

# 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: June 20, 2013

SUBJECT: Report for the June 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 **203** 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 4/30/13	YTD 07/01/12 to 4/30/13	MAY 2013	MAY 2013	YTD 07/1/12 to 5/31/13	YTD 07/1/12 to 5/31/13
	Count	Amount	Count	Amount	Count	Amount
Baltimore	5,417	\$8,488,767.64	615	\$1,077,993.75	6,032	\$9,566,761.39
Lanham	1,380	\$5,991,428.60	182	\$864,998.00	1,562	\$6,856,426.60
Agent Plus	33,954	\$68,743,148.50	4,429	\$9,178,065.50	38,383	\$77,921,214.00

**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 5/31/2013 – 8,933

	<b>YTD APRIL 2013 Count</b>	<b>MAY 2013 Count</b>	<b>YTD 07/1/12 to 5/31/13 Count</b>
New Applications	1,147	92	1,239
Internet	743	63	806
Renewal	11,177	714	11,891

**Mega Millions** As of 07/1/12 –24,937 As of 5/31/2013 – 22,001

	<b>YTD APRIL 2013 Count</b>	<b>MAY 2013 Count</b>	<b>YTD 07/1/12 to 5/31/13 Count</b>
New Applications	2,269	264	2,533
Internet	1,585	170	1,755
Renewal	16,475	1,902	18,377

	<b>YTD APRIL 2013 Amount</b>	<b>MAY 2013 Amount</b>	<b>YTD 07/1/12 to 5/31/13 Amount</b>
Child Support	\$404,217.76	\$31,240.95	\$435,458.71
CCU Debts	\$1,699,095.06	\$113,068.73	\$1,812,163.79

Subscriptions will be significantly affected with the changes that are coming to Mega Millions. We are currently working on a plan which will provide existing subscribers with the option to continue their current subscription or request a refund. In addition, in the very near future we will stop processing subscription renewals.

**Agent Resource**

	<b>07/01/2012</b>	<b>5/31/2013</b>
# OF AGENTS	4,260	<b>4,442</b>
# OF AGENT TERMINALS	5,040	<b>5,163</b>
# AGENT PLUS LOCATIONS	193	<b>203</b>

**II. BUDGET**

• **FISCAL YEAR 2014**

The final approved budget was as follows:

**Lottery Program:** \$ 55,948,446

**VLT Program:**

Special Funds \$ 13,462,265

General Funds \$ 86,476,648

Total Budget \$155,887,359

• **FISCAL YEAR 2013**

The budget allowance is as follows:

**Lottery Program:** \$ 54,444,985

**VLT Program:**

Special Funds \$184,745,750

General Funds \$ 72,874,387

Total Budget \$312,065,122

Refer to the last page of this report for the quarterly spending report.

At the close of the session, the deficiency appropriation was received in the amount of \$1,991,062.

We are in the process of finalizing spending for the fiscal year.

- **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**

The March 2013 financial statement is included in your package.

Participated in the review of the Mega Millions Finance and Operations procedures for the changes to the Mega Millions game.

### **IV. PROCUREMENT**

- During May a total of 48 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 (#2014-01) with the Baltimore Ravens Limited Partnership: New sole source contract in the NTE amount of \$596,900 for the 2.5 year term May 31, 2013 – November 30, 2015 to provide 1) a license to use the Ravens NFL team marks and logos for an Instant Ticket Lottery Game and 2) Ravens and NFL football related prizes. This Contract, approved by the Commission at its May 23 meeting, was approved by the BPW on its May 29, 2013 Agenda.
- Auditing and Accounting Services Contract (#2009-14) with Stout, Causey & Horning, P.A. for the term 7/1/2009 – 6/30/2012 in the total amount of \$484,500: Three 1-year renewal options were available on the original Contract. The first renewal option in the amount of \$169,500 for the term 7/1/2012 – 6/30/2013 has been previously exercised. The second renewal option for the Contract in the amount of \$182,500 for the term 7/1/2013 – 6/30/2014, previously approved by the Commission at its May 23 meeting, was approved by DBM on June 7, 2013.
- Instant Ticket Games and Related Services Contract (#2006-01) with Pollard Banknote Limited Partnership (Primary Contractor) and Scientific Games International, Inc. (Secondary Contractor):

- 1) RFP (#2013-01) for a new replacement contract was issued on January 29 and proposals were received by the due date of April 5, 2013 and are under evaluation by the Evaluation Committee. Site Visits to the Offerors' business locations were completed during the period May 22 – June 3. It is anticipated that recommendation for award of this Contract will be submitted to the Commission for review/approval at its June 27 meeting and, subject to Commission approval, to DBM for inclusion on the July 24, 2013 BPW Agenda.
  - 2) The original Contract contains a provision that at the expiration of this Contract the Lottery shall have the unilateral right to extend the Contract on a month-to-month basis for a maximum additional period of up to six (6) months in order to facilitate the conversion and transition to a follow-on Instant Ticket contractor. This extension for a period of two months for the Primary Contractor – Pollard Banknote Limited Partnership commencing on 7/1/2013 and ending on 8/31/2013 with an estimated Not-To-Exceed amount of \$975,000, previously approved by the Commission at its May 23 meeting, was approved by the BPW on its May 29, 2013 Agenda. The Lottery reserves the unilateral right to further extend the Contract as necessary up to the maximum total additional period of six (6) months as specified in the original Contract.
- Advertising, Research & Public Relations Services Contract (#2007-01) for four Functional Areas ("FA") with GKV Communications, Inc. (FA#1 - Creative); Trahan, Burden & Charles, Inc. (FA#2 – Media and FA#3 - PR/Communications); and Crestwood Associates (FA#4 – Research): RFP (#2013-02) for a new replacement contract was issued on February 28 and proposals were received by the due date of April 26, 2013 and are under evaluation by the Evaluation Committee. It is anticipated that recommendation for award of this Contract will be submitted to the Commission for review/approval at its June 27 meeting and, subject to Commission approval, to DBM for inclusion on the July 3, 2013 BPW Agenda.
  - UNISYS Hardware Replacement, License of Software, and Maintenance Contract (#2013-09) with Potomac Information Systems: New sole source contract in the NTE amount of \$474,818 for the 3 year term June 14, 2013 – June 13, 2014 to provide hardware, license of software, and installation and maintenance services to replace the Lottery's UNISYS production and backup computer systems with UNISYS Clearpath Libra 460 servers. The existing UNISYS backup system will not be supported or licensed as of June 30, 2013 and the existing production system will not be supported after June 30, 2014. This system is used for critical business functions of the Lottery. It tracks and reports on sales, subscriptions, and processes Retailer and accounting transactions. Potomac is the only vendor authorized by UNISYS to provide pricing for the Lottery and UNISYS, similar to other IT organizations, only allows assigned partners the right to sell their licenses. This contract, previously approved by the Commission at its May 23 meeting, was approved by the BPW on its June 12, 2013 Agenda.

- Regulations: Status of Regulations approved by the Commission at its meeting on:

1) December 13, 2012:

36.03 Gaming Provisions; 36.05 (.01 - .05) Table Games: All new Regulations submitted to AELR as both emergency and permanent regulations on January 7, 2013. 36.06 Electronic Gaming Devices; 36.07 Instant Bingo Machines in Anne Arundel and Calvert Counties: All new Regulations submitted to AELR as permanent regulations on January 10, 2013.

Permanent regulations 36.06 published in Register on February 22 and now eligible for submission for Final Action but is on indefinite hold due to issues raised in public comments.

Permanent regulations for 36.07 published in Register on March 8 and now eligible for submission for Final Action but is on hold for revisions.

Permanent regulations for 36.03 and 36.05 (.01-.05) published in Register on March 22:

- 36.03 is eligible for submission for Final Action but is on hold
- 36.05 (.01-.05) submitted for Final Action on May 23, 2013; Regulations become effective 10 days after publication of Final Action in Register.

Emergency regulations for 36.03, 36.04 and 36.05 (.01 - .05) approved by AELR on March 1, 2013. Published in Register on March 22, 2013, with effective date of March 1, 2013 and expiration date of July 20, 2013.

2) January 24, 2013:

36.05 (.06 - .14) Table Games: All new Regulations submitted to AELR as both emergency and permanent regulations on February 5, 2013.

Permanent regulations approved by AELR and published in Register on April 5. Submitted for Final Action on May 23, 2013; Regulations become effective 10 days after publication of Final Action in Register.

Emergency regulations for 36.05 (.06 - .14) approved by AELR and published in Register on April 5, with effective date of March 1, 2013 and expiration date of August 13, 2013.

3) February 26, 2013:

36.05.15 Pai Gow Tiles Rules: All new Regulations submitted to AELR as both emergency and permanent regulations on March 28, 2013. Permanent regulations were submitted to DSD on April 15 for publication in the Register and published on May 3. After expiration of 45 day public comment period, it is anticipated that regulations will be submitted for Final Action on June 18. Regulations become effective 10 days after publication of Final Action in Register. Emergency regulations approved by AELR and published in Register on May 31, 2013, with effective date of May 8, 2013 and expiration date of October 11, 2013.

4) March 28, 2013:

36.05.16 Ultimate Texas Hold ‘Em Rules and 36.05.17 Mini Baccarat Rules: All new Regulations submitted to AELR as both emergency and permanent regulations on April 2, 2013. Permanent regulations were published in Register on May 17. After expiration of 45 day public comment period, it is anticipated that regulations will be submitted for Final Action on July 3. Regulations become effective 10 days after publication of Final Action in Register. Emergency regulations approved by AELR and published in Register on May 31, 2013, with effective date of May 8, 2013 and expiration date of October 11, 2013.

36.03.04 Gaming – Enforcement: Substitute regulations submitted to AELR as both emergency and permanent regulations on April 9, 2013. Permanent regulations were published in the Register on May 17. After expiration of 45 day public comment period, it is anticipated that regulations will be submitted for Final Action on July 3. Regulations become effective 10 days after publication of Final Action in Register. (Note: The previous version of this chapter approved by Commission on December 13, 2012 is being withdrawn and replaced by this version due to required substantive changes.)

5) April 26, 2013:

36.07 Instant Bingo Machines in Anne Arundel and Calvert Counties: Revised 36.07.01 - .07 pending preparation and submission as both Emergency and Permanent regulations. The previous version of this chapter approved by Commission on December 13, 2012 is being withdrawn (36.07.01 - .04) and replaced by this version due to required substantive changes.

36.03.02.12 - .14 Gaming Provisions/Investigation and Licensing: Revised regulations pending preparation and submission as both Emergency and Permanent regulations. The previous versions of these regulations approved by Commission on December 13, 2012 are being withdrawn and replaced by this version due to required substantive changes.

6) May 23, 2013:

36.03.01.02 Definitions; 36.03.10.36 Promotional Play; and 36.03.10.49 Acceptance of Tips and Gratuities: Pending preparation and submission as both Emergency and Permanent regulations.

- VLT Program:

1) RFP for "Video Lottery Operation License in Prince George’s County #2013-0101": RFP (#2013-0101): The proposals received from three Applicants are under preliminary review.

2) The Location Commission has scheduled its next meeting on June 25, 2013 at 1:00 p.m. at the Lottery’s studio.

- MBE/SBR Activities:

- 1) A summary of the Lottery's MBE participation including both Lottery and VLT operations will be provided to the Commission at its meeting on June 27.

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

The following activities occurred regarding Personnel:

- Internal Auditor II- Rocky Gap and MD Live. Interviews scheduled for the week of June 10.
- Office Secretary I- (Lottery Security Division) - Recruitment underway.
- Administrative Officer I- Closed June 3. Applications are being reviewed.
- VLT Compliance Officers – New PINS. Interviews are being scheduled for both Rocky Gap and MD Live Casinos for the week of June 10.
- Computer Network Specialist Supervisor. Closed. Internal Candidate Selected. Start date was June 5.
- IT Staff Specialist Supervisor. Closed. Internal Candidate Selected. Start date is July 24.
- Computer Network Specialist. Closed. Applications are being reviewed by hiring manager. Interviews scheduled the week of June 24.
- VLT- Licensing Specialist Assistant Manager- Internal Posting only. Closes June 14.
- Building Services Manager – Closed. Applications are being reviewed by Hiring 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:

<b># of orders May 2013</b>	<b># of packs May 2013</b>	<b>YTD orders 7/1/12– 5/31/13</b>	<b>YTD packs 7/1/12 – 5/31/13</b>
13,702	131,671	136,214	1,409,277

**VII. FACILITIES**

- In the process of soliciting and evaluating bids for the Agency’s copiers.
- Daily departmental support.

**VIII. CONTRACT MANAGEMENT**

- The Properties Plus program went live on June 3, 2013. As of June 17, 2013 there are 6,614 people enrolled with a total of 1,679,460 points entered. A planning session is scheduled for June 25, 2013 to discuss the release of Version 2 of the software which will include the integration of more mobile device functionality.
- The Lottery continues to work with SGI to resolve the installation issues identified during the meetings with the Sales. Resolution of all issues is anticipated by August, 2013.
- The Lottery and SGI continue to work on the new version of the Pre-Site form. We are going through our fifth round of revisions to this form as we try to make it as all encompassing as possible.
- The Dunning Letter software testing is set to begin during the week of June 17, 2013. Once testing is completed, this software will be moved to production, hopefully by the end of June, 2013. The time keeping software that will allow the VLT licensing division to track their time spent on VLT background investigations is in the development stage. The VLT division had their first look at this software in early June, 2013.
- The Lottery and SGI are working on the software release schedule for the next 12 months. The specifications for the changes needed for the Mega Millions change scheduled for October 2013 have been completed. The Lottery and SGI are meeting on June 18, 2013 to discuss the next game changes we wish to implement. This will most likely be additional bet types and changes to Racetrax graphics.
- The UAT Team continues to test the new releases of SGI software for both the Extrema and PAT terminals before their deployment. We have deployed two versions of Extrema and PAT software in the last 30 days.

## **IX. INFORMATION TECHNOLOGY**

- Alex Rasch a Network Specialist, has been promoted into a supervisory role over the network and system administration team, and there are now two Network Specialist positions open. Interviews for these positions will occur between June 17 and July 12.
- BPW approved the Unisys equipment replacement contract. Planning for the migration is underway.
- ICS software release scheduled for June 23 to address MUSL Rule 2 requirements.
- Preparation in progress to address changes for the Mega Millions matrix change.
  - Consideration given to subscriptions and back office systems/programs