

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 19, 2014

SUBJECT: Report for the May 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 **212** 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 07/1/13 to 4/30/2014	YTD 07/1/13 to 4/30/2014	May 2014	May 2014	YTD 07/01/13 to 5/31/14	YTD 07/01/13 to 5/31/14
	Count	Amount	Count	Amount	Count	Amount
Baltimore	5,394	\$10,005,469.10	423	\$888,214.90	5,817	\$10,893,684.00
Lanham	1,432	\$6,516,454.13	161	\$689,048.60	1,593	\$ 7,205,502.73
Agent Plus	37,539	\$78,049,834.75	4,097	\$8,682,140.50	41,636	\$86,731,975.25

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 07/1/13 – 8,736 As of 5/31/2014– 8,155

	YTD April 2014 Count	May 2014 Count	YTD 07/1/13 to 5/31/14 Count
New Applications	1,187	71	1,258
Internet	559	37	596
Renewal	8,844	570	9,414

Mega Millions As of 07/01/12 24,937 As of 5/31/2014- 16,990

	YTD April 2014 Count	May 2014 Count	YTD 07/1/13 to 5/31/14 Count
New Applications	5,975	236	6,211
Internet	1,388	111	1,499
Renewal	6,567	1,436	8,003

	YTD April 2014 Amount	May 2014 Amount	YTD 07/1/13 to 5/31/14 Amount
Child Support	\$132,207.69	\$16,360.58	\$148,568.27
CCU Debts	\$1,055,895.34	\$107,630.74	\$1,163,526.08

Agent Resource

	07/01/2013	04/30/14	05/31/14
# OF AGENTS	4,422	4,462	4,466
# OF AGENT TERMINALS	5,170	5,183	5,194
# AGENT PLUS LOCATIONS	203	212	212

II. BUDGET

• **FISCAL YEAR 2015**

○ **Fiscal Year 2015 Budget:**

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

• **FISCAL YEAR 2014**

The budget is as follows:

Lottery Program: \$ 57,053,446

VLT Program:

Special Funds \$ 13,462,265

General Funds \$ 86,569,148

Total Budget \$157,084,859

The year to date spending report will be sent separately.

III. ACCOUNTING/FINANCE

We are beginning to prepare for closeout.

We have begun VAT for ITLMS.

The February 2014 and March 2014 financial statements are included in your package.

IV. PROCUREMENT

- During May a total of 54 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.
- 2014 Maryland State Fair - Sponsorship Agreement (#2014-10) with SponsorSource, Inc.: New sole source contract in the amount of \$50,500 for the term August 22, 2014

– September 1, 2014 for the Lottery’s rental of space and other sponsorship amenities for the 2014 Maryland State Fair. This Contract, which was previously approved by the Commission at its April 21 meeting, has been approved by DBM.

- Licensing Contract (#2014-11) 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, 2014 – November 30, 2016 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, which was previously approved by the Commission at its May 22 meeting, was approved by the BPW at its May 28, 2014 meeting.
- 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 and second renewal options have been previously exercised. The third and final renewal option in the amount of \$174,500 for the term 7/1/2014 – 6/30/2015, which was previously approved by the Commission at its May 22 meeting, was approved by DBM on May 28, 2014.
- Lottery Central Monitoring and Control System (#2015-01): RFP to provide the design, development, implementation, lease, operation, and maintenance of a Lottery Central Monitoring and Control System, including a Central Site System, Retailer Terminals, Software, and a Telecommunications Network to connect the Retailer Terminals to the Central Site System. The Lottery’s existing Contract for On-Line Gaming System (#2005-11) with Scientific Games International, Inc. expires on June 26, 2016. This replacement Contract is anticipated to be for a term of approximately five years, tentatively beginning on or about July 1, 2015.. The period of time from the start date of this Contract until the expiration date of the existing Contract, which is anticipated to be the period from July 1, 2015 through June 26, 2016, shall be the Conversion Period during which the Contractor shall install the Systems and Terminals necessary and prepare the System to be fully operational by June 27, 2016. This RFP is currently in preparation and is anticipated to be submitted to the Commission for review/approval at its October 2014 meeting.
- Consulting Services For Gaming Research Contract (#2015-02) with Cummings Associates: Sole Source Contract in the amount of \$95,000 for the term June 27, 2014 – June 30, 2016 to assist and advise the Commission on various aspects of Gaming operations as directed by the Commission. The Commission is required by Gaming Law to “contract with an outside consultant to provide continual analysis of the gaming industry both within and outside the State and support the licensing activities of the Commission and the Video Lottery Facility Location Commission” and further states that “the cost of the consultant . . . may be divided proportionally among the Video Lottery Operation Licensees . . .” It is anticipated that this Contract will be submitted to the Commission for review/approval at its June 26 meeting and, subject to Commission approval, to DBM for its review/approval.
- MBE/SBR Activities:

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

1) 5th Annual MBE University Conference which was held at the Reginald F. Lewis Museum, Baltimore on May 20, 2014, which is being sponsored by GOMA and will include conference, workshops and MBE networking events.

2) Minority Outreach Fair sponsored by Maryland Live! Casino to be held on June 26, 2014.

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

V. **HUMAN RESOURCES - Recruitment Report**

The following activities occurred regarding Personnel:

- Administrative Officer I – Accounting. In the process of interviewing candidates.
- Fiscal Accounts Clerk Manager – CRC. In the process of interviewing candidates.
- IT Technical Support Specialist – IT. Pending background check for selected candidate.
- Administrative Officer II – Security Division. Applications being scored for interviews.
- Casino Compliance Representatives. Six candidates offered and accepted.
- Administrative Aide – VLT. Requisition completed.
- Administrator II – VLT. Four candidates selected for hire 6/25/14
- Administrative Officer II – Marketing. Candidate interviews pending.
- IT Staff Specialist. Candidate selected for hire, 6/18/14.
- Internal Auditor II – Two candidate offers rejected; repost in process.
- Lottery Representative I for the Eastern Shore. Pending background check for selected candidate.
- Other recruitment activity in progress – Internal Auditor Program Supervisor, Internal Auditor II Horseshoe, Deputy Manager Casino Compliance, Lottery Representative I Eastern Shore, Creative Services Administrator, Agent Administrative Supervisor, Responsible Gaming Program Coordinator.
- 2014 and 2015 PINs released and being finalized for recruitment on or after July 1st.

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 May 2014	# of packs May 2014	YTD orders 7/1/13– 5/31/14	YTD packs 7/1/13 – 5/31/14
13,418	128,543	149,399	1,433,113

VII. FACILITIES

- On-going monitoring of building service issues. A major initiative has been undertaken to clean out old records.

VIII. CONTRACT MANAGEMENT

- Contact Management and the Director of Procurement are working on drafting the Draw Games RFP. Meetings are being held with executive staff to discuss key decision points. Separate procurements will be done to obtain an ICS vendor and a vendor to assist the MLGCA team with testing.
- The Racetrax graphics changes are being worked on by Scientific Games and their vendor Tabcorp. These changes are currently scheduled for release in August of 2014.
- The requirements gathering for the development of an RFP for Document Imaging continues. This process is expected to take several months.
- Testing for My Lottery Rewards for terminal generated tickets is under way. These changes are planned to be implemented throughout the retailer network on June 23, 2014.
- The software changes in order to meet Wawa's reporting and performance needs have been identified and the Software Specifications document is being reviewed. The target date for having this reporting functionality and terminal software changes to be fully deployed is September 1, 2014.

IX. INFORMATION TECHNOLOGY

- Instant Ticket Lottery Machine (ITLM) Project (*No Change*) –
 - Tentative Schedule:
 - 6/17-7/22: MLGCA / GLI UAT
 - 7/02-8/05: GLI Product Certification
- Interviews conducted for IT Technical Support Specialist. Working with HR to present offer to top candidate, and finalize the recruitment. The position anticipated start date is the week of 6/30.
- Working with CrossMatch, the fingerprinting software vendor to update their software on machines located in the casino Lottery offices. The update is to address an issue with the format of the prints that was causing the submission to be declined/dropped.
- A State level change will be made to how users access their state e-mail. Two factor authentication will be required. Users will sign into their e-mail via a state web portal, and will have to provide two types of credentials to authenticate. Currently working with DoIT to test functionality. Implementation into production is tentatively planned for September.
- The IT portion of the legislative audit has started.
- The backup Internal Control System (ICS2) has been configured to run as a *hot* backup.
- Ordered State circuit for network connectivity to Caesars/Horseshoe casino.

