

FINAL MINUTES

Charitable Gaming Board
Department of Agriculture and Consumer Services
American Legion Post 16
1301 Greenview Drive
Lynchburg, Virginia
Tuesday, September 8, 2015

CALL TO ORDER

Mr. Bob Sussan called the meeting to order at 10:00 a.m.

Mr. Sussan presented a gubernatorial Certificate of Appointment to Ms. Betty Sword for her appointment to the Board. Mr. Sussan also welcomed Mr. Chuck Lessin, who was recently appointed by the Speaker of the House of Delegates to the Board.

Mr. Sussan asked Mr. Michael Menefee to call the roll.

MEMBERS PRESENT:

Ms. Tanya Conrad, Vice-Chair
Mr. Nicholas Curry
Mr. Randy Green
Mr. Charles Lessin
Mr. Bob Sussan, Chair
Ms. Betty Sword

MEMBERS ABSENT:

Mr. James Corrigan
Mr. Charles Kelley
Mr. James Lewis
Mr. Thomas Stiles

STAFF PRESENT:

Mr. Larry Nichols, Director, Division of Consumer Protection
Mr. Michael Menefee, Program Manager, Office of Charitable and Regulatory Programs
Ms. Laura Hare, Policy Analyst, Division of Consumer Protection

OFFICE OF THE ATTORNEY GENERAL STAFF PRESENT:

Mr. Josh Laws, Assistant Attorney General, Office of the Attorney General

Mr. Menefee informed Mr. Sussan that a quorum was present.

APPROVAL OF MINUTES

Mr. Sussan asked for a motion to approve the draft minutes of the June 9, 2015, Board meeting. Mr. Randy Green motioned that the draft minutes be approved as distributed. Mr. Nicholas Curry seconded the motion and it was passed by a unanimous vote.

REPORT FROM BOARD MEMBERS

Mr. Sussan asked the members whether they had any reports that needed to be brought before the Board. Mr. Lessin introduced himself and provided the members with his background information.

With no further remarks from members, Mr. Sussan informed members there were no further reports before the Board.

PROGRAM MANAGER'S REPORT

Mr. Sussan asked Mr. Menefee for an operational update on the Office of Charitable and Regulatory Programs (OCRCP). Mr. Menefee reported the following to the members:

- During the first two quarters of 2015, manufacturers of electronic pull-tab systems reportedly generated more than \$135 million in gross receipts, a 35% increase when compared to the first two quarters of 2014, which generated more than \$99.8 million in gross receipts. At the time of the report, there were approximately 185 locations utilizing 815 electronic pull-tab devices.
- OCRCP's Gaming Coach is organizing regional training sessions to charitable gaming organizations on the OCRCP's interactive bingo analysis tool. In addition, the coach conducted 16 in-person training sessions, which consisted of game management, financial report, and internal control training.
- During the 2015 fiscal year (i.e. July 1, 2014 to June 30, 2015), OCRCP performed the following:
 - Conducted 742 on-site inspections of organizations permitted to conduct charitable gaming.
 - Conducted 60 in-person training sessions, of which 20 were new organization training sessions, 15 were audit required training sessions, and 25 were training sessions requested by specific organizations.
 - Issued 359 organization permits
 - Issued 18 supplier permits
 - Issued seven permits to manufacturers of electronic pull-tab systems
 - Issued 210 bingo manager/caller registrations; 73% of the 210 registration applications were submitted online by applicants.

- Conducted 89 audits and financial reviews on organizations to ensure all gross receipts from the conduct of charitable gaming were reported and used for charitable purposes as required by statute and regulations.

Charitable Gaming Board Final Minutes

September 8, 2015

Page Three

OCRP uncovered a total of \$2,528,013 in unreported gross receipts and it disallowed \$1,146,794 in disbursements requiring the organization to repay its charitable gaming account from non-charitable gaming sources. Organizations identified as having excessive unreported gross receipts were required to develop stricter internal controls and in some instances, the organizations were required to undergo training.

- Conducted audits and financial reviews of 60 organizations that reported using less than 10% of their gross receipts for lawful religious, charitable, community or educational purposes. These actions resulted in the issuance of 41 letters of caution, 14 notices of violation, and five compliance agreements.
 - Conducted a compliance review on 12 suppliers and six manufacturers of electronic pull-tab systems to ensure all transactions were reported to OCRP.
 - Collaborated with the Virginia State Police on seven investigative audits; three cases identified poor internal control procedures, for which the organizations were required to develop stricter internal controls and four cases remain under investigation.
 - Provided assistance to organizations on the proper completion of financial reports. Received 624 financial reports via online submission and 1,287 financial reports via manual submission.
- The Board approved the proposed text to amend the 11 VAC 15-40, *Charitable Gaming Regulations* regarding network bingo, as mandated by Senate Bill 930 and House Bill 2178, which were enacted during the 2013 Session of the General Assembly during its September 9, 2014, Board meeting. At the time of the report, the proposed text is in executive branch review and it was being evaluated by the Governor's Policy Office. Upon completion of the executive branch review, the proposed text will undergo another public comment period, OCRP will then prepare the final text to amend the regulations, and it will bring it to the Board for its final consideration.

RULEMAKING PETITION

Mr. Sussan asked Mr. Menefee to present information on the petition that was before the Board. Mr. Menefee stated that on May 22, 2015, OCRP received a petition. The petitioner requested the Board to amend 11 VAC 15-40, *Charitable Gaming Regulations* to increase the number of electronic pull-tab devices used to facilitate the play of the electronic pull-tabs sold, played, and redeemed at any premises pursuant to § 18.2-340.26:1 of the *Code of Virginia* (i.e. social quarters). Petitioner proposed that if the

premises' Certificate of Occupancy established that the premises could accommodate more than 150 occupants, then the current limit of five devices at these premises should increase to nine devices. Mr. Menefee stated that on May 22, 2015, OCRP
Charitable Gaming Board Final Minutes
September 8, 2015
Page Four

acknowledged receipt of the petition and on June 15, 2015, the petition was published in the Register of Regulations, which began the 21-day public comment period. He further stated on July 5, 2015, the public comment period ended with two comments expressing support for the petition. After the 21-day public comment period, OCRP received 26 comments expressing support for the petition. In accordance with 2.2-4007 of the Code of Virginia, the Board must decide on whether to grant or deny the petitioner's request within 90 days after the close of the 21-day public comment period.

Mr. Sussan asked the public in attendance whether any comments related to the petition needed to be brought before the Board. With no comments from the public, Mr. Sussan asked for a motion to grant the petition, which was made by Mr. Green and seconded by Ms. Tanya Conrad.

Mr. Sussan asked members whether they had any remarks on the motion to grant the petition. Mr. Lessin had several remarks related to the receipt of comments outside of the public comment period and he supported their inclusion as the Board considered this and other future matters before it. With no remarks from the members, Mr. Sussan called the vote on the motion to grant the petition, which was passed by a unanimous vote.

NEW BUSINESS

Mr. Sussan asked Mr. Menefee to present his request for regulatory action to the members. Mr. Menefee stated in response to the Board's decision to grant the petition, he asked for the Board's authorization to file the Notice of Intended Regulatory Action (NOIRA) to amend 11 VAC 15-40, *Charitable Gaming Regulations*. Mr. Sussan asked for a motion to authorize staff, in response to the petition, to prepare and submit, on behalf of the Board, a NOIRA concerning amendments to 11 VAC 15-40, *Charitable Gaming Regulations* for executive branch review and public comment. Mr. Curry made the motion, which was seconded by Mr. Green and it was passed by a unanimous vote.

Mr. Sussan asked Mr. Menefee to present a request to the members. Mr. Menefee stated OCRP received concerns from a stakeholder related to how progressive bingo games are being conducted in the Commonwealth. Mr. Menefee stated the charitable gaming statutes and 11 VAC 15-40, *Charitable Gaming Regulations* set certain parameters on how these games were to be conducted by organizations. As such, Mr. Menefee asked the Board to endorse OCRP's actions to host several stakeholder meetings to solicit feedback on the conduct of progressive bingo games and to present the feedback to members during the next Board meeting for its consideration.

Mr. Sussan asked for a motion to ask staff to arrange and to host several stakeholder meetings regarding the conduct of progressive bingo games and to report back to the

Charitable Gaming Board Final Minutes
September 8, 2015
Page Five

Board during its next meeting on the feedback it received from stakeholders. Mr. Green made the motion, which was seconded by Ms. Conrad.

Mr. Sussan asked members whether they had any remarks on the motion for OCRP to arrange and to host stakeholder meetings regarding the conduct of progressive bingo games. Mr. Lessin remarked on the timing of these meetings and when the feedback should be received by the Board. Mr. Green remarked that stakeholders should be given enough advanced notice regarding the meetings in order to encourage their participation.

With no future remarks from the members, Mr. Sussan called the vote on the motion to arrange and to host several stakeholder meetings regarding the conduct of progressive bingo games, which was passed by a unanimous vote.

Mr. Sussan asked the members whether any additional new business needed to be brought before the Board; Mr. Lessin made remarks on the importance of understanding the powers and duties of the Board. Mr. Sussan asked Mr. Menefee to send members copies of the charitable gaming statutes and regulations. Mr. Sussan further remarked that if any members had questions related to the powers and duties of the Board, then the member may direct the question directly to Mr. Menefee or to himself for a response.

Mr. Sussan asked the members whether any new business needed to be brought before the Board. With no further remarks from members, Mr. Sussan informed members there was no further new business before the Board.

NEXT BOARD MEETING

Mr. Sussan informed members that the next Board meeting will be held on Tuesday, December 8, 2015, in Northern Virginia.

PUBLIC COMMENT

Mr. Sussan asked the public in attendance whether any comments needed to be brought before the Board. With no further comments from the public and there being no further business, the Board adjourned at 10:50 am.

Respectfully submitted,

Michael Menefee

Program Manager
Office of Charitable and Regulatory Programs