



*VIRGINIA DEPARTMENT
OF AGRICULTURE AND
CONSUMER SERVICES*

**ANNUAL REPORT ON THE
CHARITABLE GAMING ACTIVITIES OF THE
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES
FOR FISCAL YEAR 2013**

**Matthew J. Lohr
Commissioner**

**Annual Report on the Charitable Gaming Activities of the
Virginia Department of Agriculture and Consumer Services for Fiscal Year 2013**

Executive Summary

The Office of Charitable and Regulatory Programs (OCRCP) in the Virginia Department of Agriculture and Consumer Services is tasked, in part, with the licensing, registering, training, inspecting, auditing, and financial review of organizations, suppliers, manufacturers of electronic pull-tab systems, and personnel involved in charitable gaming in the Commonwealth.

Information in this report includes the number of charitable gaming licenses and registrations issued by OCRCP, as well as the number of on-site inspections, training sessions, investigations, audits and financial reviews conducted by staff.

Licensed organizations report on their charitable gaming activities on a calendar year basis. During calendar year 2012, organizations licensed by OCRCP reported over \$273 million in gross sales, an increase of \$7 million over 2011. This is the first increase in gross sales reported by organizations since 2007. Similarly, the amount that organizations donated for charitable, community, educational or religious purposes increased by approximately \$1 million, from \$29 million in 2011 to \$30 million in 2012. The aggregate use of proceeds remained unchanged from 2011 to 2012 at 11%.

OCRCP also 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 funding for many non-profit organizations in Virginia. The Office of Charitable and Regulatory Programs (OCRP) is tasked, in part, with the licensing, registering, training, inspecting, auditing, and financial review of organizations, suppliers, manufacturers of electronic pull-tab systems, and personnel involved in charitable gaming in the Commonwealth. OCRP also seeks to ensure that licensed organizations meet use-of-proceeds requirements; currently, licensed organizations must use at least 10% of their gross sales for charitable purposes. During calendar year 2012, organizations licensed by OCRP reported over \$273 million in gross sales, an increase of \$7 million over 2011. This is the first increase in gross sales reported by organizations since 2007. Similarly, the amount that organizations donated for charitable, community, educational or religious purposes increased by approximately \$1 million, from \$29 million in 2011 to \$30 million in 2012. The aggregate use of proceeds remained unchanged from 2011 to 2012 at 11%.

FINANCIAL INFORMATION

The general fund appropriation for OCRP during FY 2013 was \$1,381,714. OCRP also collected \$2,617,912 in audit and administration fees, \$102,575 in license and registration application fees, \$51,548 in late fees, and \$400 in other revenue, for a total of \$2,772,435 in fees that was deposited to the Commonwealth's general fund.

ORGANIZATION AND ACCOMPLISHMENTS

OCRP is committed to providing timely and professional services to the charitable gaming community. To facilitate the delivery of these services, OCRP is divided into three functional areas: Charitable Programs Team, Auditing and Financial Reviews Team, and Inspections Team.

Charitable Programs Team

During this reporting period, the Charitable Programs Team issued 335 licenses to organizations wishing to conduct both bingo and raffles, issued 40 raffle licenses, issued 16 charitable gaming supplier licenses, issued six manufacturer of electronic pull-tab system licenses, and registered 110 bingo managers and 113 bingo callers.

In September 2012, OCRP established a new online service for applicants to submit their bingo manager and bingo caller registration applications. This new service eliminated the need for applicants to mail their applications into OCRP and reduced the amount of time needed to process applications.

Auditing and Financial Reviews Team

During this reporting period, the Auditing and Financial Reviews Team received 433 annual financial reports reflecting over \$273 million in charitable gaming total gross sales. Auditors performed 116 audits and financial reviews of licensed organizations, where the auditors identified over \$1.3 million in unreported gross sales and ensured charitable gaming funds were used for charitable, community, educational or religious purposes as required by statute and regulations. Also, the auditors performed a compliance review of 20 licensed suppliers and one licensed manufacturer of electronic pull-tab systems.

On average, licensed organizations donated 11% of their gross sales for charitable, community, educational or religious purposes. Auditors continue to work with organizations to maximize the charitable, community, educational or religious use of their gaming proceeds, including the review of unspent bank account balances, analysis of cash shortages, and evaluation of the prize payout structure.

Inspections Team

During this reporting period, OCRP inspectors completed 861 on-site inspections and performed 29 game management training sessions, including 27 sessions for organizations that were new to charitable gaming or which had requested training assistance, and two sessions resulting from specific findings during an audit or financial review.

Inspectors initiated nine investigations based on information that was received via the OCRP complaint hotline, developed through the audit and financial review or inspection processes, or reported by members of organizations.

REGULATORY ACTIVITY

In June 2012, the Charitable Gaming Board adopted as final, 11 VAC 15-40 *et seq.*, *Charitable Gaming Regulations*, which consolidated two previous charitable gaming regulations, 11 VAC 15-22 *et seq.*, *Charitable Gaming Rules and Regulations*, and 11 VAC 15-31 *et seq.*, *Supplier Regulations*, into a single set of regulations. The new regulations also established rules for electronic pull-tab systems. On October 8, 2012, the new regulations were published in *The Virginia Register of Regulations*, and became effective on November 7, 2012.

2013 LEGISLATIVE ISSUES

OCRP had no legislative recommendations for the 2013 session of the General Assembly. During the 2013 session, the General Assembly considered five bills pertaining to charitable gaming, three of which failed to report from committee.

Two identical bills, Senate Bill 930 (Vogel) and HB 2178 (Albo), were signed into law by the Governor. These bills, which authorize the conduct of a new charitable gaming activity known as network bingo, require the promulgation of new regulations. The bills also increased the maximum prize for instant bingo, pull-tabs, and seal cards from \$599 to \$1,000, which will become effective on January 1, 2014.