



*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 2020**

**Jewel H. Bronaugh, Ph.D.**

**Commissioner**

**October 1, 2020**

**Annual Report on the Charitable Gaming Activities of the  
Virginia Department of Agriculture and Consumer Services for Fiscal Year 2020**

---

**Executive Summary**

The Office of Charitable and Regulatory Programs (OCRP) in the Virginia Department of Agriculture and Consumer Services is tasked, in part, with licensing, training, inspecting, auditing, and conducting financial reviews of charitable gaming organizations and suppliers, manufacturers of electronic pull-tab systems, and network bingo providers and registering and training 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 charitable gaming on-site inspections, training sessions, investigations, audits, and financial reviews conducted by staff.

During fiscal year (FY) 2020, OCRP issued 301 charitable gaming licenses to organizations, an increase of seven licenses from the total issued in FY 2019. Licensed organizations report on their charitable gaming activities on a calendar year basis. During calendar year 2019, these organizations reported over \$250 million in gross sales, a decrease of \$9 million from 2018. The amount that organizations donated for charitable, community, educational, or religious purposes decreased by approximately \$1.1 million, from \$27.7 million in calendar year 2018 to \$26.6 million in calendar year 2019. The aggregate use of proceeds decreased from 10.7 percent in calendar year 2018 to 10.6 percent in calendar year 2019.

OCRP collected more than \$2.37 million in charitable gaming fees, which were deposited into 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, training, inspecting, auditing, and conducting financial reviews of charitable gaming organizations and suppliers, manufacturers of electronic pull-tab systems, and network bingo providers and registering and training 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 2019, these organizations reported over \$250 million in gross sales, a decrease of \$9 million from calendar year 2018. The amount that organizations donated for charitable, community, educational, or religious purposes decreased by approximately \$1.1 million, from \$27.7 million in calendar year 2018 to \$26.6 million in calendar year 2019. The aggregate use of proceeds decreased from 10.7 percent in calendar year 2018 to 10.6 percent in calendar year 2019.

## **FINANCIAL INFORMATION**

The FY 2020 general fund appropriation for OCRP was \$1,216,859. OCRP collected \$2,247,658 in audit and administration fees, \$85,550 in license and registration application fees, and \$41,667 in late fees, for a total of \$2,374,875 in fees. These fees were deposited into 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 301 licenses to organizations wishing to conduct charitable gaming activities, 17 charitable gaming supplier licenses, and five licenses to manufacturers of electronic pull-tab systems. In addition, the Charitable Programs Team registered 92 bingo managers and 115 bingo callers.

OCRCP 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. Eighty-seven (87) percent of the 207 applications received by OCRCP in FY 2020 were submitted online.

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

During this reporting period, the Auditing and Financial Reviews Team received 322 annual financial reports reflecting over \$250 million in charitable gaming total gross sales. Auditors performed 56 audits and financial reviews of licensed organizations, during which they identified approximately \$1,093,000 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 45 letters of caution and 58 notices of violation. The auditors also performed a compliance review of 13 licensed suppliers and two licensed manufacturers of electronic pull-tab systems.

On average, licensed organizations donated 10.6 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, OCRCP inspectors completed 420 on-site inspections and performed nine game management training sessions for organizations that were new to charitable gaming or that had requested training assistance. Due to the COVID-19 pandemic, licensed organizations ceased their charitable gaming activities, which resulted in a decrease in on-site inspections and game management training sessions performed by OCRCP.

OCRCP inspectors collaborated with various law enforcement agencies on one investigative audit, which remains under investigation.

## **REGULATORY ACTIVITY**

The Charitable Gaming Board did not undertake any regulatory activity during FY 2020.

## 2020 LEGISLATIVE ISSUES

During the 2020 legislative session, the Virginia General Assembly considered nine bills pertaining to charitable gaming, three of which were enacted into law, three of which failed to report from committee, two of which were continued to the 2021 legislative session, and one of which passed but requires reenactment during the 2021 legislative session.

<b>Legislative Bill</b>	<b>Patron</b>	<b>Outcome</b>
House Bill 451	Fowler	Failed
House Bill 1125	Davis	Failed
House Bill 1681	Willett	Enacted - Chapter 979
House Bill 1690	Keam	Passed, but requires reenactment in 2021 - Chapter 980
Senate Bill 199	Barker	Enacted – Chapter 568
Senate Bill 387	McPike	Continued to 2021 in Senate Finance and Appropriations Committee
Senate Bill 751	Reeves	Failed
Senate Bill 936	Petersen	Enacted – Chapter 982
Senate Bill 1052	Reeves	Continued to 2021 in Senate Finance and Appropriations Committee