

Maryland Lottery and Gaming Control Agency

Martin O'Malley, Governor • Stephen Martino, Director



Montgomery Park Business Center
1800 Washington Blvd., Suite 330
Baltimore, Maryland 21230

Tel: 410-230-8800
TTY users call Maryland Relay
www.mdlottery.com

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

FROM: Gina M. Smith, Deputy Director/CFO

DIVISION: Administration, Finance and Operations

DATE: October 16, 2014

SUBJECT: Report for the October 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 **239** 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 8/31/2014	YTD 07/1/14 to 8/31/2014	September 2014	September 2014	YTD 07/01/14 to 9/30/14	YTD 07/01/14 to 9/30/14
	Count	Amount	Count	Amount	Count	Amount
Baltimore	1,011	\$1,590,898.88	527	\$615,843.60	1,538	\$2,206,742.48
Lanham	242	\$1,023,137.80	111	\$510,839.70	353	\$ 1,533,977.50
XCAP	6,885	\$14,430,718.25	3,151	\$6,563,474.45	10,036	\$20,994,192.70

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 9/29/2014 – 8,175

	YTD August 2014 Count	September 2014 Count	YTD 07/1/14 to 9/30/14 Count
New Applications	149	77	226
Internet	74	36	110
Renewal	1,775	695	2,470

Mega Millions As of 07/04/14- 17,649 As of 09/26/2014 – 15,982

	YTD August 2014 Count	September 2014 Count	YTD 07/1/14 to 9/30/14 Count
New Applications	454	206	660
Internet	248	83	331
Renewal	1,641	711	2,352

	YTD August 2014 Amount	September 2014 Amount	YTD 07/1/14 to 9/30/14 Amount
Child Support	\$44,120.03	\$22,974.90	\$67,094.93
CCU Debts	\$171,437.13	\$79,926.50	\$251,363.63

Agent Resource

	07/01/2014	9/30/2014
# OF AGENTS	4,492	4,474
# OF AGENT TERMINALS	5,225	5,205
# XCAP RETAILERS	231	239

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**

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

III. ACCOUNTING/FINANCE

The June financial statements are included in your package as well as the GAAP statements. The July financial statements will be distributed at the next meeting.

IV. PROCUREMENT

- During September a total of 68 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.
- Video Lottery Terminals and Related Services Master Contract (#2009-12) with nine VLT manufacturers/Master Contractors for the five-year term 4/9/2010 – 3/31/2015 in the total NTE amount of \$400 million to provide the lease or purchase, installation, implementation, support and maintenance of VLTs for the Facilities specified in the gaming law. This 5-year Renewal Option for the Ocean Downs and Rocky Gap Facilities, which was approved by the Commission at its September 25, 2014 meeting, has been submitted to DoIT and is scheduled for review/approval by the BPW at its October 15, 2014 meeting.
- Sports, Venue and Event Sponsorship Services (#2015-03): RFP for a new contract to provide sports marketing media services to the Lottery. This contract is anticipated to be for a term of approximately 1.5 years, tentatively beginning on or about December 19, 2014, and with a NTE amount of approximately \$3 million. This RFP, which was approved by the Commission at its September 25, 2014 meeting, was issued on October 1, 2014; the Pre-Proposal Conference is scheduled for October 9; and Proposals are due on October 24, 2014.

- MBE/SBR Activities:

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

- 1) 2014 Minority Enterprise Development Week – Promoting Supplier Diversity and Inclusion in Baltimore, City of Baltimore Procurement Fair, scheduled to be held October 20, 2014 at the Hilton Baltimore.
- 2) MBE University & Prince George’s County Conference & Expo, scheduled to be held November 12, 2014 at the College Park Marriott & Conference Center.

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

V. HUMAN RESOURCES

- The Human Resources department has been continuing its efforts with the Department of Budget and Management and agency to prepare all employees for the State Personnel System’s (SPS) November 14th go live date. SPS will be a centralized Human Resource system providing a gateway to personnel information for State employees. The new SPS system will provide:
 - Personnel-related reporting and robust business analytics.
 - A centralized HR/Benefits/Time Tracking system.
 - Employee self-service access for benefits administration and profile updates.
 - Audit capabilities to comply with the State’s Security policies.
 - Role based security to access all data and functionality.
 - Employees with unique identification numbers to eliminate the need to use social security numbers.
 - Cross functionality of records which eliminates the need for multiple tracking systems and duplicate points of data entry.
- Human resources continues its evaluation of position classifications and compensation to ensure a more effective and efficient workforce.
- Recruitment efforts during the month of September have resulted in the hiring of a new Controller, three management level positions, and employees within the Gaming and Enforcement sections of the agency.
- Human Resources will begin conducting collaborative agency wide training during the month of October to enhance the professional standards and the overall performance of employees. The training efforts will target employees at the management and supervisory levels with a focus on conflict resolution as well as conducting performance evaluations of subordinates.

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 September 2014	# of packs September 2014	YTD orders 7/1/14– 9/30/14	YTD packs 7/1/14 – 9/30/14
14,125	135,005	41,533	398,738

VII. FACILITIES

- On-going monitoring of building service issues.

VIII. CONTRACT MANAGEMENT

- Contact Management and the Director of Procurement continue to work on the draft copy of the Draw Games RFP. This RFP will include the input and recommendations provided by MLGCA staff.
- Changes to the PowerBall game were approved by the Directors in early October. SGI is developing the Software Requirements Specifications document for Lottery review. This change is scheduled to go live on April 15, 2015. This will most likely impact other items already on the Software Development schedule.
- The tentative Software Development and Testing schedule, which covers activities through June of 2015 has been developed and is being reviewed. This will be discussed and updated during the weekly Lottery / SGI meetings.
- Improvement to Racetrax graphics, making them HD, are being discussed with Scientific Games Inc. (SGI) and Tabcorp the company that developed the Racetrax game.
- Installation for all but two of the Wawa stores is complete. These two locations are undergoing remodeling and/or construction. The additional software reporting changes

required by Wawa will be included in the upcoming Software Maintenance Release scheduled for January, 2015.

- Monopoly Millionaires Club testing continues. The software is being downloaded to the terminals the week of 10/13/14. We are ready for the launch on Sunday 10/19/14.
- The retrofits to the PATs in the field to allow them to cash instant tickets with the Keyless Validation barcode is nearly complete. There are less than 10 PATs left to upgrade.
- MLGCA continues to work 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. The RFP was distributed and questions from the vendors have been received. The questions are being reviewed the week of October 13, 2014 and answer will be sent back out to the vendors. Game rule review is also underway.

INFORMATION TECHNOLOGY

- Working on changing the Agency's backup strategy, and implementing a cloud solution.
- Vendor for the development of a new Keno/Racetrax web, and mobile applications has been identified. The new sites are scheduled to be live by 2/1/15.
- Completed the agency's FY16 DoIT Information Technology Master Plan.
- Monopoly Lottery Game – continue to prepare for the launch of the game. Two mock drawings have been performed, and one more is scheduled for Friday, 10/17. The process is still being refined; the first official drawing is scheduled for 10/24.
- The Department of Information Technology (DoIT) cyber-security vulnerability assessment and network penetration test has been completed. At this time, there were no significant security issues identified. The scope of the test included network security, and application testing for hosted websites.
- Implemented a new file server with increased storage. All agency files that were previously distributed across multiple servers will reside in a single location. User files for gaming employees will be migrated over the next two weeks.