

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 6, 2012

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 198 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 07/01/12 to 10/31/12	YTD 07/01/12 to 10/31/12	NOVEMBER 2012	NOVEMBER 2012	YTD 07/1/12 to 11/30/12	YTD 07/1/12 to 11/30/12
	Count	Amount	Count	Amount	Count	Amount
Baltimore	2,314	\$3,186,067.64	462	\$663,925.25	2,776	\$3,849,992.89
Lanham	564	\$2,490,715.38	82	\$331,106.50	646	\$2,821,821.85
Agent Plus	13,554	\$28,277,880.75	2,774	\$5,054,233.00	16,328	\$33,332,113.75

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 07/1/12 – 9,860 As of 11/30/2012 – 8,960

	YTD OCTOBER 2012 Count	NOVEMBER 2012 Count	YTD 07/1/12 to 11/30/12 Count
New Applications	400	147	547
Internet	294	50	344
Renewal	4,490	898	5,388

Mega Millions As of 07/1/12 –24,937 As of 11/30/2012 – 22,148

	YTD OCTOBER 2012 Count	NOVEMBER 2012 Count	YTD 07/1/12 to 11/30/12 Count
New Applications	1,114	197	1,311
Internet	582	143	725
Renewal	6,613	1,748	8,361

	YTD OCTOBER 2012 Amount	NOVEMBER 2012 Amount	YTD 07/1/12 to 11/30/12 Amount
Child Support	\$113,013.79	20,972.51	281,538.99
Restitution	\$456,202.42	60,338.90	1,209,929.75

Agent Resource

	07/01/2012	11/30/2012
# OF AGENTS	4,260	4,320
# OF AGENT TERMINALS	5,040	5,073
# AGENT PLUS LOCATIONS	193	198

II. BUDGET

- **FISCAL YEAR 2014**

A meeting was held on November 28, 2012, with Department of Budget and Management (DBM) to discuss our FY2014 budget submission.

Our submission was as follows:

Lottery Program: \$ 56,724,000

VLT Program:

Special Funds \$ 13,405,240

General Funds \$ 84,794,000

Total Budget \$154,923,240

In addition to our baseline request, we submitted over the target requests as follows:

Lottery \$4.6 million in additional advertising funds – request denied

Lottery Additional positions:
3 contractual conversions – approved
1 communications specialist – approved
1 game monitor manager – denied
1 communications staff - denied

- **FISCAL YEAR 2013**

The budget allowance is as follows:

Lottery Program: \$ 54,341,759

VLT Program:

Special Funds \$184,745,750

General Funds \$ 72,856,632

Total Budget \$311,944,141

- **FISCAL YEAR 2012**

Beginning the monitoring of the liquidation of encumbrances and accruals.

- **FISCAL YEAR 2011**

All encumbrances were liquidated with the exception of one totaling \$50,000. This encumbrance was carried forward into Fiscal Year 2013.

III. ACCOUNTING/FINANCE

Working on the completion of the CAFR.

IV. PROCUREMENT

- During November a total of 63 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.
- Licensing Contract (#2013-06) for "The Price is Right" with MDI Entertainment, LLC: New sole source Contract in the NTE amount of \$621,300 (based on 3.3% of total sales) to provide license to use The Price is Right marks/logos for an Instant Ticket Game and related prizes (\$5.00 ticket; quantity=3,120,000). This Contract, previously approved by the Commission, was approved by the BPW on November 14, 2012.
- The Procurement Director attended the bi-monthly meeting of the Senior Procurement Advisory Group conducted by the Department of Budget & Management on November 15. Topics included updates on procurement related Regulations, the recently awarded contract for statewide Procurement Improvement Review, update on statewide contracts and BPW submission dates/procedures, and a presentation by the Department of Human Services on Hiring Agreements.
- Regulations: Status of Regulations approved by the Commission at its meeting on:
 - 1) July 26, 2012:
14.01.10.18 Hearings, and 14.01.12.04 Transportation; Final Action for Permanent published in Register on November 16. Regulations become effective 10 days after date of publication.
 - 2) August 23, 2012:
14.01.14.04 Content of Internal Controls, 14.01.14.08 Record Retention, 14.01.14.37 Promotional Play, 14.01.14.38 Ticket Redemption Unit, 14.01.14.45 Count Room Design Standards, and 14.01.14.50 Internal Audit Department Standards (New); Submitted for Final Action on November 19 and anticipate publication in Register in early December. Regulations become effective 10 days after date of publication.

- MBE/SBR Activities:
 - 1) Events attended or scheduled by the Procurement and MBE/SBR staff in accordance with the Lottery's Annual MBE/SBR Strategic Plan as required by GOMA:
 - a) Minority and Women-Owned Business Expo and Symposium of 2012 sponsored by the Maryland Washington Minority Contractors Association, Inc. held on October 31 at the BWI Hilton.
 - b) 21st Annual Baltimore-Washington Region Government Procurement Fair held on November 28.
 - 2) A summary of the Lottery's MBE participation through October is attached including both Lottery and VLT operations.

V. **HUMAN RESOURCES - Recruitment Report**

As discussed at the last Commission meeting, the Board of Public Works approved 44 additional positions. DBM budget has recently released all of the PINs to the Agency. We have held interviews for all of the Licensing Specialist positions and are in the process of making offers. We hope to have employees start within the next couple of weeks.

For the other positions, managers are working on job descriptions so that the descriptions can be sent to DBM personnel for proper classification.

The following activity occurred regarding Personnel:

- Accountant Advanced – Offer made and accepted. Candidate started on November 28.
- Computer Operator II – Internal Candidate selected. Start date is December 12.
- Supply Officer III – Contractual Internal Candidate Selected. Start date to be determined.
- VLT Compliance Officers – All positions are filled. Recruitment is open and continuous.
- Contractual Lottery Representative I – Closed on October 22. Interviews are scheduled for the week of December 3.
- Lottery Representative I – Closed on October 22. Interviews are scheduled for the week of December 3.
- Licensed Security Specialist – Closed on October 19. Interviews are scheduled for December 5.
- Casino Compliance Officer Lead- Interviews scheduled week of November 26.

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 2012	# of packs November 2012	YTD orders 7/1/12– 11/30/12	YTD packs 7/1/12 – 11/30/12
15,386	140,162	67,075	626,274

VII. FACILITIES

- Daily departmental support.
- We are in the process of procuring additional space to house all of the additional employees that will be joining us. Currently, we are procuring temporary space in the building for the new Licensing Specialists. It is anticipated that we will move into this space by January 1. At the same time, we are working to procure permanent space with the overall goal of moving all Gaming employees into the new space. Currently, it appears that we will be leasing approximately 12,000 additional square feet of space.

VIII. LEGISLATIVE UPDATE

- No additional updates at this time.