

Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • Gordon Medenica, Director



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TO: Maryland Lottery and Gaming Control Commission
Gordon Medenica, Director

FROM: Gina M. Smith, Deputy Director/CFO

DIVISION: Administration, Finance and Operations

DATE: August 19, 2015

SUBJECT: Report for the August 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 278 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 06/30/2015	YTD 07/1/14 to 06/30/2015	July 2015	July 2015	YTD 07/01/15 to 07/31/15	YTD 07/01/15 to 07/31/15
	Count	Amount	Count	Amount	Count	Amount
Baltimore	5,540	\$9,085,423.08	496	\$998,674.15	496	\$998,674.15
Lanham	1,569	\$6,881,632.45	167	\$830,932.80	167	\$830,932.80
XCAP	42,821	\$89,644,041.10	3,958	\$8,205,011.10	3,958	\$8,205,011.10

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 07/6/15 – 7,657 As of 07/27/2015 – 8,050

	YTD June 2015 Count	July 2015 Count	YTD 07/1/15 to 7/31/15 Count
New Applications	1,142	69	69
Internet	1,368	32	32
Renewal	9,353	1,194	1,194

Mega Millions As of 07/03/15- 16,438 As of 07/31/2015 – 16,575

	YTD June 2015 Count	July 2015 Count	YTD 07/1/15 to 7/31/15 Count
New Applications	3,030	211	211
Internet	2,734	80	80
Renewal	14,450	1,054	1,054

	YTD June 2015 Amount	July 2015 Amount	YTD 07/1/15 to 07/31/15 Amount
Child Support	\$216,851.38	\$8,547.35	\$8,547.35
CCU Debts	\$1,048,931.17	\$98,891.87	\$98,891.87

Agent Administration

	07/01/2015	7/31/2015
# OF AGENTS	4,536	4,554
# OF AGENT TERMINALS	5,262	5,281
# XCAP RETAILERS	275	278

II. BUDGET

- **FISCAL YEAR 2015** – See year to date spending.

- **Fiscal Year 2015 Budget:**

	<u>Budget</u>	<u>Actual</u>	<u>Reversion</u>
Lottery	\$59,246,213.00	\$57,619,967.84	\$1,626,345.16
VLT General	\$71,380,551.00	\$66,263,057.28	\$5,117,693.71
VLT Special	\$14,403,175.00	\$14,403,175.00	\$0.00

- **FISCAL YEAR 2016**

- **Fiscal Year 2016 Budget**

- Lottery - \$68,725,549
- VLT Special Fund - \$9,558,000
- VLT General Fund - \$24,861,449

III. ACCOUNTING/FINANCE

Working on completing the April, May and June financial statements and converting to GAAP. We have completed the closing on the state side.

IV. PROCUREMENT

- During June/July a total of 86 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.
- Auditing and Accounting Services (#2015-04): RFP for a new replacement Auditing and Accounting Services contract was issued on April 6, 2015, a Pre-Proposal

Conference was held on April 16, 2015 which was attended by 11 individuals representing 9 firms. The original proposal due date was May 1, 2015 but was changed to May 5 due to the problems in Baltimore. On May 5 proposals were received and oral presentations by the Offerors were conducted on June 5, 2015. On June 19, 2015 the Evaluation Committee submitted to the Director a recommendation for the award of this Contract to Stout, Causey & Horning, P.A. for the base term of 8/15/2015 to 6/30/2018 in the amount of \$720,400 with three 1-year renewal options:

\$720,400 NTE (3 Years; Base)
\$238,150 NTE (1 Year; Option #1)
\$258,150 NTE (1 Year; Option #2)
\$238,650 NTE (1 Year; Option #3)
\$1,455,350 NTE Total (6 Years)

The Director approved this recommendation and the Contract was then submitted to DBM for review and inclusion on the July 22, 2015 BPW Agenda. The July 22, 2015 BPW meeting was subsequently cancelled and all items moved to the August 5, 2015 BPW meeting. The contract was approved by the BPW at the August 5 meeting.

- 2015 Maryland State Fair - Sponsorship Agreement (#2015-11) with SponsorSource, Inc.: New sole source contract in the amount of \$50,500 for the term August 28, 2015 – September 7, 2015 for the Lottery's rental of space and other sponsorship amenities for the 2015 Maryland State Fair. This contract is very similar to the contracts done over the past several years for prior State Fair events. This Contract, which was previously approved by the Commission at its April 23 meeting, was given final approval by DBM on June 12, 2015.
- MBE/SBR Activities:

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

- 1) Maryland Live! Casino Minority Outreach Fair sponsored by the Maryland Washington Minority Companies Association held on June 25, 2015;
- 2) Ready, Set, Grow event sponsored by GOMA at UMBC held on July 23, 2015. Workshop series designed to connect small, minority and women business owners with state-funded contracting opportunities featuring information on Maryland's small and minority business inclusion programs, tips on how to navigate the procurement process and upcoming bid opportunities with participating State agencies and including a meet & greet session with procurement officers and buyers. Participating agencies were the Department of Health and Mental Hygiene, Department of Juvenile Services, Department of Human Resources and the Lottery.

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

V. HUMAN RESOURCES

Human Resources Development:

- HR staff members have completed training regarding State benefit applications and updates for employees regarding health, retirement, and FMLA benefits.

Workforce Planning:

- Continued efforts are being made with Hiring Managers to fill existing vacancies with the best qualified candidates. During the month of July, 10 vacancies were filled. There are continued recruitment efforts underway to fill 22 currently open positions.
- HR is assisting the Department of Budget and Management / State Personnel System (SPS) with its campaign to get all employees signed into and acclimated with the recently launched SPS/Workday personnel system. The health benefits enrollment and employee leave approval processes are projected to be conducted through this system by Spring of 2016. HR will continue its training efforts to get all Agency employees acclimated.

Employee Relations:

- HR has continued its efforts working with Management and union representatives through the Labor Management Committee to address all issues and concerns regarding the work environment for employees. Our next quarterly meeting is scheduled for 8/21/2015.

Upcoming initiatives:

- HR is continuing its efforts along with the Employee Benefits Division regarding the new state employees Wellness Program to ensure employees comply with taking required actions before the September 30, 2015 deadline.

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 7/1/14 – 6/30/15	YTD Packs 7/1/14 – 6/30/15	# of orders July 2015	# of packs July 2015	YTD orders 7/1/15– 7/31/15	YTD packs 7/1/15 –7/31/15
154,213	1,748,566	14,503	155,819	14,503	155,819

VII. FACILITIES

- On-going monitoring of building service issues.

VIII. CONTRACT MANAGEMENT

- The Lottery has incorporated the most recent input from staff into the Lottery Central Monitoring System RFP. Lottery personnel continue to review and refine the RFP.
- Software development for the Powerball matrix change has been completed. SGI is in the process of Quality Assurance testing the changes at this time. Lottery User Acceptance Testing is scheduled to start on August 24, 2015.
- The My Lottery Rewards App testing is underway and is scheduled to be completed by August 21, 2015. This App will allow players to scan both Instant and On-Line tickets to check for winning tickets in addition to finding the closest Lottery retailer.
- The Racetrax graphics enhancements were rolled out in June. SGI continues to work with Tabcorp to make some final modifications to the graphics to make them easier to see on the screen.
- 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 contract is back in the vendor's hands for the second round of reviews.
- Rollout of the PCTs to Royal Farms is progressing. At this time eight of the ten PCTs have been deployed.

- MS Technologies was awarded the TORFP for work on the e-Licensing and Dunning Systems. Work on the e-Licensing system has begun. The Phase 1 work is near completion and the Phase 2 work, License Renewals development is underway.

IX. INFORMATION TECHNOLOGY

- The Lottery's general ledger application (MS Dynamics SL) was upgraded to the latest version, and was in operation the week of 6/15.
- The Lottery's voicemail system was replaced and in operation the week of 7/20.
- The installation of new enterprise servers at the Lottery's headquarters and Lanham locations have been installed; production applications are running on the new hardware. The disaster recovery system configuration is still in progress, and completion is pending the upgrade of our network connection to Lanham.
- Created a test environment for e-licensing software development, and upgraded the production e-licensing database server. Worked with contract management, MS Technologies, and licensing staff to modify software to address functionality issues in the e-licensing application.
- Planning for the replacement of the Power Distribution Unit (PDU) and Uninterruptable Power Supply (UPS) located within the Lottery's production data center.
- The Puerto Rico Lottery would like to house their backup Internal Control System (ICS) in our data center. We are reviewing the technical, operational, and legal requirements associated with their request.