

## **FINAL MINUTES**

Charitable Gaming Board  
Department of Agriculture & Consumer Services  
Oliver Hill Building – 2<sup>nd</sup> Floor Board Room  
102 Governor Street - Richmond, Virginia  
June 14, 2011

### **Call to Order**

Chairman Don Fields called the meeting to order at 10:05 a.m. and asked other Board members if there were any items of business that needed to be added to the agenda.

Chairman Fields asked Ms. Trent to call the roll to confirm that a quorum was present.

#### **Members Present:**

C. D. Crouch  
Wesley I. Crowder  
Clay L. Dawson  
Ruth Modlin Ellett  
Donald Fields, Chairman  
Randy W. Green  
Renee T. Maxey  
DeLores E. Ray Wilson, Ph.D.

#### **Members Absent:**

Michael Sheffield, Vice-Chairman

#### **Staff Present:**

J. Carlton Courter, III, Program Manager, Office of Charitable Gaming  
Tom Clarke, Manager of Enforcement and Inspections, Office of Charitable Gaming  
Roz Trent, General Administration/Coordinator I, Office of Charitable Gaming

### **Approval of Minutes**

The Chair asked for a motion to approve the draft minutes of the March 8, 2011 Board meeting. A motion was made and seconded unanimously.

### **Operational Updates**

#### **Inspections & Enforcement:**

##### **Inspections:**

Staff conducted 352 inspections from March 8<sup>th</sup> through May 31<sup>st</sup>. This is approximately 70.4 inspections per inspector during this timeframe, a significant increase over 41.6

inspections per inspector for the previous period. This is due to a re-evaluation of the inspection process.

Enforcement:

Anthony L. Fusaro of Henrico County was arrested on four counts of misappropriating bingo funds totaling more than \$500,000 in Henrico County on March 15, 2011. The investigation is ongoing. The preliminary trial was to be held June 2<sup>nd</sup>, but the prosecution asked that the case be continued to June 23<sup>rd</sup>.

The misappropriation of funds was initially discovered by the Office of Charitable Gaming (OCG) Audit Unit. After initial discovery, the case was discussed with and ultimately turned over to the Henrico County Commonwealth's Attorney, who agreed to prosecute the case. The National White Collar Crime Center was also involved.

Mr. Fusaro was registered with the OCG as a bingo manager for several groups and had access to at least one bingo account. The OCG Audit Unit routinely reviews the annual financial reports of registered charitable organizations for proper accounting of income, expenses and contributions.

Auditing:

The current audit staff consists of 4 Senior Auditors, 1 Financial Accountant, 1 temporary employee and 1 Audit Team Leader.

The auditors conduct audits as assigned, instituting new procedures to comply with the recommendations made by the VDACS internal auditor. The auditors reviewed all supplier annual reports this quarter, in addition to conducting audits of charitable gaming organizations. Auditors are continuing to conduct face-to-face audit exit conferences where possible. This allows face/name recognition to the organizations. The auditors also provide guidance to organizations to assist them in complying with the Statute & Charitable Gaming Rules and Regulations. Training of audit procedures with all auditors is on-going.

The audit team has issued 34 audits from March 2, 2011 through June 1, 2011.

Financial Accountant position - Beginning 6/1/11, new procedures were implemented in order to comply with the recommendations made by the VDACS internal auditor. The new procedure includes sending past due letters to organizations that owe financial fees.

135 organizations are currently filing their financial reports on-line. This equates to approximately 29% of all permitted organizations.

488 organizations filed their 4<sup>th</sup> Quarter Financial Report, and the 2010 Annual Financial Report.

Licensing:

From March 3, 2010 through June 1, 2011, 97 organization permits have been issued, including 8 new organizations, 79 permit renewals, 1 new supplier, and 9 renewal requests from suppliers.

The average number of days to process and issue permits is as follows: 33.94 days for new organizations; 34.57 days for renewal organizations; 24.69 days for the new supplier, and 14.46 days for renewal suppliers. Together, the average number of days is 29.36.

12 organizations terminated gaming activities since the last board meeting; 2 organizations' permits expired and did not renew.

From March 3, 2011 through June 1, 2011, 19 new bingo manager/caller certificates were issued (9 managers; 10 callers). Thirty manager/caller certificates were renewed (12 managers; 18 callers).

As of June 1, 2011, there were a total of 184 current bingo manager/caller certificates (74 managers – representing 57 organizations, and 110 callers).

**Report on Administrative and Audit Fees**

Staff provided the Board with a table listing administrative and audit (A&A) fees collected by OCG for the last several years, as well estimates of what the collections would have been at various A&A fee percentages. At present, the A&A fee is set at 1.125% of gross receipts. The current state budget bill requires that those fees be deposited to the state's general fund. Various stakeholders have asked the Board to consider reducing the fees. Staff has recommended delaying a decision until it has had a chance to work with agency budget staff and pursue different funding alternatives for OCG.

**Moving OCG On-Line**

This spring, OCG staff has been working very closely with management, Virginia Interactive, and VDACS IT staff on the vision and creation of a brand new online database. The Licensing Unit has worked diligently to completely reform, "re-dress," and update all licensing processes, applications and forms. The Licensing Unit has done an exceptional job ensuring that day-to-day processes continued in a timely manner while dealing with this extraordinary project.

Ultimately, all of OCG's data will be housed at a new site which will allow for increased efficiencies by staff. Organizations will also be able to renew their permits on-line, reducing paperwork and mailing. Staff will keep the Board updated on progress made.

### **Regulatory Update**

On March 8, 2011, the Charitable Gaming Board approved a motion to propose regulation 11 VAC 15-40, *Charitable Gaming Regulations*, and authorized staff to file the proposed regulation with the Registrar of Regulations. On May 18, 2011, the Office of the Attorney General certified that the proposed regulation is supported by statutory authority and does not appear to conflict with the Constitution of the United States, the Constitution of Virginia, or any federal or state law currently in effect. The proposed regulation is currently under review by the Department of Planning and Budget. Stakeholders and the public will be able to comment on the proposed stage as soon as the regulation is published in *The Virginia Register of Regulations*. OCG has encouraged clients to sign up for automatic email notification so that they can be informed when the comment forum opens.

### **Independent Testing Laboratories**

As requested by the General Assembly, OCG was tasked with identifying additional testing laboratories and the standards they must meet as well as the certifications they must have for the testing of machines and electronic devices for use in Virginia. Currently, the Department has an exclusive contract with Gaming Laboratories International, LLC (GLI) which runs through September 13, 2011.

OCG staff contacted numerous gaming regulators in other states for input and direction. The larger gaming states, such as Nevada and New Jersey, have their own in-house testing laboratories. Other states with smaller programs similar to Virginia, such as Minnesota and Nebraska, have a list of certified laboratories.

In discussions with other regulators, three primary testing laboratories were identified: Gaming Laboratories International (GLI), BMM Compliance, doing business as BMM North America, and Eclipse Compliance Testing. Representatives of each lab submitted a letter of interest to OCG and were invited to a meeting with OCG staff on May 27<sup>th</sup> in Richmond.

Prior to the meeting, staff drafted a list of general requirements, standards and certifications that all labs should meet before they can be recognized by OCG. Following a thorough discussion, each laboratory presented written assurances stating that they met the requirements, standards and certifications presented.

Over the coming weeks, OCG staff will compile a listing of the three labs along with a file of their certifications and testing abilities. Staff will report a list of laboratories

recognized by the Department to the Board at its September meeting. The goal is to be able to post the list of laboratories recognized by the Department on the Office of Charitable Gaming's website so that anyone needing a device or machine tested will have a choice of more than one lab to consider.

**Date of Next Meeting**

Chairman Fields informed members that the next meeting of the Board is scheduled for Tuesday, September 13, 2011. Members will be advised of the location.

**Public Comment**

Mr. Marty Williams, FOP, once again expressed concerns regarding the amount of auditing fees assessed to organizations. He stated that the fees prohibited organizations from being able to support charities and urged the Board to develop alternate strategies to reduce audit fees. Mr. Williams offered the assistance of the FOP in developing legislation to address this issue, should it be necessary.

Mr. Randy Green (Charitable Gaming Board member), Mr. Matt Benka (Virginia Charitable Bingo Association), and Mr. Lane Kneedler (International Gamco/Oasis Gaming) all echoed the concerns expressed by Mr. Williams. Mr. Kneedler suggested that OCG staff consult with other entities, (i.e. the Racing Commission) to discuss possible ways that auditing fees could remain part of OCG's budget rather than going to the State's general fund.

**Adjournment**

There being no further business, meeting adjourned at 10:26 a.m.

Respectfully submitted,

Roz Trent  
General Administration/Coordinator I  
Office of Charitable Gaming