

STATE OF WASHINGTON
GAMBLING COMMISSION

In the Matter of the Suspension or Revocation of)
the License(s) to Conduct Gambling Activities of:)
)
The Club,)
620 Everett Mall Way SE, Suite 777)
Everett, Washington,)
)
Licensee.)
_____)

No. CR 2009-01046 &
CR 2009-01054

**NOTICE OF ADMINISTRATIVE
CHARGES AND OPPORTUNITY
FOR AN ADJUDICATIVE
PROCEEDING**

I.

The Washington State Gambling Commission issued The Club, organization number 00-20420, the following license(s):

Number 67-00237, Authorizing Class "14" House-Banked Card Room Activity; and
Number 05-20145, Authorizing Class "E" Punchboard/Pull-Tab Activity.

The license(s) expire on March 31, 2010, and were issued subject to the licensee's compliance with state gambling laws and regulations.

II.

David Trujillo, Deputy Director, of the Washington State Gambling Commission, charges the licensee with the following violation(s) of the Washington State Gambling Act, 9.46 RCW, and WAC Title 230:

- The licensee failed to submit its financial statement within 120 days following the end of the licensee's business year, violating WAC 230-15-740. The statement was due on July 1, 2009.
- The licensee also failed to: safeguard its poker card inventory, maintain a poker card destruction log, maintain documentation for financial transactions, and report cash contributions, in violation of WAC 230-06-070, WAC 230-15-730, WAC 230-06-080, WAC 230-15-115, and WAC 230-15-430. This also violates the licensee's June 6, 2008, Settlement Order.

Grounds exist to suspend or revoke the license(s) under RCW 9.46.075 and WAC 230-03-085. There are also grounds to impose the remainder of the 18-day deferred suspension under the June 6, 2008, Settlement Order.

FACTS:

CR 2009-01046:

- 1) House-banked card rooms are required to submit annual financial statements within one hundred and twenty days following the end of their fiscal year.
- 2) The licensee's financial statements for 2008 were originally due on April 30, 2009. On April 15, 2009, Jennifer Brown, the licensee's Comptroller, requested a sixty-day extension. Commission staff granted the extension, giving the licensee until July 1, 2009 to submit the statements.
- 3) As of July 31, 2009, Commission staff had not received the statements.
- 4) The licensee's failure to submit financial statements violates WAC 230-15-740(2)&(3).

CR 2009-01054:

- 5) On February 6, 2009, a Commission Special Agent (agent) reviewed the license's main bank account for the period of October 1, 2008 through December 31, 2008, as well as the licensee's poker card inventory for February 6, 2009.
- 6) As a result of this review, the agent verbally notified the licensee, upon completion of the inspection that it had failed to maintain back-up documentation for all financial transactions. The agent verbally notified the licensee on February 6, 2009, that it had failed to safeguard cards and maintain an accurate card destruction log. Commission staff issued a warning letter on April 14, 2009, for these violations.
- 7) On June 18, 2009, the agent conducted an inspection to follow up on the items identified in the April 2009 warning letter. She determined that for the period of February 6, 2009 through June 18, 2009, the licensee was missing 34 poker decks. Licensee staff said that they had destroyed decks of poker cards, but could not provide the agent with a poker card destruction log.
- 8) The agent also reviewed the licensee's organizational check register and bank statements from March 1, 2009, to May 31, 2009. For that period, the agent noted a total of \$42,500 in checks made payable to cash, with the description "petty cash." Lisa Young, an accounting department employee, told the agent that the licensee had no back-up documentation for the transactions.
- 9) During the period in review, the agent also determined that the licensee deposited \$36,200 to its account, with some deposits noted as "petty cash" or "miscellaneous cash" deposits. The licensee deposited \$12,500 in cash, with the remainder in checks.
- 10) Ms. Young told the agent the deposits were made to pay bills. The licensee was withdrawing money and storing it in petty cash because the Department of Revenue (DOR) was taking money from the account and they did not want their checks to bounce. She also said that since the licensee filed for bankruptcy protection, the DOR could not take money from the account, so they are no longer storing it in petty cash.
- 11) The licensee's failure to maintain back-up financial documentation violates WAC 230-06-070(1)(b), and WAC 230-15-730(1) & (2).
- 12) The licensee's failure to disclose cash contributions that individually or totaled together exceed \$10,000 violates WAC 230-06-080(2)(c).

13) The licensee's failure to safeguard cards and maintain a card destruction log violates WAC 230-15-730(4)(d), WAC 230-15-115(1)(b) and WAC 230-15-430(5)(c).

Administrative History:

The licensee's administrative history for the past five years includes the following:

- Six verbal warnings for operational and internal control violations. One of the warnings was issued on November 29, 2007, for failing to safeguard cards. Staff issued another warning on February 13, 2008 for failing to maintain back-up documentation for financial transactions and failing to properly account for cards (February 13, 2008).
- Six Notices of Infraction for soft count procedures, inadequate key controls, notifying Commission staff of a terminated employee, surveillance, and card room procedures.
- Six warning letters, in addition to the April 2009 letter referenced above. One of the letters was dated August 13, 2007, notifying the licensee of the requirement to submit financial statements within 120 days of the end of the licensee's fiscal year. Another letter was dated August 20, 2008, notifying the licensee of the requirement to maintain back-up documentation for financial transactions.
- Six Notices of Violations and Settlement¹ for failing to notify Commission staff and submit updated documents, surveillance violations and allowing a minor to gamble.
- In March of 2008, the licensee received administrative charges for failure to keep a minimum amount of cash on hand. The licensee entered a Settlement Order on June 6, 2008, agreeing to a 20-day suspension, with eighteen days deferred for one year, and two days vacated by a fine and costs totaling \$8,931. The Settlement Order provides, in part, the following: "The licensee must not violate the terms of this Settlement Order or Washington's gambling statutes or regulations during the one (1) year term. If the licensee violates the terms of this Order, gambling statutes, or regulations, and if the violation is the type that warrants filing administrative [charges], the Director may impose the 18-day suspension of the current gambling licenses and any subsequently acquired gambling licenses."

The licensee has previously received warning letters and/or verbal warnings concerning the requirements to submit financial statements, maintain back-up documentation for financial transactions, and safeguarding cards. These repeated violations demonstrate the licensee's willful disregard for gambling regulations, in violation of WAC 230-03-085(3), as well as the licensee's June 6, 2008 Settlement Order.

1 A Notice of Violation and Settlement (NOVAS) identifies the violation and gives the recipient the opportunity to pay a fine to settle the matter.

VIOLATIONS:

RCW 9.46.075 Denying, suspending, or revoking an application, license.

(The following subsection applies)

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:

(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.

WAC 230-03-085 Denying, suspending, or revoking an application, license.

(The following subsection(s) apply)

We may deny, suspend, or revoke any application, license or permit, when the applicant, licensee, or anyone holding a substantial interest in the applicant's or licensee's business or organization:

(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.

WAC 230-15-740 Preparing financial statements.

(The following subsections apply)

Filing with the Commission.

(2) House-banked card game licensees must submit financial statements covering all financial activities of the licensees' business premises for each business year within one hundred twenty days following the end of their business year.

(3) We may authorize a sixty-day extension if a licensee submits a written request explaining the need for the extension.

WAC 230-06-070 Keep monthly records.

(The following subsections apply)

Every person or organization licensed to operate any gambling activity must maintain permanent monthly records of all financial transactions directly or indirectly related to gambling activities. The licensee must include all financial transactions in enough detail to prove compliance with

recordkeeping requirements for the specific gambling activity.

- (1) Every licensee must record for each licensed activity:
- (b) Full details on all expenses.

WAC 230-15-730 Keeping an accounting system.

(The following subsections apply)

- (1) House-banked card room licensees must keep and maintain a complete set of accounting records which we have approved before licensure. These records must include all receipts and disbursements of the licensee, including, at least, those related to gambling activities.
- (2) Licensees must keep legible, accurate and complete records of all transactions relating to the revenues, costs, and expenses of the gambling operation. Licensees must keep these records in a format that ensures consistency, comparability, and effective disclosure of financial information.
- (4) Licensees must keep detailed, supporting, and subsidiary records including, at least:
 - (d) Records which identify the purchase, receipt, and destruction of all cards and gambling chips used in wagering.

WAC 230-06-080 Report changes to application information and submit updated documents and information.

(The following subsections apply)

- (2) Licensees must submit to us any new or update documents and information, including the following:
 - (c) All cash or asset contributions, draws from lines of credit, and loans (except those from recognized financial institutions) during any calendar year which by themselves or totaled together are more than ten thousand dollars. Cash or asset contributions do not include donations to licensed charitable or nonprofit organizations.

WAC 230-15-115 Standards for cards.

(The following subsections apply)

- (1) Card game licensees must:
 - (b) Safeguard all cards.

WAC 20-15-430 Security department requirements.

(The following subsections apply)

- (5)The security department manager must ensure that security employees control:
 - (c) Disposing of or destroying used cards and dealing shoes, and observing accounting department employees when they destroy damaged chips when removed from service.

\\

\\

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.

In order 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 date of the mailing of this notice.

Based on RCW 34.05.440, failure to return this document will result in the entry of a default order REVOKING your licenses.

STATE OF WASHINGTON)
) ss.
COUNTY OF THURSTON)

David Trujillo, being duly sworn on oath, says: That he has read this Notice of Administrative Charges and Opportunity for An Adjudicative Proceeding, knows the contents of it, believes it to be true, that he is the Deputy Director of the Washington State Gambling Commission, and in that capacity has executed said Notice.

STATE OF WASHINGTON)
) ss.
COUNTY OF THURSTON)

I hereby certify that I have this day served a copy of the document upon all parties of record in the proceeding by mailing a copy thereof, 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 7th day of August, 2009

Communications and Legal Department
Washington State Gambling Commission

Maura Prattell

David Trujillo

DAVID TRUJILLO, DEPUTY DIRECTOR

SUBSCRIBED AND SWORN TO before me
this 10th day of August, 2009.

Michelle M. Pardee

NOTARY PUBLIC in and for the State of

Washington residing at Lacey

My Commission expires on June 16, 2013

