



**ANNUAL REPORT ON THE  
CHARITABLE GAMING ACTIVITIES OF THE  
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES  
FOR FISCAL YEAR 2021**

**Bradley Copenhaver  
Commissioner**

**October 1, 2021**

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Virginia Department of Agriculture and Consumer Services for Fiscal Year 2021**

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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, 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) 2021, OCRP issued 233 charitable gaming licenses to organizations, a decrease of 68 licenses from the total issued in FY 2020. Licensed organizations report on their charitable gaming activities on a calendar year basis. During calendar year 2020, these organizations reported approximately \$135 million in gross sales, a decrease of approximately \$115 million from 2019. Due to the COVID-19 pandemic, the amount that organizations donated for charitable, community, educational, or religious purposes decreased by approximately \$10.1 million, from \$26.6 million in calendar year 2019 to \$16.5 million in calendar year 2020. The aggregate use of proceeds increased from 10.6 percent in calendar year 2019 to 12.2 percent in calendar year 2020.

OCRP collected more than \$1.79 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 2020, these organizations reported approximately \$135 million in gross sales, a decrease of approximately \$115 million from calendar year 2019. The amount that organizations donated for charitable, community, educational, or religious purposes decreased by approximately \$10.1 million, from \$26.6 million in calendar year 2019 to \$16.5 million in calendar year 2020. The aggregate use of proceeds increased from 10.6 percent in calendar year 2019 to 12.2 percent in calendar year 2020.

## **FINANCIAL INFORMATION**

The FY 2021 general fund appropriation for OCRP was \$1,583,066. OCRP collected \$1,662,762 in audit and administration fees, \$114,725 in license and registration application fees, and \$16,810 in late fees, for a total of \$1,794,297 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 233 licenses to organizations wishing to conduct charitable gaming activities, 19 charitable gaming supplier licenses, and four licenses to manufacturers of electronic pull-tab systems. In addition, the Charitable Programs Team registered 99 bingo managers and 109 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. Ninety-four (94) percent of the 208 applications received by OCRP in FY 2021 were submitted online.

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

During this reporting period, the Auditing and Financial Reviews Team received 296 annual financial reports reflecting approximately \$135 million in charitable gaming total gross sales. Auditors performed 49 audits and financial reviews of licensed organizations, during which they identified approximately \$1,148,531 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 46 letters of caution and 58 notices of violation. The auditors also performed a compliance review of 20 licensed suppliers and three licensed manufacturers of electronic pull-tab systems.

On average, licensed organizations donated 12.2 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 108 on-site inspections and performed seven game management training sessions for organizations that were new to charitable gaming or that had requested training assistance. Due to the COVID-19 pandemic, a significant number of licensed organizations paused their charitable gaming activities, which resulted in a decrease in on-site inspections and game management training sessions performed by OCRP.

OCRP inspectors collaborated with various law enforcement agencies on four investigations, all four of which remain under investigation.

## **REGULATORY ACTIVITY**

In response to Chapter 982 of the 2020 Acts of Assembly, the Charitable Gaming Board promulgated regulations governing Texas Hold'em poker tournaments. Chapter 552 of the 2021 Acts of Assembly, Special Session 1, suspended the promulgation of these regulations until June 30, 2022.

## 2021 LEGISLATIVE ISSUES

During the 2021 legislative session, the Virginia General Assembly considered six bills pertaining to charitable gaming, four of which were enacted into law and two of which failed to report from committee.

<b>Legislative Bill</b>	<b>Patron</b>	<b>Outcome</b>
House Bill 1843	Keam	Enacted – Chapter 491, Special Session I
House Bill 1943	Willett	Enacted – Chapter 14, Special Session I
House Bill 1946	Jenkins	Failed
Senate Bill 1127	Reeves	Enacted – Chapter 520, Special Session I
Senate Bill 1278	Bell	Failed
Senate Bill 1287	McPike	Enacted – Chapter 499, Special Session I