



**ANNUAL REPORT ON THE  
CHARITABLE GAMING ACTIVITIES OF THE  
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES  
FOR FISCAL YEAR 2017**

**Sandra J. Adams  
Commissioner**

**October 1, 2017**

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**Executive Summary**

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

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

During fiscal year (FY) 2017, OCRP issued 347 charitable gaming licenses to organizations, a decrease of 14 licenses from the total issued in FY 2016. Licensed organizations report on their charitable gaming activities on a calendar year basis. During calendar year 2016, these organizations reported over \$262 million in gross sales, a decrease of \$2 million from 2015. The amount that organizations donated for charitable, community, educational, or religious purposes increased by approximately \$400,000, from \$29 million in calendar year 2015 to \$29.4 million in calendar year 2016. The aggregate use of proceeds increased slightly from 10.9 percent in calendar year 2015 to 11.2 percent in calendar year 2016.

OCRP collected more than \$2.76 million in charitable gaming fees that were 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 sizeable source of funding for many non-profit organizations in Virginia. The Office of Charitable and Regulatory Programs (OCRP) is tasked, in part, with licensing, registering, training, inspecting, auditing, and conducting financial reviews of organizations, suppliers, manufacturers of electronic pull-tab systems, network bingo providers, 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 percent of their gross sales for charitable purposes. During calendar year 2016, these organizations reported over \$262 million in gross sales, a decrease of nearly \$2 million from calendar year 2015. The amount that organizations donated for charitable, community, educational, or religious purposes increased by approximately \$400,000, from \$29 million in calendar year 2015 to \$29.4 million in calendar year 2016. The aggregate use of proceeds increased slightly from 10.9 percent in calendar year 2015 to 11.2 percent in calendar year 2016.

## **FINANCIAL INFORMATION**

The FY 2017 general fund appropriation for OCRP was \$1,185,067. OCRP collected \$2,636,364 in audit and administration fees, \$88,600 in license and registration application fees, and \$39,455 in late fees, for a total of \$2,764,419 in fees. These fees were 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 347 licenses to organizations wishing to conduct charitable gaming activities, 22 charitable gaming supplier licenses, and seven licenses to manufacturers of electronic pull-tab systems and registered 114 bingo managers and 105 bingo callers.

OCRP provides an online service for applicants to submit their bingo manager and bingo caller registration applications, minimizing the need for applicants to send them in the mail. Seventy-seven percent of the 219 applications received by OCRP in FY 2017 were submitted online.

### **Auditing and Financial Reviews Team**

During this reporting period, the Auditing and Financial Reviews Team received 355 annual financial reports reflecting over \$262 million in charitable gaming total gross sales. Auditors performed 96 audits and financial reviews of licensed organizations, during which they identified \$3 million in unreported gross sales. The auditors also ensured that charitable gaming funds were used for allowable charitable, community, educational, or religious purposes as required by statute and regulations. Organizations identified as having excessive unreported revenue were required to develop stricter internal controls and, in some instances, the organizations were required to undergo training. Additional follow-up will be conducted with these organizations to assess their efforts to strengthen their internal controls. In addition, the Auditing and Financial Reviews Team issued 25 letters of caution, nine notices of violation, and one compliance agreement. The auditors also performed a compliance review of 20 licensed suppliers and two licensed manufacturers of electronic pull-tab systems.

On average, licensed organizations donated 11.2 percent 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 818 on-site inspections and performed 39 game management training sessions, including 37 sessions for organizations that were new to charitable gaming or that had requested training assistance and two sessions resulting from specific findings during an audit or financial review.

OCRP inspectors collaborated with various law enforcement agencies on seven investigative audits. Two of these cases remain under investigation. Of the organizations that were the subject of the five cases that are now closed, one is no longer conducting charitable gaming activities. One closed case resulted in criminal indictments, and one case resulted in the removal of the officers and game managers. OCRP required the remaining two organizations to develop stricter internal controls to address the issues identified during the investigative audits.

## **REGULATORY ACTIVITY**

In 2013, Virginia's Charitable Gaming Law (Article 1.1:1 of Chapter 8 of Title 18.2 of the Code of Virginia (Va. Code § 18.2-330.15 *et seq.*)) was amended to authorize the conduct of a new charitable gaming activity known as network bingo. The amendments to the Charitable Gaming Law required revisions to *Charitable Gaming Regulations* (11 VAC 15-40 *et seq.*). The necessary amendments to *Charitable Gaming Regulations* pertaining to network bingo were established

through the standard three-stage regulatory process and became effective on November 17, 2016.

On June 14, 2016, the Charitable Gaming Board adopted proposed amendments to *Charitable Gaming Regulations* to increase the number of devices permissible to facilitate the play of electronic pull-tabs at certain premises. The public hearing on the proposed amendments was held on April 4, 2017, and the Board adopted the final amendments to *Charitable Gaming Regulations* on September 12, 2017.

## **2017 LEGISLATIVE ISSUES**

During the 2017 legislative session, the Virginia General Assembly considered eight bills pertaining to charitable gaming, five of which were enacted into law and three of which failed to report from committee. The legislation enacted (i) exempts certain regulations adopted by the Charitable Gaming Board from the Virginia Administrative Process Act (Ch. 266 and 584 of the 2017 Acts of Assembly), (ii) provides an exclusion from the Virginia Freedom of Information Act for certain charitable gaming-related information submitted to the Department of Agriculture and Consumer Services (VDACS) (Ch. 662 of the 2017 Acts of Assembly), (iii) increases the number of house raffles a qualified charitable gaming organization may conduct per calendar year from one to three and restricts such raffles to one per geographical region (Ch. 566 of the 2017 Acts of Assembly), and (iv) authorizes VDACS to grant special permits to qualified organizations to reschedule an approved bingo game that was canceled due to a legal holiday or severe weather conditions (Ch. 739 of the 2017 Acts of Assembly).