



*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 2022**

**Joseph W. Guthrie  
Commissioner**

**October 1, 2022**

**Annual Report on the Charitable Gaming Activities of the  
Virginia Department of Agriculture and Consumer Services for Fiscal Year 2022**

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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) 2022, OCRP issued 420 charitable gaming licenses to organizations, an increase of 187 licenses from the total issued in FY 2021. Certain licensed organizations are required to report on their charitable gaming activities on a calendar year basis. During calendar year 2021, these organizations reported approximately \$233.7 million in gross sales, an increase of approximately \$135 million from 2020. The amount that organizations donated for charitable, community, educational, or religious purposes increased by approximately \$4.3 million, from \$16.5 million in calendar year 2020 to \$20.8 million in calendar year 2021. The aggregate use of proceeds decreased from 12.2 percent in calendar year 2020 to 8.9 percent in calendar year 2021, as organizations recovering from the pandemic sought to attract returning players.

OCRP collected more than \$3.29 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 (OCRCP) 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. OCRCP 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 2021, these organizations reported approximately \$233.7 million in gross sales, an increase of approximately \$135 million from calendar year 2020. The amount that organizations donated for charitable, community, educational, or religious purposes increased by approximately \$4.3 million, from \$16.5 million in calendar year 2020 to \$20.8 million in calendar year 2021. The aggregate use of proceeds decreased from 12.2 percent in calendar year 2020 to 8.9 percent in calendar year 2021, as organizations recovering from the pandemic sought to attract returning players.

## **FINANCIAL INFORMATION**

The FY 2022 general fund appropriation for OCRCP was \$1,990,666. OCRCP collected \$3,112,724 in audit and administration fees, \$128,621 in license and registration application fees, and \$54,125 in late fees, for a total of \$3,295,470 in fees. These fees were deposited into the Commonwealth's general fund.

## **ORGANIZATION AND ACCOMPLISHMENTS**

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

### **Regulatory Programs Team**

During this reporting period, the Regulatory Programs Team issued 420 licenses to organizations wishing to conduct charitable gaming activities, 20 charitable gaming supplier licenses, and six licenses to manufacturers of electronic pull-tab systems. In addition, the Regulatory Programs Team registered 102 bingo managers and 103 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-two (72) percent of the 205 applications received by OCRP in FY 2022 were submitted online.

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

During this reporting period, the Auditing and Financial Reviews Team received 286 annual financial reports reflecting approximately \$233.7 million in charitable gaming total gross sales. Auditors performed 35 audits and financial reviews of licensed organizations, during which they identified approximately \$266,263 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, 12 notices of violation, and 37 compliance agreements. The auditors also performed a compliance review of six licensed suppliers.

On average, licensed organizations donated 8.9 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 350 on-site inspections and performed 15 game management training sessions for organizations that were new to charitable gaming, were required to undergo training through an audit/financial review, or 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 from the prior years. In addition, the Inspections Team issued 22 letters of caution and one notice of violation.

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

## **REGULATORY ACTIVITY**

Chapter 552 of the 2021 Acts of Assembly, Special Session I, suspended the promulgation of any regulations by the Charitable Gaming Board (Board) until June 30, 2022. Chapters 554 and 609

of the 2022 Acts of Assembly reclassified the Board, which was previously a policy board, as an advisory board in the executive branch of state government and transferred the power and duty to promulgate regulations related to charitable gaming in the Commonwealth from the Board to the Department of Agriculture and Consumer Services, effective July 1, 2022.

## 2022 LEGISLATIVE ISSUES

During the 2022 legislative session, the Virginia General Assembly considered 16 bills pertaining to charitable gaming, 10 of which were enacted into law, one of which was incorporated into another bill that passed, and five of which failed to pass.

<b>Legislative Bill</b>	<b>Patron</b>	<b>Outcome</b>
House Bill 144	Wiley	Failed
House Bill 763	Krizek	Enacted – Chapter 767
House Bill 764	Krizek	Failed
House Bill 765	Krizek	Enacted – Chapter 609
House Bill 766	Krizek	Enacted – Chapter 768
House Bill 767	Krizek	Enacted – Chapter 608
House Bill 1014	Runion	Failed
House Bill 1123	Campbell	Failed
House Bill 1230	Robinson	Failed
Senate Bill 394	Bell	Enacted – Chapter 612
Senate Bill 399	Bell	Enacted – Chapter 555
Senate Bill 401	Bell	Enacted – Chapter 721
Senate Bill 402	Reeves	Enacted – Chapter 554
Senate Bill 403	Reeves	Enacted – Chapter 722
Senate Bill 530	Reeves	Enacted – Chapter 553
Senate Bill 566	McDougle	Incorporated Into Senate Bill 530