

# 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: August 7, 2014

SUBJECT: Report for the August Commission Meeting

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## **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 231 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 07/1/13 to 6/30/2014	YTD 07/1/13 to 6/30/2014	July 2014	July 2014	YTD 07/01/13 to 7/31/14	YTD 07/01/13 to 7/31/14
	Count	Amount	Count	Amount	Count	Amount
Baltimore	6,394	\$11,744,205.60	539	\$803,177.90	539	\$803,177.90
Lanham	1,754	\$7,893,769.53	153	\$660,566.90	153	\$660,566.90
XCAP	45,340	\$94,907,738.95	3,696	\$7,903,427.15	3,696	\$7,903,427.15

## 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 7/28/2014 – 8,769

	<b>YTD June 2014 Count</b>	<b>July 2014 Count</b>	<b>YTD 07/1/14 to 7/31/14 Count</b>
New Applications	1,327	72	72
Internet	625	29	29
Renewal	10,197	1,197	1,197

**Mega Millions** As of 07/01/13 24,937 As of 07/31/2014 – 17,864

	<b>YTD June 2014 Count</b>	<b>July 2014 Count</b>	<b>YTD 07/1/14 to 7/31/14 Count</b>
New Applications	6,433	258	258
Internet	1,608	103	103
Renewal	9,290	1,156	1,156

	<b>YTD June 2014 Amount</b>	<b>July 2014 Amount</b>	<b>YTD 07/1/14 to 7/31/14 Amount</b>
Child Support	\$167,615.74	\$17,428.37	\$17,428.37
CCU Debts	\$1,297,215.44	\$94,116.27	\$94,116.27

### Agent Resource

	<b>06/30/2014</b>	<b>07/01/2014</b>	<b>07/31/14</b>
# OF AGENTS	4,490	4,492	4,492
# OF AGENT TERMINALS	5,221	5,225	5,225
# XCAP RETAILERS	220	231	231

## II. BUDGET

- **FISCAL YEAR 2015**

- **Fiscal Year 2015 Budget:**

- Lottery - \$56,235,461
- VLT General Fund - \$66,319,853
- VLT Special Fund - \$19,217,000

A quarterly allocation report will be provided next month.

- **FISCAL YEAR 2014**

- See the attached spending report.
- Reversions were as follows:

Lottery:	\$355,839.55
VLT Program:	
Special Funds	\$0
General Funds	\$5,034,272.38

## III. ACCOUNTING/FINANCE

Closeout is underway. We are beginning the conversion to GAAP.

The May 2014 financial statements are included in your package.

UAT testing for ITLMS has been successfully completed.

## IV. PROCUREMENT

- During June/July a total of 73 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.
- Consulting Services For Gaming Research Contract (#2015-02) with Cummings Associates: Sole Source Contract in the amount of \$95,000 for the term June 27, 2014 – June 30, 2016 to assist and advise the Commission on various aspects of Gaming operations as directed by the Commission. This Contract, which was previously approved by the Commission at its June 26 meeting, has been approved by DBM.

- On-Line Gaming System Contract (#2005-11) with Scientific Games International, Inc.: Modification for the remaining 1 years 10 months of the Contract to provide additional technical enhancements - specifically the Contractor shall provide 124 32” flat screen Game Monitors with brackets and installation of the Monitors at 62 Retailer locations. The net amount of this modification is zero and there will be no change in the total amount of the Contract. The value of the Monitors provided will not exceed \$100,957, which the Lottery will pay to the Contractor in the form of a credit applied against Liquidated Damages ("LDs") already accrued and presently owed by the Contractor in accordance with the Contract. The Contractor has acknowledged the amount of LDs due and has agreed to accept the credit against these LDs as payment in full for the Monitors. These Game Monitors will be used to display Keno and Racetrax games in locations that currently have obsolete tube style monitors. It is anticipated that this Modification will be presented to the Commission for review/approval at its August 14 meeting. Due to time constraints, this item will be sent to the BPW for review/approval at its August 13, 2014 meeting prior to approval by the Commission.
  
- The following end of FY reports were submitted by the Lottery:
  - 1) The FY '14 MBE Waiver Report was submitted to the BPW and the Governor's Office of Minority Affairs in accordance with BPW Advisory 2003-2 which requires agencies to report all requested and granted MBE participation waivers. The Lottery had no reportable waivers for Contracts for FY '14.
  
  - 2) The FY '14 Interagency Agreements Report was submitted to DBM in accordance with BPW Advisory 2004-5 and DBM directive which requires agencies to report any Agreements involving the expenditure of more than \$100k between State agencies and/or public institutions of higher education. The Lottery had no reportable Interagency Agreements for FY '14.
  
  - 3) FY '15 Procurement Forecast was submitted to the GOMA in accordance with COMAR 21.11.03.08 (recurring contracts report), COMAR 21.13.01.03B(3) (Small Business Reserve forecasting plan) and the procurement forecast as set forth in the Governor's Memorandum dated February 27, 2014.
  
  - 4) FY '15 Preferred Providers Forecast and Strategic Plan was submitted to DGS and GOMA in accordance with HB 48/SB 1066.
  
- MBE/SBR Activities:
  - I. Procurement/MBE staff attended/are scheduled to attend the following events:
    - 1) Minority Outreach Fair sponsored by Maryland Live! Casino held on June 26, 2014.
  
  - II. Change to MBE Program; New Guidelines Regarding MBE Prime Self-Performance. When a certified MBE firm participates as a prime contractor on a contract, a procurement agency may count the distinct, clearly defined portion of the work of the contract that the certified MBE firm performs with its own forces toward

fulfilling up to fifty-percent of the MBE participation goal (overall) and up to one hundred percent of not more than one of the MBE participation subgoals, if any, established for the contract. In order to receive credit for self-performance, an MBE prime must list its firm on the MBE Participation Schedule, including the certification category under which the MBE prime is self-performing and include information regarding the work it will self-perform. For the remaining portion of the overall goal and the subgoals, the MBE prime must also identify other certified MBE subcontractors on the MBE Participation Schedule used to meet those goals or request a waiver.

III. A summary of the Lottery's MBE participation including both Lottery and VLT operations is attached.

## V. **HUMAN RESOURCES - Recruitment Report**

The following activities occurred regarding Personnel:

- Administrative Officer II – Security Division. Candidate interviews are being conducted to fill four vacancies. We anticipate a start date at the end of August.
- Casino Compliance - Six Casino Compliance Representatives were hired in June for the Casino Compliance Representative positions and 10 additional offers were accepted to fill vacancies for the Horseshoe Casino beginning the first week of August. The Casino Compliance Deputy Manager's position has been filled. Recruitment efforts are underway to fill additional Casino Compliance Representative and Supervisor positions.
- Administrator II – VLT. Four candidates selected, two of which have already started. Additional recruitment efforts are being made to fill three more vacancies.
- Administrative Officer II – Creative Services. An employee has been hired for this position.
- Other recruitment activity in progress – Lottery Sales Representative I, Administrative Support Positions (2), Internal Auditor Program Supervisor, Internal Auditor II, Responsible Gaming Program Coordinator, Director of Strategic Planning, Director of Project Planning, and Instant Ticket Product Manager.

## 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:

YTD orders 7/1/13– 6/30/14	YTD packs 7/1/13 – 6/30/14	# of orders July 2014	# of packs July 2014	YTD orders 7/1/14– 7/31/14	YTD packs 7/1/14 – 7/1/14
163,213	1,563,611	14,612	140,418	14,612	140,418

## VII. FACILITIES

- On-going monitoring of building service issues. Completed the relocation of the Security Division and the Human Resources Division.

## VIII. CONTRACT MANAGEMENT

- Contact Management and the Director of Procurement are working on drafting the Draw Games RFP. We are currently on schedule for completion by the agreed upon date.
- The Racetrax graphics changes are being worked on by Scientific Games and their vendor Tabcorp. These changes are currently scheduled for release in August of 2014.
- My Lottery Rewards for On-Line tickets went live on June 23, 2014. There has been a large spike in new users joining My Lottery Rewards since On-Line tickets became eligible for entry.
- SGI testing of the changes required to meet the Wawa's reporting needs has begun. MLGCA testing is scheduled to start during the week of August 4, 2014. The target date for having this reporting functionality and terminal software changes to be fully deployed is September 1, 2014.
- SGI has begun development of the software necessary to support the new national game set to launch in October of 2014, Monopoly Millionaires Club. MLGCA continues to work with Scientific Games, MDI and MUSL to assure that all aspects of this game are understood and covered by the software requirements documents.
- The requirements gathering for the development of an RFP for Document Imaging continues. This process is expected to take several months.
- Contract Management is working with MLGCA staff and SGI to identify issues in the new retailer install process. Several installations over the last several months have not been completed as scheduled for a number of different reasons. We are identifying

those reasons and putting processes in place to identify the issues earlier in the process, allowing us to better serve our retailer network.

## **IX. INFORMATION TECHNOLOGY**

- Instant Ticket Lottery Machine (ITLM) Project –
  - Staff completed latest phase of UAT on 8/1/14
  - GLI product certification testing is in progress, testing should be completed by 8/8/14
  - Go-live is scheduled for early September
  - Working with Diamond IT staff to test connectivity, and system processes in regard to iLMS host.
- Hired IT Technical Support Specialist. The position will support project coordination, business analyst functions, and also be available as a backup to the network and systems team.
- Ongoing issue with stability of the Keno and Racetrax websites. Working with Creative Services to develop and implement a new solution; the new applications should be implemented within 4-6 months.
- Working with the contract management staff, SGI, and MUSL to prepare for the new Monopoly Lottery game. The game requires minor changes in the draw process which are used by the computer operations staff.
- Legislative audit.
- Data processing staff is working with the sales division and agent administration to process sales territory changes. The staff is also providing support for changes required for the addition of the Wawa corporate account.
- The State circuit for network connectivity to Caesars/Horseshoe casino has been installed. Currently working on final configurations of PCs, etc... for Lottery staff to begin working in our casino offices.