

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: January 15, 2015

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 **246** 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 07/1/14 to 11/30/2014	YTD 07/1/14 to 11/30/2014	December 2014	December 2014	YTD 07/01/14 to 12/31/14	YTD 07/01/14 to 12/31/14
	Count	Amount	Count	Amount	Count	Amount
Baltimore	2,344	\$3,448,089.78	526	\$876,761.50	2,870	\$4,324,851.28
Lanham	634	\$2,730,487.10	157	\$657,352.40	791	\$3,387,839.50
XCAP	16,701	\$34,987,586.05	4,157	\$9,752,934.35	20,858	\$44,740,520.40

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 07/1/14 – 8,316 As of 12/29/2014 – 7,236

	YTD November 2014 Count	December 2014 Count	YTD 07/1/14 to 12/31/14 Count
New Applications	355	172	527
Internet	698	111	809
Renewal	3,762	457	4,219

Mega Millions As of 07/04/14- 17,649 As of 12/26/2014 – 16,713

	YTD November 2014 Count	December 2014 Count	YTD 07/1/14 to 12/31/14 Count
New Applications	958	538	1,496
Internet	1,653	326	1,979
Renewal	5,091	1,300	6,391

	YTD November 2014 Amount	December 2014 Amount	YTD 07/1/14 to 12/31/14 Amount
Child Support	\$108,336.93	\$11,883.33	\$120,220.26
CCU Debts	\$423,293.87	\$88,740.64	\$512,034.51

Agent Administration

	07/01/2014	12/31/2014
# OF AGENTS	4,492	4,540
# OF AGENT TERMINALS	5,225	5,271
# XCAP RETAILERS	231	246

II. BUDGET

- **FISCAL YEAR 2015**

See attached spending report

- **Fiscal Year 2015 Budget:**

- Lottery - \$56,251,625
- VLT General Fund - \$71,204,643
- VLT Special Fund - \$14,403,175

- **FISCAL YEAR 2014**

Continuing to monitor encumbrances so that they can be liquidated back to the proper fiscal year.

III. ACCOUNTING/FINANCE

The fiscal year 2014 CAFR is included in your package. The November financial statements will be provided at the Commission meeting.

IV. PROCUREMENT

- During December a total of 59 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.
- Lottery Central Monitoring and Control System (#2015-01): RFP to provide the design, development, implementation, operation, and maintenance of a Lottery Central Monitoring and Control System, including a Central Site System, Retailer Terminals, Software, and a Telecommunications Network to connect the Retailer Terminals to the Central Site System. This RFP, which was approved by the Commission at its December 16, 2014 meeting, was submitted to DBM for review/approval in accordance with a prior determination by DoIT that this is a Services contract to be processed under DBM oversight. Upon submission of the RFP, DoIT has reversed its position and now determined this to be an IT contract which must be processed under DoIT oversight. The Lottery is awaiting a further determination by DoIT if this contract will be classified as a Major Information Technology project. As a result, the estimated schedule contained in the RFP will not be met and a new schedule will need to be established upon receipt of a decision by DoIT.

- E-Licensing System for Casinos, Casino Employees and Vendors (#2015-05) with The Consultant's Consortium, Inc., dba TCC Software Solutions ("TCC"): New sole source contract in the NTE amount of \$569,025 for the 1 year term approximately January 9, 2015 – January 8, 2016 to provide the deployment and enhancement of the Lottery's E-Licensing System to include all licensing processes and all gaming applications for Principals, Vendors, Renewals, Manufacturers and Contractors. This Contract, which was approved by the Commission at its December 16, 2014 meeting, was submitted to DoIT for inclusion on the January 7, 2015 BPW Agenda. DoIT has disapproved the sole source determination and removed this contract from the BPW Agenda. The Lottery therefore will need to reconfigure this project as a competitive procurement and move forward as a Task Order RFP under the Statewide CATS Plus master contract.
- 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 included five 1-year Renewal Options for maintenance and repair services. Renewal Option #1 was previously exercised and expires February 28, 2015. The Lottery desires to exercise the 1-year Renewal Option #2 with the term 3/1/2015 – 2/28/2016 in the amount of \$1,545,000 to provide for the continuing maintenance and repair of the ITVMs currently in operation at Retailer locations. It is anticipated that this renewal will be presented to the Commission at its January 22, 2015 meeting and, subject to Commission approval, submitted to DBM for inclusion on the January 28, 2015 BPW Agenda.
- Auditing and Accounting Services Contract (#2009-14) with Stout, Causey & Horning, P.A.: This Contract is currently in its third and final Renewal Option period which expires June 30, 2015. An RFP for a new replacement Auditing and Accounting Services contract is in preparation and it is anticipated that it will be submitted to the Commission for review/approval at its February 2015 meeting.
- MBE/SBR Activities:
 - I. Procurement/MBE staff attended the following event: 23rd Annual Baltimore Washington Region Government + Business Procurement Fair held on November 19, 2014 at Martin's Crosswinds, Greenbelt.
 - II. A summary of the Lottery's MBE participation including both Lottery and VLT operations is attached.

V. HUMAN RESOURCES

- The Human Resources department will be rolling out training for managers and employees on the new functions processes within the new SPS Workday system.
- The Human Resources department is continuing its efforts to work with the Labor Management Committees to address labor related issues and enhance employee relations.

- Follow-up efforts will begin to disseminate information regarding the newly implemented Wellness Program.
- The Human Resources will be continuing its focus on enhance our recruitment process to attract the best candidates for open positions within the agency.

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 December 2014	# of packs December 2014	YTD orders 7/1/14– 12/31/14	YTD packs 7/1/14 –12/31/14
14,563	165,675	70,249	837,428

VII. FACILITIES

- On-going monitoring of building service issues.

VIII. CONTRACT MANAGEMENT

- The Software Requirements Specifications document for the PowerBall changes is being prepared. The new target date for the Powerball changes to go live is July 15, 2015.
- The Draft Software Requirements Specifications for the My Lottery Rewards App for smartphones and tablets has been distributed.
- Scientific Games and Tabcorp have worked on the graphics enhancements for Racetrax. The enhanced graphics are scheduled to be delivered to SGI Maryland to begin testing during the week of 1/12/15.
- The additional software reporting changes required by Wawa will be included in the upcoming Software Maintenance Release scheduled for January, 2015.

- MLGCA continues to work with Michigan, Ohio, Georgia lotteries and the Multi-State Lottery Association (MUSL) on the development of a multi-state progressive add on to the Keno game. Responses from the vendors are being reviewed at this time.
- Contract Management is working with the MLGA Licensing team and procurement to develop a software development Task Order for additional functionality needed in the e-Licensing system.

IX. INFORMATION TECHNOLOGY

- Working with accounting and procurement staff to revise the IT section of the accounting and services RFP to include an IT risk assessment. The assessment is an integral part of the Agency's recently developed IT security Plan.
- Software change initiated with SGI and Diamond Games to update bank account numbers in the NACHA (bank sweep) files.
- Planning to utilize an existing PIN to hire a second System Administrator. The addition will allow the IT division to address issues more quickly, be more proactive in system maintenance activities, and resolve a business continuity concern.