STATE OF WASHINGTON
GAMBLING COMMISSION

In the Matter of the Revocation of the License to Conduct Gambling Activities of: Lorraine Albertson Federal Way, Washington, Licensee.	)	NO. CR 2014-02090 **NOTICE OF ADMINISTRATIVE CHARGES AND OPPORTUNITY FOR AN ADJUDICATIVE PROCEEDING**

I.

The Washington State Gambling Commission issued Lorraine Albertson license number 61-04249, authorizing gambling manager activity, formerly with the Fraternal Order of the Eagles (FOE) Aerie Post #362 in Kent.

The Commission issued this license, which expires on June 13, 2015, subject to the licensee's compliance with state gambling laws and Commission rules.

II.

David Trujillo, Director of the Washington State Gambling Commission, charges the licensee with the following violations of the Washington State Gambling Act, 9.46 RCW, and WAC Title 230.

SUMMARY:

Between December 1, 2013 and July 18, 2014, while acting as the FOE's gambling manager and bookkeeper, Lorraine Albertson withheld between $20,000 and $55,396 from pull-tab and bar deposits. She also wrote a $5,000 check from the FOE gambling account. On September 17, 2014, Ms. Albertson confessed taking at least $20,000 and admitted writing the $5,000 check to cover for her gambling habit. On November 14, 2014, King County Superior Court filed an Information charging Ms. Albertson with Theft in the First Degree.

FACTS:

1) A Washington State Gambling Commission Special Agent (agent) was working on a compliance module at FOE with another agent when they found evidence to indicate gambling manager Lorraine Albertson (Lori) was failing to make required deposits of gambling funds. They became suspicious of Ms. Albertson when she failed to meet with them on four occasions.

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2) On July 30, 2014, the agent went to FOE and met with trustees Barry Phares and Rob Jezek. Mr. Phares explained that he and either president Greg Torkelson or trustee Teri Martinez would get the Z reports[1] from the Tab Wizard[2] each morning, count the money from the pull-tab bank, and make sure everything added up. They would give the cash to Ms. Albertson to deposit. Ms. Albertson was supposed to deposit the pull-tab money on Monday, Wednesday, and Friday. She was the secretary, gambling manager, and part-time bartender. She was responsible for putting pull-tab games in play, pulling games from play, making deposits, and writing checks.

3) The agent compared the daily cash receipts for gambling to the daily deposits. This report lists sales, payouts, merchandise prizes paid, and net receipts for each day that fall within the report period. The agent then compared the gambling deposit slips to the gambling account bank statements and the daily cash receipts for gambling reports from December 2013 through June 2014. The agent also compared the deposit slips for the July 8, 2014 deposit to the daily cash receipts for gambling report. The deposit slips were attached to Z reports of the pull-tab activity covered by the deposit. The review found the last deposit was made on July 8, 2014, for pull-tab activity from April 13, 2014, through April 30, 2014. Deposits were not made for pull-tab activity net receipts from May 1, 2014, through July 18, 2014, which was Ms. Albertson's last day. The FOE suspended Ms. Albertson on July 22, 2014.

4) On July 31, 2014, the agent created a "Record of Pull-Tab Deposits," which showed Ms. Albertson made deposits within two to four business days of the required deposit date until February 14, 2014. After that, her deposits were later and later. At the time of her last deposit on July 8, 2014, she was 48 days late and that deposit was $1,346.75 short. On Ms. Albertson's last day as a gambling manager, pull-tab deposits were short a total of $24,741.25.

5) On August 13, 2014, the agent talked to the Chairman of the Board Darlene Johnson to find out what she knew about the missing money and her involvement in the operations. She said she counted money on weekend mornings. She took money out of the trustees safe matched it against what the bartender said it should be. She would run an X[3] report from the Tab Wizard and then after balancing the cash, she would run a Z report. She then placed the overage in the bar bag and place the balance in the safe in the trustee's office.

6) On August 15, 2014, Mr. Phares provided a statement saying the FOE suspended Ms. Albertson after they learned that there would be an investigation into the theft of funds from their gambling and general funds. He said that when she came in to turn in her keys, she started to cry. She told him "she was sorry for what she did, and she didn't know how she could do something like this to a club she loved and put so much work into." He also said that when he asked her if she still had anything that belonged to the club, she went out to her truck, retrieved several checks to the club, and handed them to him. Also, she told him how sorry she was as she was walking out of the door and said she would do anything to make it up, like community service or restoration.

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[1] A report printed out from the Tab Wizard at a point of time that closes out sales for the day and lists the total sales, payouts, merchandise prizes paid and net receipts for a given period.

[2] Tab Wizard is a computer Point of Sale system designed specifically to track and account for the sale and redemption of pull-tabs.

[3] A report printed out from Tab Wizard similar to the Z reports, but it only gives a snapshot of the sales at any given time.

7) On September 17, 2014, the agent interviewed Ms. Albertson. She told the agent she had worked there for eight years and that she worked as the secretary, gambling manager, and volunteer bartender. She said the last day she worked at the FOE was July 19, 2014. The agent discussed procedures with Ms. Albertson. She said that she or Mr. Phares was responsible for making the pull-tab deposits. According to Ms. Albertson, there was no set schedule for any of the deposits and no set time delineating when she or Mr. Phares would start or stop making deposits.

8) Ms. Albertson explained her procedures when she determined how much needed to be deposited. She said the money came from the trustees' office safe. She did not have access to this safe and would have to wait for Mr. Phares or a trustee to give her the money. She said she did not have access to the safe, and she would wait from four to seven days before she was able to get the money for the deposit. She said there were three times when the daily deposit just was not there, but she let it slide because she did not want to get anyone in trouble.

9) The agent asked her why she wrote a $5,000 check for cash on January 5, 2014. She said it was to cover for her gambling. She said she deposited it into the general fund to cover money that she had previously taken from the deposits. The agent asked her how much she took; she said "a lot" and started to cry. The agent asked if she thought it was more than $20,000. She nodded and said, "probably." He asked if it was more than $40,000 and she said, "I don't think so. God, I hope not." She admitted she had a gambling problem. Ms. Albertson provided a written statement. She wrote, "Shortly after the first of the year 2014, I got into slots at the Emerald Queen Casino and couldn't get back what I lost. So I had a deposit for the next day in my truck, so I used that money to gamble. It snowballed from there."

10) On September 23, 2014, the agent went back to FOE to review records. Records show that the total daily deposit from bar sales from December 1, 2013 through July 18, 2014, was short $30,654.91, not including the over/short that was attributed to the bartender.

11) The agent received a written statement from Ms. Johnson stating that cash receipts are counted daily by trustees for gambling, pull-tabs, beer and alcohol sales by Mr. Phares five days a week. She also said that she or Mr. Torkelson would count on the weekends alternately. She said that Ms. Albertson "had the sole responsibility for the deposits and paying of the bills." She denied being involved in the theft and said that the $5,000 check for a new tab bank "was not authorized by voting members of club." Ms. Johnson also said that the daily cash was given to Ms. Albertson with reports from the cash register. The cash was either put in a desk drawer in her office or handed to her. She said that prior to giving the money to Ms. Albertson, the money was kept in a safe in the trustee's office and that she, Mr. Phares, and Mr. Torkelson had the combination to the safe.

12) On October 1, 2014, the agent interviewed Mr. Torkelson. In his statement, Mr. Torkelson wrote that he counts the cash receipts for both the bar and gambling every other weekend. He reconciles the paperwork from the till, makes new tills for that day, and puts together the deposits for that day.

He says that he places deposits into the trustee safe and Mr. Phares gives those deposits to Ms. Albertson on Monday. He stated that Ms. Albertson was responsible for making the daily deposits for the pull-tab and bar receipts from December 1, 2013 to July 18, 2014.

13) On November 14, 2014, King County Superior Court filed an Information charging Ms. Albertson with Theft in the First Degree.

VIOLATIONS

1) RCW 9.46.075 Denial, suspension, or revocation of license, application, or permit
The Commission may deny an application, or suspend or revoke any license or permit issued by it, for any reason or reasons, it deems to be in the public interest. These reasons shall include, but not be limited to, cases wherein the applicant or licensee, or any person with any interest therein: (The following subsections apply.)

(1) Has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by chapter 9.46 RCW and any amendments thereto, or any rules adopted by the Commission pursuant thereto, or when a violation of any provision of chapter 9.46 RCW, or any Commission rule, has occurred upon any premises occupied or operated by any such person or over which he or she has substantial control;

(8) Fails to prove, by clear and convincing evidence, that he, she or it is qualified in accordance with the provisions of this chapter;

(9) Is subject to current prosecution or pending charges, or a conviction which is under appeal, for any of the offenses included under subsection (4)[4] of this section: PROVIDED, That at the request of an applicant for an original license, the commission may defer decision upon the application during the pendency of such prosecution or appeal;

2) WAC 230-03-085 Denying, suspending, or revoking an application, license or permit
We may deny, suspend, or revoke any application, license or permit, when the applicant, certified employee, or anyone holding a substantial interest in the applicant's or certified employee's business or organization:
(The following subsections apply.)

(1) Commits any act that constitutes grounds for denying, suspending, or revoking licenses or permits under RCW 9.46.075.

(8) Poses a threat to the effective regulation of gambling, or creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities, as demonstrated by: (a) Prior activities; or (c) Reputation; or (d) Habits.

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[4] (4) Has been convicted of, or forfeited bond upon a charge of, or pleaded guilty to, forgery, larceny, extortion, conspiracy to defraud, wilful failure to make required payments or reports to a governmental agency at any level, or filing false reports therewith, or of any similar offense or offenses, or of bribing or otherwise unlawfully influencing a public official or employee of any state or the United States, or of any crime, whether a felony or misdemeanor involving any gambling activity or physical harm to individuals or involving moral turpitude;

4) RCW 9.46.190 Violations relating to fraud or deceit.
Any person or association or organization operating any gambling activity who or which, directly or indirectly, shall in the course of such operation:
(The following subsections apply.)

(1) Employ any device, scheme, or artifice to defraud; or

(3) Engage in any act, practice or course of operation as would operate as a fraud or deceit upon any person.

5) WAC 230-07-090 Keeping and depositing all gambling funds separate from other funds.
Charitable or nonprofit licensees must protect all funds generated from gambling activities and keep these funds separate from their general funds.
(The following subsection applies.)

(1) Licensees must:
(f) Deposit all net gambling receipts which they are holding, pending pay out:
(iii) From punch board and pull-tabs, including cost recovery for merchandise prizes awarded, no later than two banking days after they remove the board or series from play.

6) WAC 230-07-115 Duties of charitable or nonprofit gambling managers.
(The following subsections apply.)

Charitable or nonprofit gambling managers must:
(3) Ensure:
(d) All funds are disbursed or invested according to the directions of the officers or governing board and are used solely to further the charitable or nonprofit purpose(s) of the organization

(4) Protect:
(b) The organization from players or workers committing illegal acts; and
(c) All gambling assets of the organization from misuse or theft; and

(5) Safeguard funds or other assets made from gambling and secondary activities for which he or she is responsible until directly deposited in the organization's bank account.

7) RCW 9.46.153(1) Applicants and licensees - responsibilities and duties
It shall be the affirmative responsibility of each applicant and licensee to establish by clear and convincing evidence the necessary qualifications for licensure of each person required to be qualified under this chapter, as well as the qualifications of the facility in which the licensed activity will be conducted.

Between December 1, 2013 and July 18, 2014, while acting as the gambling manager and bookkeeper, Lorraine Albertson withheld between $20,000 and $55,396 from pull-tab and bar deposits for FOE. She also wrote an unauthorized $5,000 check from the FOE gambling account, to cover for funds she had already taken, and failed to make deposits within two days, as required, in violation of WAC 230-07-090 and WAC 230-07-115.

On September 17, 2014, Ms. Albertson defrauded the FOE, confessed to taking at least $20,000, and admitted writing the $5000 check to cover for her gambling habit in violation of RCW 9.46.190. Therefore, Lorraine Albertson has failed to establish clearly and convincingly that she is qualified to be licensed, in violation of RCW 9.46.153(1). As a result, there are grounds to revoke her license based on RCW 9.46.075(1), (8), and (9), and WAC 230-03-085(1) and (8).

III.

Jurisdiction of this proceeding is based on 9.46 RCW, Gambling, chapter 34.05 RCW, the Administrative Procedure Act, and WAC Title 230.

You have the right to a hearing. To have a hearing, or to settle the case, the Gambling Commission must receive the hearing request form back from you within 23 days. After we receive this form, we will call you about settlement options. If you do not return the form on time, your license may be revoked (taken away) and you cannot work. (RCW 34.05.440.)

IV.

I have read this Notice of Administrative Charges and Opportunity for an Adjudicative Proceeding, know the contents of it, believe it to be true, and have executed this Notice in my capacity as Director of the Washington State Gambling Commission.

D. Trujillo 1-9-2015

DAVID TRUJILLO, DIRECTOR (Date)

STATE OF WASHINGTON)
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COUNTY OF THURSTON)

I certify I have this day served a copy of the document upon all parties of record in the proceeding by mailing a copy, properly addressed with postage prepaid, by regular and certified mail to each party to the proceeding or his or her attorney or authorized agent.

Dated at Olympia, Washington this 14 day of January ,2015

Maureen Pretell