



**REPORT ON EFFORTS TO INCREASE THE
NUMBER OF INDEPENDENT LABORATORIES
THAT CONDUCT TESTING OF
CHARITABLE GAMING ELECTRONIC EQUIPMENT**

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LEGISLATIVE MANDATE

This report is issued pursuant to the third enactment clause of Chapter 429 of the 2010 Acts of Assembly which called for the Virginia Department of Agriculture and Consumer Services (VDACS) to report to the chairs of the House Committee on General Laws and the Senate Committee on General Laws and Technology on efforts by VDACS to increase the number of Department-approved independent laboratory testers.

GENERAL OVERVIEW

The Charitable Gaming Board (Board) is established as a policy board in the executive branch of state government. The purpose of the Board is to advise the Virginia Department of Agriculture and Consumer Services (VDACS) on all aspects of the conduct of charitable gaming in Virginia. The functional unit within VDACS that is tasked with the licensing, training, inspection and auditing of organizations, personnel, and events involving charitable gaming in the Commonwealth is the Office of Charitable Gaming (OCG).

Charitable gaming continues to be a vital source of funding for qualified non-profit organizations in Virginia. Pursuant to subsection D of 11 VAC 15-22-20 of the *Charitable Gaming Rules and Regulations*, permitted organizations are required to use at least 10% of their gross receipts for charitable purposes. During calendar year 2009 --the most recent year for which complete financial information is available -- permitted 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.

SUPPLIER REGULATIONS

Section 18.2-340.19 of the Code of Virginia requires the Board to promulgate regulations governing all aspects of charitable gaming, including the electronic and mechanical equipment used in the conduct of gaming. One of three regulations adopted by the Board is 11 VAC 15-31, *Supplier Regulations*.

The *Supplier Regulations* provide, in part, that VDACS shall set manufacturing and testing criteria for all electronic bingo devices and other equipment used in the conduct of charitable gaming¹. The *Supplier Regulations* further provide that no electronic bingo device may be sold, leased or used in the conduct of charitable gaming until an identical device containing identical software has been evaluated and approved by a testing laboratory that has been formally recognized by VDACS to uphold established standards of integrity. In general terms, the

¹ 11 Va. Admin. Code 15-31-20(K)

purpose for testing gaming equipment is to determine suitability for use of said equipment by Virginia's charitable gaming organizations.

CURRENT LABORATORY

VDACS currently has an exclusive contract with Gaming Laboratories International, LLC (GLI), which runs through September 13, 2011. GLI is headquartered in Lakewood, NJ, and provides functional and compliance evaluations of electronic gaming equipment for gaming regulators in more than 450 jurisdictions worldwide. GLI evaluates devices that suppliers wish to distribute throughout Virginia to ensure that the devices conform to the restrictions and conditions set forth in Virginia's charitable gaming regulations. Once GLI reports the test results to VDACS, the agency either approves or denies the submission and informs the supplier accordingly. The cost of testing is borne by the manufacturer of the equipment.

GENERAL REQUIREMENTS FOR APPROVAL OF TESTING LABORATORIES

VDACS has identified a number of attributes and qualifications that a gaming laboratory must demonstrate before it can be authorized to test gaming equipment on behalf of the agency. The requirements include:

- ISO/IEC 17025:2005 certification. This is a standard promulgated by the International Organization for Standardization (ISO). The standard specifies the general competence requirements to conduct tests and/or calibrations. The standard includes testing and calibration performed by third-party laboratories where testing and/or calibration forms part of inspection and product certification. Laboratory customers, including regulatory authorities, rely on the ISO certification to confirm or recognize the competence of the laboratory.
- Capability to conduct:
 - Random Number Generator testing and certification
 - Audits of game output
 - Bingo testing and certification
 - Raffle testing and certification
 - Independent software testing
- Physical location. The laboratory must be located in the continental United States, and must be available for inspection by the VDACS Commissioner or designee.
- Integrity of testing group. The laboratory personnel involved in actual testing of devices must sign statements of independence, must undergo periodic background checks, and must refrain from gambling.

- Expert witness. The laboratory, upon request by VDACS, must be able to provide expert witness testimony for legal proceedings.

WORK PLAN

As previously indicated, the current contract with GLI expires September 13, 2011. In order to determine the interest of other laboratories to receive approval from VDACS to test charitable gaming equipment in the Commonwealth, the agency will work with NAGRA (North American Gaming Regulators Association) and the Gaming Standards Association to contact laboratories, share with them the aforementioned general requirements, and ask them to submit letters of interest. Those laboratories that respond affirmatively will be invited to attend a meeting with agency staff in Richmond in early May 2011. Agency staff, with input from relevant stakeholders, will review the information and credentials presented by each laboratory. Following the review, which will include discussions with gaming regulators in other states, staff will then make the appropriate recommendation to the Charitable Gaming Board during the June 14, 2011 meeting of the Board. Any procurement issues, such as signing the appropriate contractual documents with those laboratories approved by the Board, will be completed by August 1, 2011. The Office of Charitable Gaming will then post on its website the list of approved gaming laboratories and the necessary contact information for each.