

DRAFT MINUTES

Charitable Gaming Board
Department of Agriculture and Consumer Services
102 Governor Street – 2nd Floor Board Room
Richmond, Virginia
December 13, 2011

Call to Order

Mr. Randy Green called the meeting to order at 10:15 a.m. He 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
Randy W. Green
Renee T. Maxey

Staff Present:

Erin Williams, Acting Program Manager, Office of Charitable Gaming
Tom Clarke, Manager of the Inspections and Enforcement Unit, Office of Charitable Gaming
Kay Cholko, Audit Unit Team Leader, Office of Charitable Gaming
Roz Trent, General Administration/Coordinator I, Office of Charitable Gaming

Recess for Public Hearing

The Board recessed at approximately 10:20 a.m. for a public hearing on the proposed regulations: 11 VAC 15-40, *Charitable Gaming Regulations*.

Public Hearing Regarding 11 VAC 15-40, *Charitable Gaming Regulations*

Erin Williams provided a briefing on the proposed regulations.

Five individuals presented comments on the proposed regulations:

Mr. Matt Benka, Virginia Charitable Bingo Association
Mr. Marty Williams, VA FOP
Mr. Lane Kneedler, Reed Smith LLP/International Gamco/Oasis Gaming
Mr. Matt Geary, Technology Exclusive

Mr. Matt Benka thanked OCG for its work on the regulations.

Mr. Marty Williams expressed concern regarding the amount of audit and administration fee assessed on organizations and requested that the fee be reduced. He also expressed concern regarding the use of proceeds requirement.

Mr. Kneedler expressed concerns regarding specific requirements for electronic pull-tabs. He advised that his concerns would be presented in writing to Erin Williams.

Mr. Matt Geary expressed concerns regarding the electronic pull-tab requirement pertaining to sound and device limits.

All speakers thanked the Board for involving the stakeholders in the development of the proposed regulations and expressed their support.

After an opportunity for Board questions, the Chair adjourned the public hearing at 10:30 a.m.

Approval of Minutes

The Chair asked for a motion to approve the draft minutes of the September 13, 2011 Board meeting. A motion was made and seconded unanimously.

Report from Board Members

There was no report from any Board member.

Regulatory Update

Erin Williams stated that the regulations are currently in the second stage of Virginia's standard regulatory process, which is a three-stage process. At the September 13th Board meeting, it was reported that the regulations were under review by the Governor's Office.

The Governor's Office completed its review of the regulations on October 19th. The agency submitted the regulations to the Registrar of Regulations on the same day. The proposed regulations were published in The Virginia Register of Regulations on November 7, 2011 and are available for review and comment by the public. The public comment period concludes on January 6, 2012.

On November 9, 2011, OCG distributed over 600 letters to charitable gaming stakeholders, including the game manager for each permitted charitable gaming organization, all registered suppliers, and all registered bingo managers and callers. The correspondence invited stakeholders to review and comment on the proposed charitable gaming regulations. Links were also placed to the text of the proposed regulations and the Virginia Regulatory Town Hall on VDACS' website.

Following the public comment period, OCG will review the comments received and incorporate the appropriate revisions into the regulations. Final regulations will be brought before the Board for its review and authorization will be requested to file the final regulations with the Registrar of Regulations. The regulations will then go through

another executive branch review and the public will have another opportunity to review and comment on the text of the final regulations before they go into effect.

Ms. Williams also informed the Board that six manufacturers of electronic pull-tabs would have some of their products on display directly following the Board meeting in Room 338.

Operational Updates

Tom Clarke provided an operational update on the Inspections & Enforcement Unit.

Inspections:

Staff conducted approximately 470 inspections from September 13, 2011 through December 13, 2011. This averages out to approximately 94 inspections per inspector during this timeframe.

Enforcement:

On March 15, 2011 Anthony L. Fusaro of Henrico County was arrested on four counts of misappropriating bingo funds totaling more than \$500,000 in Henrico County.

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 in the preparation of this case.

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.

On September 07, 2011, additional indictments were issued by the Richmond Metropolitan Multi-Jurisdictional Grand Jury against Tony Fusaro and Craig Taylor for illegal conversion of bingo funds, conspiracy to convert bingo funds, money laundering, and conspiracy to commit money laundering. Eight additional indictments against Fusaro were issued for four counts of forgery and four counts of uttering checks issued under the name of Amanda Edwards between April 2010 and November 2010 after she quit the organization. All of the associated indictments were regarding the Knights of Columbus game. On September 13, 2011, Mr. Taylor was arrested at his residence without incident.

Anthony Fusaro is being tried in Henrico County's Circuit Court on February 14, 15, and 16, 2011 on the original indictments. Mr. Fusaro and Mr. Taylor will be tried in Henrico County's Circuit Court on March 27, 28, and 29, 2012 on the additional charges.

Kay Cholko provided an operational update on the Audit Unit.

The audit team conducted and issued 17 audits and 11 financial reviews from September 1 through November 30, 2011. Auditors are concentrating on assisting organizations in meeting the use of proceeds requirements. A new program has been instituted whereby, if it is determined through audit that an organization is experiencing difficulty meeting the use of proceeds requirement, the organization is offered coaching on how to run a more profitable game. During this period, 13 organizations have been offered the coach; however, only two organizations have accepted the offer.

424 organizations filed their 2nd Quarter Financial Report, which was due September 1, for the 2011 calendar year.

140 organizations are currently filing their financial reports on-line. This equates to approximately 34% of all permitted organizations.

The Audit Unit is currently processing the 3rd Quarter Financial Reports, which were due on December 1.

Roz Trent provided an operational update on the Licensing Unit.

From September 1, 2011 through November 30, 2011, 136 organization permits have been issued, including 11 new organizations, 124 permit renewals, and one (1) renewal request for suppliers.

The average number of days to process and issue permits is as follows:

- 46.64 (47) days for new organizations;
- 33.95 (34) days for renewal organizations
- 61.48 (61) days for renewal suppliers

One (1) organization terminated gaming activities since the last Board meeting. Six (6) organizations failed to renew.

From September 1, 2011 through November 30, 2011, 11 new bingo manager certificates and six (6) bingo caller certificates were issued. Eleven (11) bingo manager certificates and 12 caller certificates were renewed.

As of November 30, 2011, there were a total of 85 registered bingo managers and 102 registered bingo callers. Bingo managers and callers must be registered if they receive payment for their services.

Erin Williams gave additional operational updates as follows:

Charitable Gaming Board – New appointees

Three Board members' terms expired on June 30, 2011. The Governor's Office has advised that it still is working with the three new appointees to collect the necessary paperwork. It is anticipated that the three new appointees will attend the next meeting of the Board.

Status of online application development

Staff is continuing its work with the Information Technology Division of VDACS and staff from Virginia Interactive to develop an online application for bingo manager and bingo caller registrations. This program will also include a new database to hold the information received through the online program that Virginia Interactive is creating. Ms. Williams expects that within the next month the application will be ready for staff to test.

This application is the first step in developing online applications for organizations and suppliers.

Updates will be provided on the project's progression.

Queen of Hearts

Organizations have begun to play a raffle game called Queen of Hearts. Players purchase raffle tickets to win a chance to select a card off of a board that has an entire deck of cards sealed on it, face-down. The player who selects the queen of hearts wins the raffle prize.

The Code of Virginia establishes that raffle prizes may not exceed \$100,000. (Va Code § 18.2-340.33(11)) Recently, a charitable gaming organization contacted OCG for guidance, as their queen of hearts' prize was nearing \$100,000 and they wanted to know what they should do if the queen of hearts was not selected before the prize pot reached \$100,000.

It was determined that should a Queen of Hearts prize grow to the \$100,000 maximum raffle prize allowed before the Queen of Hearts is picked, the prize must not continue to grow beyond the \$100,000 limit. Any Queen of Hearts sales that occur after the \$100,000 maximum raffle prize is reached for that particular game will be retained by the organization (similar to the Winner Take All rules) to be used in accordance with the

Charitable Gaming Statute and Rules and Regulations. Additionally, organizations may not “roll over” or progress the excess prize amount to a new Queen of Hearts game.

Although the maximum raffle prize amount has been reached, the organization must continue selling tickets (per its Rules of Play) and conducting drawings until the Queen of Hearts has been picked.

The organization must report the total sales on its financial reports. Once the Queen of Hearts is picked and the prize is awarded, the organization may choose to start a new Queen of Hearts game board.

New Business

Election of Chair and Vice Chair

Andy Alvarez, Director of the Division of Consumer Protection, stated that the election of the chair and vice chair will take place at the next meeting of the Board. By that time, all appointments will have been made to the Board.

Compliance Function

The 2010 General Assembly Session amended the Charitable Gaming Statute to require that VDACS receive the Board's approval before an organization's permit is denied, suspended, or revoked. To prevent having to wait three months between Board meetings, it was recommended that the Board consider electing a Compliance Committee, consisting of approximately three members that can act on behalf of the Board in the review of VDACS's proposed denial, suspension, or revocation of an organization's permit. Mr. Alvarez stated that the Board will elect members to serve on this committee at the next Board meeting.

Budget

Mr. Alvarez informed the Board that the Governor had requested 2%, 4% and 6% budget reduction proposals from General Fund agencies. However, because the Governor's proposed budget plan had not yet been published, this information will be shared with the Board at its next meeting.

Commission on Government Reform and Restructuring

Mr. Alvarez stated that the Charitable Gaming Board was not included among the list of Board eliminations in the Commission on Government Reform and Restructuring Report.

Next Board Meeting

The next Board meeting will be held on Tuesday, March 13, 2012. The location will be announced at a future date.

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Public Comment

There were no comments from the public.

There being no further business, the Board adjourned at 10:45 a.m.

Respectfully submitted,

Roz Trent
General Administration/Coordinator I
Office of Charitable Gaming