

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: September 18, 2014

SUBJECT: Report for the September 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 236 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 7/31/2014	YTD 07/1/14 to 7/31/2014	August 2014	August 2014	YTD 07/01/14 to 8/31/14	YTD 07/01/14 to 8/31/14
	Count	Amount	Count	Amount	Count	Amount
Baltimore	539	\$803,177.90	472	\$787,720.98	1,011	\$1,590,898.88
Lanham	153	\$660,566.90	89	\$362,570.90	242	\$ 1,023,137.80
XCAP	3,696	\$7,903,427.15	3,189	\$6,527,291.10	6,885	\$14,430,718.25

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 8/25/2014 – 8,136

	YTD July 2014 Count	August 2014 Count	YTD 07/1/14 to 8/31/14 Count
New Applications	72	77	149
Internet	29	45	74
Renewal	1,197	578	1,775

Mega Millions As of 07/04/14- 17,649 As of 08/29/2014 – 16,475

	YTD July 2014 Count	August 2014 Count	YTD 07/1/14 to 8/31/14 Count
New Applications	258	196	454
Internet	103	145	248
Renewal	1,156	485	1,641

	YTD July 2014 Amount	August 2014 Amount	YTD 07/1/14 to 8/31/14 Amount
Child Support	\$17,428.37	\$26,691.66	\$44,120.03
CCU Debts	\$94,116.27	\$77,320.86	\$171,437.13

Agent Resource

	07/01/2014	8/31/2014
# OF AGENTS	4,492	4,480
# OF AGENT TERMINALS	5,225	5,211
# XCAP RETAILERS	231	236

II. BUDGET

- **FISCAL YEAR 2015**

See attached spending report

- **Fiscal Year 2015 Budget:**

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

- **FISCAL YEAR 2014**

- Reversions were as follows:

Lottery: \$355,839.55

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

III. ACCOUNTING/FINANCE

GAAP statements have been submitted to Stout for review in order to meet the October 1st deadline.

IV. PROCUREMENT

- During August 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.
- On-Line Gaming System Contract (#2005-11) with Scientific Games International, Inc.: Modification for the remaining 1 year 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. This Modification, which was previously approved by the Commission at its July 24 meeting, was approved by the BPW at its August 13, 2014 meeting.
- 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. There is one 5-year Renewal Option available on this contract. The Gaming Law was subsequently revised effective March 31, 2015 to remove the responsibility to own or lease the VLTs from the MLGCC and to require that each VLT Facility, except for Ocean Downs and Rocky Gap, acquire its own VLTs. Therefore, during the Renewal Option period this Contract will be used by the MLGCC only for VLTs for the Ocean Downs and Rocky Gap Facilities. As part of the transition of responsibility for VLTs from the MLGCC to the Facilities, the MLGCC will dispose of most of the VLTs at Ocean Downs and Rocky Gap that are presently owned by the State and will replace them with leased VLTs. There will also be a need for the maintenance and upgrade of the VLTs at Ocean Downs and Rocky Gap over the term of the Renewal Option. It is anticipated that this renewal option will be submitted to the Commission for review/approval at its September 25, 2014 meeting and, subject to Commission approval, to DoIT for inclusion on the October 15, 2014 BPW Agenda.

- Media Services – Sports Marketing (#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. This RFP is currently in preparation and is anticipated to be submitted to the Commission for review/approval at its September 25, 2014 meeting.

- The following end of FY report was submitted by the Lottery:

1) FY '15 Preferred Providers Report was submitted to DGS and GOMA in accordance with HB 48/SB 1066.

- MBE/SBR Activities:

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

V. HUMAN RESOURCES

- Human Resources has been working closely with the Department of Budget and Management 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.
- Also, recruitment efforts during the month of August have resulted in the hiring of 14 Casino Compliance Representatives, four Licensing Specialists, two Administrative Officers in the Security Division, and one Lottery Representative in the Sales Department. Additional efforts are underway to recruit the best qualified candidates for other open positions within the agency.
- In the upcoming weeks, Human Resources will begin conducting refined agency wide training in an effort to further enhance the professional standards and the overall performance of employees.

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	# of packs	YTD orders	YTD packs
August 2014	August 2014	7/1/14– 8/31/14	7/1/14 – 8/31/14
12,796	123,315	27,408	263,733

VII. FACILITIES

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

VIII. CONTRACT MANAGEMENT

- Contract 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.

- The Racetrax graphics were updated to reflect the old Last 20 Races screen. Additional graphic changes are being discussed with Scientific Games Inc. (SGI) and Tabcorp the company that developed the Racetrax game.
- All testing in preparation for the deployment of Lottery in all Wawa locations was completed in August. Installation of Lottery equipment in the Pilot Wawa location was done on September 2, 2014. After a short trial period at two stores, full deployment at all Wawa stores was approved. All Wawa installations are scheduled to be completed by the end of September 2014.
- SGI has begun Operations Testing on the software changes needed to support the new Monopoly Millionaires Club game launching in October of 2014. MLGCA User Acceptance Testing is scheduled to start on September 19, 2014. Initial testing of the Micro-Website for Monopoly Millionaires Club started on September 11, 2014.
- SGI has begun retro fitting the Player Activated Terminals (PATs) in the field, adding the ability to allow them to be able to cash Instant Tickets. These retro fits are scheduled to be completed by the end of October 2014.
- MLGCA is working with the Michigan, Ohio, and Georgia Lotteries and the Multi-State Lottery Association (MUSL) on the development of a multi-state progressive add on to the Keno game. The group agreed on the language that MUSL will be using for an RFP to procure a Central System to handle the centralized jackpot coordination. This RFP will be sent out in mid-September 2014. The game rules for the Keno Progressive add-on are currently under development. At this time we have a target launch date of the spring of 2015 for this product add-on.

IX. INFORMATION TECHNOLOGY

- Instant Ticket Lottery Machine (ITLM) Project –
 - The ITLM system went live on 9/5
 - The IT department supports back office tasks as it relates to the exchange of information for accounting, claims, and retailer information. User connectivity of the system is also supported by IT; all other functions of the system are managed by the Gaming division.
- Created alternate lock down procedures for jackpot drawings (MUSL). The alternate lock down process will eliminate the requirement for Lottery security staff to be present during the draw process. The procedure is under interval review, and has to be approved by the MUSL Security and Integrity committee prior to implementation.
- Vendor contract for the development of a new Keno web, and mobile applications is planned to be executed by the end of the month. The design and implementation of the applications are being managed by the Lottery's Creative Services Division with assistance from GKV, and the IT department.

- Planning for the implementation of a Secure File Transfer Protocol (SFTP) server/site for corporate Lottery customers to access, and retrieve sales reports.
- Monopoly Lottery Game – continue to prepare for the launch of the game. The computer operators are working with the SGI operations staff in testing the new MUSL reporting requirements.
- The Department of Information Technology (DoIT) will perform a cyber-security vulnerability assessment and network penetration test the week of 9/30.