11 VAC 15-40, *Charitable Gaming Regulations*, and authorized staff to file the proposed consolidated regulation with the Registrar of Regulations. The proposed regulation is currently under executive branch review.

## **STUDY OF GAMING LABORATORIES**

The 2010 General Assembly tasked the Virginia Department of Agriculture and Consumer Services (VDACS) with the preparation of a report concerning efforts to increase the number of independent laboratories recognized by the Department to test devices used to conduct charitable gaming. OCG staff developed a list of general requirements, standards and certifications that all laboratories must meet in order to be recognized by VDACS. Following discussions with other regulators and with representatives from several laboratories, VDACS established a new list of recognized laboratories to conduct equipment evaluation and approval. Those laboratories include BMM Compliance, Eclipse Compliance Testing, and Gaming Laboratories International.

## **2011 LEGISLATIVE ISSUES**

OCG had no legislative recommendations for the 2011 session of the General Assembly. During the 2011 session, the General Assembly considered two bills pertaining to charitable gaming, both of which failed to report.