



**ANNUAL REPORT ON THE
CHARITABLE GAMING ACTIVITIES OF THE
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES
FOR FISCAL YEAR 2023**

**Joseph W. Guthrie
Commissioner**

October 1, 2023

**Annual Report on the Charitable Gaming Activities of the
Virginia Department of Agriculture and Consumer Services for Fiscal Year 2023**

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 as well as 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) 2023, OCRP issued 218 charitable gaming licenses to organizations. Certain licensed organizations are required to report on their charitable gaming activities on a calendar year basis. During calendar year 2022, these organizations reported approximately \$219.3 million in gross sales, a decrease of approximately \$14.4 million from 2021. The amount that organizations donated for charitable, community, educational, or religious purposes increased by approximately \$4.8 million, from \$20.8 million in calendar year 2021 to \$25.6 million in calendar year 2022. The aggregate use of proceeds increased from 8.9 percent in calendar year 2021 to 11.6 percent in calendar year 2022.

OCRP collected more than \$2.6 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 as well as 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 conducting bingo and raffles must use at least 10 percent of their gross sales for charitable purposes. During calendar year 2022, these organizations reported approximately \$219.3 million in gross sales, a decrease of approximately \$14.4 million from calendar year 2021. The amount that organizations donated for charitable, community, educational, or religious purposes increased by approximately \$4.8 million, from \$20.8 million in calendar year 2021 to \$25.6 million in calendar year 2022. The aggregate use of proceeds increased from 8.9 percent in calendar year 2021 to 11.6 percent in calendar year 2022.

FINANCIAL INFORMATION

The FY 2023 general fund appropriation for OCRP was \$2,023,409. OCRP collected \$2,462,371 in audit and administration fees, \$120,800 in license and registration application fees, and \$39,852 in late fees, for a total of \$2,623,023 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: Regulatory Programs Team, Auditing and Financial Reviews Team, and Inspections Team.

Regulatory Programs Team

During this reporting period, the Regulatory Programs Team issued 218 licenses to organizations wishing to conduct charitable gaming activities, 19 charitable gaming supplier licenses, and five licenses to manufacturers of electronic pull-tab systems. In addition, the Regulatory Programs Team registered 107 bingo managers and 130 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 (70) percent of the 237 applications received by OCRP in FY 2023 were submitted online.

Auditing and Financial Reviews Team

During this reporting period, the Auditing and Financial Reviews Team received 381 annual financial reports reflecting approximately \$219.3 million in charitable gaming total gross sales. Auditors performed 39 audits and financial reviews of licensed organizations, during which they identified approximately \$307,871 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 58 letters of caution, 19 notices of violation, and seven compliance agreements. The auditors also performed a compliance review of 12 licensed suppliers and seven manufacturers of electronic gaming/pull-tab systems.

On average, licensed organizations donated 11.6 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 through 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 640 on-site inspections and performed 62 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. In addition, the Inspections Team issued 22 letters of caution and seven notices of violation.

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

REGULATORY ACTIVITY

In response to Chapters 722 and 767 of the 2022 Acts of Assembly, the Virginia Department of Agriculture and Consumer Services (Department) promulgated regulations governing electronic gaming/pull-tab devices, which became effective on March 6, 2023. In response to Chapter 612 of the 2022 Acts of Assembly, the Department began the process of promulgating regulations governing Texas Hold'em poker tournaments.

2023 LEGISLATIVE ISSUES

During the 2023 legislative session, the Virginia General Assembly considered 11 bills pertaining to charitable gaming, five of which were enacted into law, two of which were stricken by the patron, and four of which failed to pass.

Legislative Bill	Patron	Outcome
House Bill 1987	Krizek	Enacted – Chapter 787
House Bill 2125	Wilt	Enacted – Chapter 592
House Bill 2419	Wampler	Enacted – Chapter 594
House Bill 2452	Brewer	Failed
House Bill 2455	Leftwich	Failed
House Bill 2458	Bagby	Stricken By Patron
Senate Bill 1143	McPike	Stricken By Patron
Senate Bill 1209	Reeves	Enacted – Chapter 755
Senate Bill 1235	Obenshain	Enacted – Chapter 593
Senate Bill 1518	Barker	Failed
Senate Bill 1527	Rouse	Failed