

Maryland Lottery and Gaming Control Agency

Martin O'Malley, Governor • Stephen Martino, Director



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TO: Maryland Lottery and Gaming Control Commission
Stephen Martino, Director

FROM: Gina M. Smith, Deputy Director/CFO

DIVISION: Administration, Finance and Operations

DATE: December 11, 2013

SUBJECT: Report for the December Commission Meeting

I. CUSTOMER RESOURCE CENTER

This is a status update of ongoing and special projects in Administration, Finance and Operations.

The Customer Resource Center is responsible for processing winner claims. The Lottery has two claim centers, one in Baltimore at the headquarters location and one in Lanham. In addition to processing winner claims, the claim centers are responsible for processing the W-2G paperwork for claims that were cashed by the agent plus locations. The Lottery has approximately 204 agent plus locations that are authorized to cash up to \$5,000 in winnings. These locations, in turn submit completed claim forms to the Lottery so that the related W-2G can be processed. Data concerning the number of winners claims processed by the Lottery and the number of agent plus claim forms processed by the Lottery is noted below:

Location	YTD 07/1/13 to 10/31/2013	YTD 07/1/13 to 10/31/2013	Nov. 2013	Nov. 2013	YTD 07/01/13 to 11/30/13	YTD 07/01/13 to 11/30/13
	Count	Amount	Count	Amount	Count	Amount
Baltimore	2,409	\$3,739,992.00	429	\$681,342.25	2,838	\$4,421,334.25
Lanham	611	\$2,819,044.98	101	\$442,906.00	712	\$3,261,950.98
Agent Plus	15,218	\$32,399,711.75	3,093	\$5,883,935.00	18,311	\$38,283,646.75

SUBSCRIPTIONS PROCESSED:

The Lottery's Customer Resource Center is also responsible for processing subscriptions for Multi-Match and Mega Millions. Multi-Match subscriptions can be purchased for 26, 52 or 104 weeks for one to 3 games. Mega Millions subscriptions can be purchased for 26, 52 or 104 weeks for \$1 or \$2 per game. Data concerning subscriptions processed is noted below:

Multi-Match As of 07/1/13 – 8,736 As of 11/30/2013 – 8,262

	YTD October 2013 Count	November 2013 Count	YTD 07/1/13 to 11/30/13 Count
New Applications	381	82	463
Internet	189	29	218
Renewal	3,539	510	4,049

Mega Millions As of 07/01/12 24,937 As of 11/30/2013 15,688

	YTD October 2013 Count	November 2013 Count	YTD 07/1/13 to 11/30/13 Count
New Applications	2,391	931	3,322
Internet	121	150	271
Renewal	2	864	866

	YTD October 2013 Amount	November 2013 Amount	YTD 07/1/13 to 11/30/13 Amount
Child Support	\$70,129.81	\$3,799.44	\$73,929.25
CCU Debts	\$409,060.55	\$87,090.73	\$496,151.28

Agent Resource

	07/01/2013	11/29/13
# OF AGENTS	4,422	4,476
# OF AGENT TERMINALS	5,170	5,196
# AGENT PLUS LOCATIONS	203	204

II. BUDGET

- **FISCAL YEAR 2014**

The final approved budget was as follows:

Lottery Program: \$ 55,948,446

VLT Program:

Special Funds \$ 13,462,265

General Funds \$ 86,476,648

Total Budget \$155,887,359

See the attachment for year to date spending.

- **FISCAL YEAR 2013**

We will begin work on the liquidation of encumbrances and accruals.

III. ACCOUNTING/FINANCE

The auditors are currently auditing July and August 2013. These Financial Statements will be included with your December report.

IV. PROCUREMENT

- During November a total of 54 new small procurements (up to \$25k) were initiated. Procurement works closely with all Divisions to support the Lottery's daily operations to include, but not limited to, procurement of printing of POS materials and various information sheets/brochures to support all games; promotional items, sponsorship agreements for events; and supplies/equipment for the Lottery's internal use, as well as the processing of all payments under \$5,000.00 using the State P-Card and monthly reconciliation of bank statement.
- Veterans' Organization Instant Ticket Lottery Machines and Related Services (#2014-02): RFP to provide Instant Ticket Lottery Machines ("ITLM"), an ITLM central monitor and control system ("ITLM Central System"), and other related services for Veterans' Organizations specified in the Lottery Law. By the due date for receipt of proposals on November 13, 2013, only one proposal was received from Diamond Game. The Proposal is under evaluation and oral presentation/system demonstration is scheduled for December 17.
- Consulting Services Related to a VLT Facility Operation License in Prince George's County (#2014-06): Emergency RFP to provide consulting services to assist the Video

Lottery Facility Location Commission with its evaluation of Proposals for the Prince George's County VLT Operation License. The award of a contract under an Emergency Procurement must be reported to the BPW. The contract award to Civic Economics in the amount of \$325,550 is scheduled to appear on the January 8, 2014 BPW Agenda.

- Instant Ticket Vending Machines (“ITVMs”) and Related Services Contract (#2008-26) with GTECH Corporation: Contract to provide, distribute, install, maintain and relocate up to 1,000 new ITVMs to be located at Retailer locations throughout the State. The original Contract required that the maximum of 1,000 ITVMs be purchased during the 5 year + 4 months base term and that the five 1-year Renewal Options would be only for maintenance and repair services. A total of 850 ITVMs have been purchased during the base term. The Lottery desires to exercise the 1-year Renewal Option #1 in the amount of \$1,500,000 to provide for the continuing maintenance and repair of the ITVMs currently in operation at Retailer locations and also to modify the Contract to allow the purchase of the balance of 150 ITVMs during the term of Renewal Option #1 or any subsequent renewal option if exercised and the Contractor has agreed to provide those ITVMs at the same price as contained in the original contract. It is anticipated that this renewal/modification will be presented to the Commission at its December 18 meeting and, subject to Commission approval, submitted to the BPW on its January 8, 2014 Agenda.
- Instant Ticket Games and Related Services Primary Contract (#2013-01P) with Pollard Banknote Limited: Contract to provide Instant Ticket Games and related services to include: ticket design, production, security and delivery to the Lottery’s warehouse; delivery of tickets to the Retailers; and marketing and sales support. Modification to (1) add a technical enhancement to the contract by incorporating the “WebPlayTM” proprietary game and play style; and (2) increase the Not to Exceed amount for the contract by \$3,270,679. WebPlayTM was offered as a potential future enhancement in the contractor’s proposal and is an interactive mobile application offering play for fun and play for prizes functionality which can be tied to various instant tickets such as Crossword and includes a built in QR reader, social media integration and the ability to display a winning voucher/coupon on the mobile device. The Lottery’s Product Plan for its Instant Ticket program anticipates that Instant Ticket games specified below will be introduced during the four year base contract term, resulting in the estimated contract not to exceed amount increase:

\$5 Crossword =	\$490,170
\$3 Bonus Crossword #1 =	\$548,211
\$3 Bonus Crossword #2 =	\$548,211
The Good Life Family of Games =	\$1,684,087
Total	\$3,270,679

It is anticipated that this modification will be presented to the Commission at its December 18 meeting and, subject to Commission approval, submitted to the BPW on its January 8, 2014 Agenda.

- Regulations: Status of Regulations approved by the Commission at its meeting on:

1) December 13, 2012:

36.06 Electronic Gaming Devices: All new Regulations submitted to AELR as permanent regulations on January 10, 2013; published in Register on February 22; and now eligible for submission for Final Action but is on indefinite hold due to issues raised in public comments. (verified 7/23/2013)

2) April 26, 2013:

36.07 Instant Bingo Machines in Anne Arundel and Calvert Counties: All new regulations (Revised 36.07.01 - .07) submitted to AELR as both Emergency and Permanent regulations on July 17.

Permanent regulations: Published in Register October 4, 2013; after expiration of 45 day public comment period regulations were submitted for Final Action on November 18. Final Action published in Register on December 2, with effective date of December 12, 2013.

Emergency regulations Published in Register on October 4, 2013, with effective date of August 26, 2013 and expiration date of January 25, 2014.

36.03.02.12 - .14 Gaming Provisions/Investigation and Licensing: Amendments to these regulations submitted to AELR as Permanent regulations on August 23. Published in Register October 4, 2013; after expiration of 45 day public comment period regulations were submitted for Final Action on November 18. Final Action published in Register on December 2, with effective date of December 12, 2013.

3) May 23, 2013: 36.03.01.02 Definitions; 36.03.10.36 Promotional Play; and 36.03.10.49 Acceptance of Tips and Gratuities: Amendments to these regulations submitted to AELR as Permanent regulations on August 23. Published in Register October 4; after expiration of 45 day public comment period regulations were submitted for Final Action on November 18. Final Action published in Register on December 2, with effective date of December 12, 2013.

4) August 22, 2013: 36.01.03 Voluntary Exclusion (General); 36.03.06 Voluntary Exclusion (Casino): Amendments submitted to AELR as Permanent regulations on October 2; Published in Register on November 15; after expiration of 45 day public comment period regulations will be submitted for Final Action on December 30. Regulations become effective 10 days after publication of Final Action.

36.03.10.29 Deposit of Counter Checks; 36.05.04 Table Games Rules-Blackjack; 36.05.05 Table Game Rules-Craps: Amendments submitted to AELR as both Emergency and Permanent regulations on October 2.

Permanent regulations Published in Register on November 15; after expiration of 45 day public comment period regulations will be submitted for Final Action on December 30. Regulations become effective 10 days after publication of Final Action.

Emergency regulations Published in Register on December 2, 2013, with effective date of November 7, 2013 and expiration date of April 4, 2014.

6) September 19, 2013: Regulations will no longer be processed by Procurement, effective with the September Commission meeting.

- VLT Program:

1) Video Lottery Terminals and Related Services Master Contract (#2009-12(5)) with IGT: Master Contract with Manufacturers of Video Lottery Terminals ("VLTs") for the lease or purchase, installation, implementation, support and maintenance of VLTs for the Facilities specified in the VLT Law. The Commission has received a claim from IGT for unpaid invoices at the Rocky Gap Facility in the amount of \$126,875.70. IGT claims that it is entitled to be paid daily maintenance fees for VLTs that were transferred from other Facilities starting on March 28, 2013, the time of delivery to Rocky Gap, through May 31, 2013, the time that the VLTs became operational on the floor of the Facility. During the period March 28 – May 31 the VLTs were in preparation for installation and were not on the floor and were not operational. The Contract contains a requirement that "No charges shall be due for VLTs that are not "on the floor" and operational". This claim is under review

2) RFP for "Video Lottery Operation License in Prince George's County #2013-0101": RFP (#2013-0101): The Location Commission conducted site visits and public hearings in Prince George's County for the three Applicants during October and the proposals received from the three Applicants continue to be under review by the Commission as well as Commission staff and Consultants. The Location Commission schedule follows:

- December 6: Commission Meeting, 11:00 am, Joint Legislative Hearing Room, Annapolis
 - Consultants will present their findings to the Commission
 - Applicants will have an opportunity to respond
 - December 12: Public Conference Call with Consultants and Applicants
 - Opportunity for Commissioners to ask additional questions of the consultants or Applicants.
 - December 20: Commission Meeting, 10:00 AM, 1st floor auditorium, 1800 Washington Blvd
 - Follow up presentations from Consultants/Applicants; Discussion and Decision on award of License
- MBE/SBR Activities:

I. Procurement/MBE staff attended/are scheduled to attend the following events:

- 1) 2013 Prince George's County Business Conference & Expo, sponsored by the Prince George's County Supplier Development & Diversity Division, held November 14;
- 2) 22nd Annual Baltimore-Washington Regional Government Procurement Fair held November 30; and
- 3) MBE University event at the Reginald F. Lewis Museum being held December 10.

II. A summary of the Lottery's MBE participation including both Lottery and VLT operations will be provided to the Commission at its meeting on December 18.

V. HUMAN RESOURCES - Recruitment Report

The following activities occurred regarding Personnel:

- Contractual Lottery Representative I- Closed. Interviews are scheduled for December 16
- Regional Lottery Manger. Internal Posting. 8 Internal candidates. Interviews are scheduled for December 12
- Lottery Training Manager. Closed December 4. Reviewing and scoring applications. Hiring manager has not established interview dates
- VLT- Licensing Specialist (2 contractual positions and 1 permanent). Closed. Interviews for the Contractual position scheduled for December 12. Remaining interviews are scheduled for the week of December 16
- IT Technical Support Specialist II- Internal Posting Only. Internal Candidate Selected. Start date to be established
- Office Secretary II – Closed. Interviews are scheduled for the week of December 16
- Office Secretary I - Front Desk Receptionist. Closed. Reviewing and scoring applications
- Internal Auditor II. Closed. Candidate selected. Start date to be established.
- Fiscal Account Clerk II. Candidate selected. Start date on December 11
- Contractual - PT Lottery Drawing Official. Closed. 2 candidates have been selected. References are being checked
- Contractual - Publications Spec I (Video Editor-Graphic Designer). Closed. Candidate selected. Start date December 18
- Accountant Advance Specialized - 2 positions. Candidates selected. Start date is January 8
- Casino Compliance Officers 2 positions Hollywood-Perryville and MD Live Locations). 3 candidates selected (2 for Perryville- 1 for MD Live). Candidates will start on December 11

VI. WAREHOUSE

The instant ticket warehouse is responsible for packing all of the instant tickets that are shipped to lottery retailers. Orders are placed through our Tel Sell operation which is run by our on-line vendor. Once the order is placed, it is sent to the warehouse for fulfillment. Once fulfilled, the orders are shipped out through UPS for overnight delivery to the agent locations. In addition to fulfilling the orders, the warehouse is responsible for monitoring UPS to ensure proper billing and delivery. Instant ticket shipping activity is as follows:

# of orders November 2013	# of packs November 2013	YTD orders 7/1/13– 11/30/13	YTD packs 7/1/13 – 11/30/13
11,244	112,848	66,549	584,864

VII. FACILITIES

- Daily maintenance inspection reports completed by staff for repairs and updates of MLGCA. Work orders forward to Building Management for repairs. Request sent to Building Management to change window blinds for areas facing the blue lot. Garbage disposal replaced in break room. Lighting throughout agency being replaced. Staff installed LED lighting around the floor to light walk ways for overnight crew members. Locks ordered for the windows in Facilities Operations and IT department. Designated storage space in warehouse for spare slot machine parts. Carpets cleaned throughout facility. Contacted vending services to replace or repair machines in break room.
- Daily Operations – Order and replace broken phones and chairs. Orders placed for monthly supplies 2014 calendars and name plates for new staff members. Daily runs to Annapolis Postal Services, Linthicum and State Office Building. New assets tagged and updated to inventory system. New asset tags ordered with bar code label. Surplus items removed from around the agency. EPD's received to surplus out dated TV monitors stored in warehouse.
- On October 30, 2013, distributed to drivers who commute in State vehicles the information for the IRS Vehicle Fringe Benefit Reporting, which covers the period November 1, 2012 through October 31, 2013. The reporting forms are due back to DBM - Fleet Administration Unit by November 20, 2013. The IRS Fringe forms were hand delivered to DBM-Fleet Administration Unit on November 19, 2013. Two remaining forms were delivered on November 20, 2013, the due date given by FAU.
- Recommending having chair railing installed in studio to prevent further damage to walls. Upon inspection during fire drill Evacuation chairs recommended for handicap and disable staff to exit stair wells (Contacted building management for assistance in acquiring equipment, otherwise agency will purchase). Need emergency eyewash station in the warehouse, should be tested annually for proper operation. Written records of the tests should be kept for review. (OSHA 1910.1450)

VIII. CONTRACT MANAGEMENT

- Contract Management continues to meet with all departments who touch or are impacted by the traditional lottery. Many employees have submitted their list of what they would like to see in the next Lottery On-Line RFP to help make their jobs more efficient, easier or more accurate. These requests will be compiled and become the basis for developing the technical specifications section of the upcoming RFP.
- Lottery testing of the new software to support the PowerBall changes is scheduled to begin on December 16, 2013. These changes to PowerBall will go into effect in January 2014.
- The deployment of the OrderPad OnePlace software and i-Pads will take place after the holidays. Servers will be installed the week of December 16, 2013.
- The Lottery presented the list of priorities for enhancements and changes to the SGI gaming systems software for the next twelve to eighteen months. The requests are being evaluated by SGI at this time. SGI will be gathering high level time estimates to implement these change which will then be discussed with the Lottery. Feedback is expected the week of December 16, 2013.
- Software requirements for the implementation of Keyless Validation of Instant Tickets have been completed. SGI is in the software development phase of Keyless Validation. The Lottery will begin testing this functionality after the PowerBall change testing has been completed.
- The Lottery has begun gathering requirements to be used for the development of an RFP for Document Imaging of the paperwork in Agent Administration and the Customer Resource Centers.
- New software was installed on all of the Player Activated Terminals (PATs) in late November. This software addressed some of the ongoing issues the Lottery has experienced with Instant Tickets not dispensing properly from the PAT. Feedback from retailers is that this fixed greatly improved the PAT's Instant Ticket dispensing capabilities.

IX. INFORMATION TECHNOLOGY

- Attended kick off meeting with Caesars to discuss IT needs and central system requirements.
- Update ***Overhead projectors and speakers have been installed in the Studio to better support meetings and presentations*** Install was delayed due to the interruption of equipment delivery.

- The final stage of testing the new Help Desk application is underway. Deployment for production use is scheduled for January of next year.
- ICS software release performed on 12/9 to decrease the size of some ICS files and to increase performance by better managing the CPU load
- Completed install of the permanent Live Scan (Fingerprinting for licensing) unit at Rocky Gap for onsite compliance staff.