

Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • Gordon Medenica, Director



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TO: Maryland Lottery and Gaming Control Commission
Gordon Medenica, Director

FROM: Gina M. Smith, Deputy Director/CFO

DIVISION: Administration, Finance and Operations

DATE: February 16, 2017

SUBJECT: Report for the February 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 337 Expanded Cashing Authority Program (XCAP) 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 07/1/15 to 12/31/2016 Count	YTD 07/1/15 to 12/31/2016 Amount	January 2017 Count	January 2017 Amount	YTD 07/01/16 to 01/31/16 Count	YTD 07/01/16 to 01/31/17 Amount
Baltimore	3,290	\$ 6,327,387.55	592	\$1,053,990.35	3,882	\$7,381,377.90
Lanham	1,251	\$5,466,360.70	231	\$912,928.65	1,482	\$6,379,289.35
XCAP	24,921	\$53,469,311.45	4,881	\$10,868,042.45	29,802	\$64,337,353.90

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 07/04/16 – 7,657 As of 01/30/2017 – 7,411

	YTD December 2016 Count	January 2017 Count	YTD 07/1/16 to 01/31/17 Count
New Applications	458	136	594
Internet	397	149	546
Renewal	3,864	1,206	5,070

Mega Millions As of 07/01/16- 16,438 As of 01/27/2017 – 15,563

	YTD December 2016 Count	January 2017 Count	YTD 07/1/16 to 01/31/17 Count
New Applications	1,145	374	1,519
Internet	659	220	879
Renewal	6,133	1,307	7,440

Withholdings

	YTD December 2016 Amount	January 2017 Amount	YTD 07/1/16 to 01/31/17 Amount
Child Support	\$94,283.01	\$7,125.52	\$101,408.53
CCU Debts	\$484,597.05	\$112,444.08	\$597,041.13

II. BUDGET

- **FISCAL YEAR 2016** – We have started the reversal of encumbrances and accruals.
- **FISCAL YEAR 2017**
 - Lottery: \$68,320,140
 - VLT Special Fund: \$9,132,860
 - VLT General Fund: \$21,770,000
- **FISCAL YEAR 2018**
 - Both hearings went well. The Legislative Analyst did not recommend any substantial cuts to our budget.
- **Promotion Fund (Unclaimed Prizes)**
 - Balance as of December, 2016 \$ 4,176,757
 - Estimated increase in January, 2017 \$ 3,838,933
 - Estimated usage in January, 2017 \$ 849,910
 - Estimated balance as of January, 2017 \$ 7,165,780

III. ACCOUNTING/FINANCE

- The November financial statements will be distributed at the February 23, 2017 meeting.

IV. PROCUREMENT

- During December a total of 56 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.
- 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 Contract included five 1-year Renewal Options for maintenance and repair services. Renewal Options #1, 2 and 3 were previously exercised with expiration February 28, 2017. Renewal Option #4, in the amount of \$1,637,000 with the term 3/1/2017 to 2/28/2018, was approved by the BPW on February 8, 2017.

- The MLGCA's existing Contract for "Televised Drawings of the Lottery's On-Line Games and Related Services (#2010-07)" with Hearst Television, Inc. dba WBAL-TV 11 expires on June 30, 2017. This contract provides for 1) The production and live television broadcast of the Drawings of the MLGCA's Draw Games and related services in the Baltimore area and beyond; 2) Promotes the televised Drawings, winning numbers, upcoming jackpots, recent Lottery winners, and other related MLGCA products and promotions; and 3) performs all other promotion and transmission activities. The MLGCA is working to finalize the RFP and it will be presented to the Commission in the near future.
- MBE/SBR Activities:
 - I. A summary of the Lottery's MBE participation including both Lottery and VLT operations is attached.

V. HUMAN RESOURCES

- HR is coordinating with the State Employee's Credit Union (SECU) to provide agency members with SECU's resources for financial advice.
- HR will continue to assist DBM with the Wellness Campaign for 2017. Employees who voluntarily participate will qualify for a co-pay waiver when visiting their primary care physician.

VI. INFORMATION TECHNOLOGY

- In the process of preparing an RFP to procure a new Lottery Internal Control System (ICS). The new system has to be implemented at the same time as the LCMCS.
- Planning to migrate the Agency's fixed asset/inventory system from the mainframe to integrate with our existing MS Dynamics system. This migration will provide for a more efficient inventory process and will have the ability to generate user-friendly reports.
- Updated the Agency's antivirus software to McAfee's latest endpoint security product.
- Replaced one of the Agency's firewalls that was out of support by the manufacturer.