

STATE OF WASHINGTON
GAMBLING COMMISSION

In the Matter of the Suspension of the License to) NO. CR 2014-00149
Conduct Gambling Activities of:)
)
Scott C. Hildebrandt,)
Seattle, Washington)
)
Licensee.)

I.

The Washington State Gambling Commission issued Scott C. Hildebrandt license number 68-05273, authorizing Card Room Employee activity at Crazy Moose Casino, Mountlake Terrace.

The Commission issued this license, which expires on August 14, 2014, 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:

The licensee, a house-banked card room General Manager, caused a Gambling Operations Manager and a house-banked card room to violate internal controls and the independent functions rule when he assigned the duties of a General Manager to the Gaming Operations Manager.

FACTS:

1) The licensee, Scott Hildebrandt, is General Manager at the Red Dragon and Crazy Moose Casinos. Mr. Hildebrandt assigned his duties as a General Manager to a Gaming Operations Manager (also known as the Casino Operations Manager). Having persons other than, the General Manager in a position to conceal errors or wrongdoings placed the card room at risk of illegal conduct. A Commission Special Agent (agent) discovered Mr. Hildebrandt's conduct during a routine house-banked card room inspection.

2) Prior to the agent's inspection at the Crazy Moose, Mr. Hildebrandt had received a verbal warning from the agent during the agent's routine inspection at the Red Dragon Casino. Mr. Hildebrandt told the agent he had directed Justin Crouch, Gaming/Casino Operations Manager at the Crazy Moose, to fill in for the Surveillance Manager so the Surveillance Manager could operate surveillance equipment at the Red Dragon Casino during the agent's inspection. The agent warned Mr. Hildebrandt that allowing the Gaming/Casino Operations Manager to work in the surveillance room violated the separate functions rule, WAC 230-15-430(3).

- 3) During the agent's inspection at Crazy Moose beginning on January 16, 2014, she found Justin Crouch, Gaming/Casino Operations Manager at the Crazy Moose,¹ responsible for all the duties of a General Manager. Mr. Crouch told the agent:
- a. Mr. Hildebrandt was present in the Crazy Moose "about five hours a week."
 - b. Mr. Hildebrandt checks in with him (Mr. Crouch) when Mr. Hildebrandt arrives at the Crazy Moose.
 - c. "Everyone reports to me [Mr. Crouch]."
 - d. Mr. Hildebrandt "told me [Mr. Crouch] I'm in charge of everything and all of the departments when he isn't here."
- 4) John Lickteig, Security Guard at the Crazy Moose, told the agent, "Justin Crouch is the boss, but if he isn't here we report to any of the shift supervisors."
- 5) Dan Raub, Surveillance Observer at the Crazy Moose told the agent:
- a. When asked who the surveillance department reported to, said, "Justin Crouch, the General Manager."
 - b. When asked if he knew who Mr. Hildebrandt was, said, "Yeah, he comes in a few times a week if there is a meeting."
 - c. Mr. Raub notified Mr. Crouch about suspicious behavior, and about any cameras not working.
- 6) Mr. Hildebrandt told the agent:
- a. When asked who was in charge at the Crazy Moose day-to-day, Mr. Hildebrandt said, "Gaming reports to Justin [Crouch]."
 - b. The food and beverage and accounting departments reported to Mr. Hildebrandt, and security and surveillance reported to Mr. Crouch.
 - c. Mr. Hildebrandt spends 80 percent of his time at the Red Dragon and "20 percent at the Crazy Moose; maybe 90 percent/10 percent."
 - d. When Mr. Hildebrandt is present at the Crazy Moose, he meets with Mr. Crouch and gets updates on the day-to-day operations.
 - e. Mr. Hildebrandt meets with the poker section twice a month, shift managers once a month and he tries to have a monthly manager meeting.

¹ Justin Crouch and the Crazy Moose Casino received warning letters for violating Commission and internal control rules.

f. When asked if he thought he was providing enough supervision at the Crazy Moose, he said, "That's why I have Justin [Crouch]. That's his job."

7) The Crazy Moose Casino's internal controls establish separate functions for the General Manager, Casino Operations Manager, Accounting Manager, Security Supervisor, and Surveillance Supervisor. Internal controls provide in part:

a. "In the event of an emergency and the General Manager and/or the COO is [sic] not available the Casino Operations Manager may act in the capacity of the general Manager in their absence."

b. "The Accounting Manager shall ensure perform a systematic review and reconciliation of all revenue reconciliation of all revenue and documents, reports, records and other sensitive forms. The Accounting Manager will report directly to the General Manager."

c. "The Security Manager [Supervisor] is responsible for signing and ensuring the accuracy on the following forms: Card Inventory Log, Card Destruction Log, Table Inventory Slips, Fill/Credit Form...and all other forms used in the daily operation of the facility."

d. "The Surveillance Supervisor will report directly to the General Manager, ROM and COO."

8) Mr. Hildebrandt has the following administrative history:

a. In 2012, Mr. Hildebrandt received a warning letter for failing to report illegal or suspicious activities. This conduct violated WAC 230-15-305(1). (CR 2012-00624)

b. In 2011, Mr. Hildebrandt received a verbal warning for modifying internal controls and card games without getting written approval from Commission staff. This conduct violated WAC 230-15-440(1). (CR 2011-00495).

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 certified employee, 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.

(2) Knowingly causes, aids, abets, or conspires with another to cause, any person to violate any of the laws of this state or the rules of the Commission.

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.

(3) Has demonstrated willful disregard for complying with ordinances, statutes, administrative rules, or court orders, whether at the local, state, or federal level.

3) RCW 9.46.185 Causing person to violate rule or regulation.

Any person who knowingly causes, aids, abets, or conspires with another to cause any person to violate any rule or regulation adopted pursuant to this chapter shall be guilty of a gross misdemeanor subject to the penalty set forth in RCW 9A.20.021.

4) WAC 230-15-425 Internal controls.

(The following subsections apply)

(1)(c) House-banked card game licensees must: Follow all ICs at all times; and

(2) Licensed card room employees must follow the internal control procedures for their individual functions.

5) WAC 230-15-430 Internal control requirements.

(The following subsections apply)

Designating a general manager.

(2) The owner, partners, or board of directors for the licensee must designate an individual with overall responsibility for the business, called the "general manager." The general manager may also perform the duties of a gambling operations department manager;² and

Establish separate departments or functions.

(3) Licensees must establish separate departments or functions which must be independent from each other. At a minimum, these must include:

- (a) Surveillance;
- (b) Security;
- (c) Gambling; and
- (d) Accounting.

² WAC 230-15-445 Defining "gambling operations manager."

"Gambling operations department manager" means a card room employee who is responsible for managing all card game operations.

The licensee, Scott Hildebrandt, directed Justin Crouch, Gaming/Casino Operations Manager at the Crazy Moose, to oversee the security and surveillance departments, which is not allowed by Crazy Moose's internal controls requiring separate functions. Mr. Hildebrandt received a prior warning from the agent at the Red Dragon Casino that allowing the Gaming/Casino Operations Manager to cover a shift in the surveillance room violated WAC 230-15-430(3).

Despite the warning, Mr. Hildebrandt directed Justin Crouch, Gambling Operations Manager, to be in charge of all the departments at the Crazy Moose Casino. By directing Mr. Crouch to oversee the departments and functions of surveillance, security and gambling, the Crazy Moose Casino failed to establish separate and independent departments or functions.

The licensee violated RCW 9.46.185 by knowingly causing Justin Crouch, and the Crazy Moose Casino to violate internal controls and WAC 230-15-425 (1)(c) and (2), and WAC 230-15-430(2) and (3).

Grounds, therefore, exist to suspend Scott Hildebrandt's license under RCW 9.46.075(1) and (2), and WAC 230-03-085(1) and (3).

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III.

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

The licensee will have the opportunity to have a hearing on the alleged violations.

To have a hearing or discuss settlement options, the enclosed request for hearing must be completed and returned to the Gambling Commission **within 23 days** from the mailing of this notice.

Based on RCW 34.05.440, failure to return a request for hearing will cause the entry of a default order SUSPENDING your license FOR 30 DAYS.

IV.

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

Dated 4/1/14



DAVID TRUJILLO, DIRECTOR

STATE OF WASHINGTON)
)
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, property 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 2 day of April, 2014.

