



**ANNUAL REPORT ON THE
CHARITABLE GAMING ACTIVITIES OF THE
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES
FOR FISCAL YEAR 2012**

**Matthew J. Lohr
Commissioner**

**Annual Report on the Charitable Gaming Activities of the
Virginia Department of Agriculture and Consumer Services for Fiscal Year 2012**

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 2011, these organizations reported over \$266 million in gross sales, of which approximately \$29 million, or 11.2% of gross sales, was donated for charitable, community, educational or religious purposes. Overall, organizations' gross sales and total donations decreased from calendar year 2010, during which charitable gaming 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.

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 2011, permitted organizations reported over \$266 million in gross sales, of which approximately \$29 million, or 11.2% of gross sales, was donated for charitable, community, educational or religious purposes. Overall, organizations' gross sales and total donations decreased from calendar year 2010, during which charitable gaming 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.

FINANCIAL INFORMATION

The general fund appropriation for OCG during FY 2012 was \$1,659,510. OCG also collected \$2,609,499 in audit and administration fees, \$110,650 in permit application fees, \$43,328 in late fees, and \$900 in other revenue, for a total of \$2,764,377 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 347 permits to organizations wishing to conduct both bingo and raffles, issued 47 raffle permits, registered 68 bingo managers and 96 bingo callers, and issued 22 charitable gaming supplier permits.

Audit Unit

During this reporting period, the Audit Unit received 458 annual financial reports reflecting approximately \$266 million in charitable gaming total gross sales. Staff performed 137 financial reviews and identified over \$1.7 million in unreported sales. On average, permitted organizations donated 11.2% 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 1,670 on-site inspections and conducted 52 game management training sessions, including 43 sessions for organizations that were new to gaming or which had requested training assistance, and nine sessions resulting from specific findings during audits.

Enforcement staff initiated 10 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.

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 June 2012 meeting, the Charitable Gaming Board approved a motion to adopt as final 11 VAC 15-40 *et seq.*, *Charitable Gaming Regulations*, and authorized staff to file the final regulation with the Registrar of Regulations. At the conclusion of the fiscal year, the final regulation was under executive branch review.

On September 6, 2012, the Governor's Office approved sending the final regulation to the Office of the Registrar for publication in The Virginia Register of Regulation. *Charitable Gaming Regulations*, 11 VAC 15-40 *et seq.*, will be published on October 8, 2012 and will become effective on November 7, 2012.

2012 LEGISLATIVE ISSUES

OCG had no legislative recommendations for the 2012 session of the General Assembly. During the 2012 session, the General Assembly considered four bills pertaining to charitable gaming, two of which failed to report and two of which were carried over to 2013.

Senate Bill 452 (Vogel) was carried over to 2013 and would authorize the conduct of a new charitable gaming activity known as network bingo.

Senate Bill (SB) 172 (Petersen) was carried over to 2013 and would permit charitable gaming organizations to conduct poker games in conjunction with the bingo games it conducts. SB 172 also requires the Department of Agriculture and Consumer Services (VDACS) and the Charitable Gaming Board to regulate poker tournaments. These poker tournaments would be conducted

by sponsors permitted by VDACS and would be a gaming activity separate from the poker games that charitable gaming organizations would be allowed to conduct under the aforementioned provisions of SB 172.