

STATE OF WASHINGTON
GAMBLING COMMISSION

In the Matter of the Suspension or Revocation) CR 2010-00627
of the Licenses to Conduct)
Gambling Activities of:)
Seattle Jaycees,)
Licensee.)
_____)

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

RICK DAY alleges as follows:

I.

He is the Director of the Washington State Gambling Commission and makes these charges in his official capacity.

II.

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

III.

The Washington State Gambling Commission issued the Seattle Jaycees, 11030 East Marginal Way South, Tukwila, Organization Number 00-04070, the following licenses:

Number 01-01609, Authorizing Class "I" Bingo Activity.
Number 05-03362, Authorizing Class "F" Punchboard/Pull-Tab Activity.
Number 03-01015, Authorizing Class "A" Commercial Amusement Game Activity.

These licenses, which expire on June 30, 2011, were issued subject to the licensee's compliance with state gambling laws and regulations.

IV.

SUMMARY:

The licensee, a nonprofit organization, failed to protect funds and assets from misuse, failed to adequately document expenses, failed to keep an adequate management control system, used gambling proceeds to benefit individual board members, and failed to submit updated documents and information.

FACTS:

1) The Seattle Junior Chamber of Commerce, doing business as the Seattle Jaycees, is a non-profit organization, whose stated purpose is to provide its members with leadership training through community service. Any person between the ages of 21 and 41 years old may become a member. The organization has been licensed since 1997, and operates bingo, pull-tabs and amusement games at the Seattle Police Athletic Association, located in Tukwila.

2) A Special Agent Supervisor in the Financial Investigations Unit (FIU) received a complaint from Stephen Vinzant, a former member of the licensee's Board of Directors. Mr. Vinzant complained that three board members were using the licensee's funds to buy expensive dinners, alcoholic drinks, and rides in limousines. On April 27, 2010, the FIU Special Agent Supervisor forwarded Mr. Vinzant's complaint to the Special Agent (agent) in the Field Operations Division, assigned to the licensee. Because of the complaint, the agent investigated and reviewed the licensee's program services.

3) The agent reviewed the licensee's bank statements, check registers, cancelled checks, credit card statements, and other records associated with the licensee's accounts, for the period between January 1, 2009, and June 2010. The licensee was assigned to Group III,¹ based on its gambling income (combined annual gross receipts up to three million dollars).

4) The agent reviewed the licensee's 2009 bylaws, which the licensee had failed to submit to the Commission until the agent began his investigation. The licensee had not submitted updated bylaws to the Commission since 2002. The licensee's bylaws provided the following:

“The organization, administration, procedures and activities of the Seattle Junior Chamber, so far as not governed by the Agreement of Incorporation and these Bylaws, shall be governed by Policies and Procedures established by the Board of Directors.”

5) The agent also reviewed the licensee's Policies and Procedures, which the licensee had also failed to submit until the agent began his investigation. The licensee's Policies and Procedures provided the following:

- a. “Chairman's Planning Guides (CPG) must be approved by the Area Vice President and the Area Director. All Seattle Jaycee events/projects require an approved CPG on file at the Seattle Jaycees office two (2) weeks in advance of the event/project date. The CPG must be on file before any check requests can be approved.”
- b. “The wrap-up (completion of questions 8 – 10) for CPGs with total income greater than \$500.00 must be approved by the Board of Directors within 45 days of the project date. Other CPGs require a majority vote of the Executive Board for wrap-up approval.”

¹ Under WAC 230-07-015(1), charitable or nonprofit licensees are assigned to regulatory groups based on the annual gross gambling receipts for their combined licensed activities for reporting purposes:

- c. "Final CPG's must be accompanied by a project sign-in sheet prior to payment in full of any outstanding project receipts."
 - d. "Check request/expense reimbursement forms must be accompanied by proper receipts and a detailed description of items. Canceled checks, copies of checks, and restaurant stubs are examples of unacceptable receipts."
 - e. "The Seattle Jaycees will cover 50% of the cost of lodging at quarterly state meetings."
 - f. "Reimbursement checks require a minimum of two (2) signatures and are typically signed late Wednesday evening and are available for distribution on Thursday."
- 6) The agent found board members misused about \$47,863, attributable mainly to the licensee's Board of Directors: Kendra Demuth (President), Tara Winkler (Chairman of the Board), Jill Griffin (Advisor), and Stephen Vinzant (Community Development Director). Currently, only Kendra Demuth and Tara Winkler are on the Financial Management Committee and they are in a relationship, share a bank account, and reside together.
- 7) Examples of the licensee's misuse of funds included:
- a. **"Projects and Socials:"** On December 6, 2009, board member Tara Winkler signed a receipt for \$80 at a Hooters Restaurant. The licensee failed to explain the expense on its "Check Request/Expense Reimbursement" form. The agent called the restaurant and spoke with a manager who tracked the expense from the receipt number. According to the manager, there were "two people in the party, they ordered a lot of food, a pitcher of Coors Light beer and two Mac and Jack beers." On other occasions, the licensee spent \$396 for board members' tickets to a Seattle Mariner game, \$80 for movie tickets and dinner, including beer, and \$1,360 for theater tickets, plus a room rental and parking.
 - b. **"Social Gatherings:"** The licensee had multiple social gatherings at various bars and restaurants. The licensee bought food and alcoholic drinks for people who attended these gatherings; however, the licensee was unable to provide any records documenting attendance. Many of the "Check Request/Expense Reimbursement" forms were for "Game Nights," held almost exclusively at bars.
 - c. **"Meetings:"** The licensee frequently bought food and alcoholic drinks at bars and restaurants for people attending General Membership, Board of Director, and Financial Management Committee meetings. For example, on March 3, 2010, at about 9:00 p.m., the licensee spent \$324.24 at a General Membership meeting held at a bar called Hale's Ales. The licensee failed to retain meeting minutes or record attendance for the meeting. On other occasions, board members met at restaurants and bars in Seattle, such as Ozzie's Bar and Grill, Salty's on Alki, and Uptown China Restaurant. It remained unclear to the agent why the licensee did not hold meetings at its bingo hall in Tukwila, or at its office building in Seattle.

- d. **“Training and Paperwork:”** On December 30, 2009, the licensee spent \$122.25 at a restaurant, and listed the expense as a “BOD retreat train [sic] for 2010.” On another occasion, the licensee spent \$90 for Class 12 “Mixologist” Permits for “Kendra, Tara and Heather.” “Mixologist” permits satisfy the Liquor Control Board’s requirement of Mandatory Alcohol Server Training, allowing persons to draw alcohol from tap and mix drinks. On other occasions, board members spent \$78 for a “BOD Planning Session-Dinner for BOD members” at Chan’s Place Restaurant on a Saturday night, and spent \$29 at a Pizza Hut for a “Paperwork Party” on a Sunday afternoon.
- 8) The agent also found a large number of expenditures totaling about \$15,724, which had little or no supporting documentation. Expenditures included:
- a. Checks for “Petty cash,” totaling about \$4,864.
 - b. A check for \$6,000 paid to “8 to Great Training.”
 - c. \$102.88 charged at Courtyard for Marriott on 2/20/10, a Sunday; \$100 at Fred Meyer; \$238.72 at Things Remembered; \$946.20 at Cascade Sign and Design.
 - d. Many charges at restaurants.
- 9) The agent kept track of the licensee’s misused funds by creating charts based on the licensee’s expense categories. See attached Appendix A: Misuse of Funds.
- 10) The agent reviewed numerous miscellaneous expenditures that appeared to be a misuse of funds, or was questionable because the expenditures failed to further the licensee’s stated purpose of providing “leadership training to its members through community service.” Some of the expenditures also involved a conflict of interest. For example, the licensee gave the Monarch Association, another nonprofit organization, an \$18,200 grant or a loan to help the organization move into a new building. The agent was unable to determine whether the \$18,200 was a grant or a loan, because the licensee’s meeting minutes characterized it as both. Furthermore, Stephen Vinzant had just left the Monarch Association’s Board of Directors before applying for the grant/loan from the licensee. Additionally, Stephan Vinzant’s mother was the CEO of the Monarch Association at the time of the loan or grant. Loaning money to other organizations is a misuse of funds by the licensee.
- 11) The agent also found the following during his investigation:
- a. Kendra Demuth, the licensee’s current President and Tara Winkler, the current Chairman of the Board, were in a relationship, lived together and shared a bank account. The licensee requires at least two board members to approve reimbursement checks. Between January 1 and April 30, 2009, Ms. Demuth and Ms. Winkler approved at least 100 expenditures and signed 100 checks together, and were involved in the events or projects requiring the checks.
 - b. The licensee failed to keep credit card statements for August and September 2009.

- c. Stephen Vinzant, an unauthorized person, signed three (3) checks written from the licensee's operating account between January 1, and April 20, 2009.
- d. The licensee failed to keep meeting minutes for at least 24 meetings, including every monthly general membership meeting in 2009, except for October.
- e. The licensee failed to keep attendance records for at least 16 meetings.
- f. The licensee failed to complete Chairman's Planning Guides (CPG) for many of its projects.

12) The agent reviewed supporting documents for seven (7) projects that the licensee completed, and he found the licensee failed to follow its Policies and Procedures required for projects:

- a. Annual Police, Firefighter and EMT Appreciation Event (PFEA):
 - i. The licensee allocated the entire \$4,868 expense of this project as a direct program expense.
 - ii. The licensee held the event at the Majestic Lanes in Lynnwood, which featured music, food, beverages, door prizes and a silent auction.
 - iii. The licensee did not complete its CPG, and questions eight to ten, documenting the goals reached, or not, were not completed.
 - iv. The licensee failed to maintain an attendance sheet, as required by its Policies and Procedures.
 - v. Leadership training was not provided.
 - vi. A sign-up sheet showed a total of five Seattle Jaycee members planned to work on the project: Tara Winkler, Kendra Demuth, Joe Gong, Heather Kortlever, and Mike McCarty. Of the five members, three were board members (Ms. Winkler, Ms. Demuth and Ms. Kortlever). Mr. Gong was an advisor to the Board of Directors and a member of the Financial Management Committee, and Mr. McCarty was a general member.
 - vii. On June 22, 2010, the agent interviewed Mike McCarty over the phone. Mr. McCarty said the following about the event:
 - 1. He only helped set up and then left.
 - 2. There was no specific leadership training conducted.
 - 3. He did not learn anything related to leadership.
 - 4. He did not recall how many members attended.

viii. On June 28, 2010, the agent interviewed Heather Kortlever over the phone. Ms. Kortlever said the following:

1. She was on the Board of Directors last year (2009). Her title was Vice President, but she did not know what she was Vice President of.
2. She was also on the Board of Directors in 2008, but did not know what her title was then either. She volunteered to be on the Board because they needed members.
3. She ran the PFEA event, which included, “door prizes, food, bowling, having fun.” The event’s purpose was to “recognize emergency personnel and let them have a good time.”
4. When asked whether there had been any leadership training, she replied, “No.”

b. Relay for Life:

- i. The licensee allocated the entire expense, about \$2,292, as a direct program expense.
- ii. The licensee completed only five out of ten questions on its CPG, failed to maintain attendance records, and failed to provide any leadership training.
- iii. Six members signed up to work on the project: Tara Winkler, Jacob Winkler (Ms. Winkler’s son, a minor), Kendra Demuth, Joe Gong, Heather Kortlever, and Mike McCarty.
- iv. On June 22, 2010, the agent interviewed Mike McCarty over the phone. Mr. McCarty said he had walked for two hours at the event, and did not learn anything related to leadership.
- v. On June 28, 2010, the agent interviewed Heather Kortlever over the phone. Ms. Kortlever said there was no leadership training at the event, and there were about five members at the event.

c. Seattle Jaycees Scholarship Programs:

- i. A total of about \$16,850 was allocated as a direct program expense.
- ii. The licensee’s Policies and Procedures do not include a “Scholarship Committee.”
- iii. The licensee did not retain any meeting minutes associated with committee meetings.

- iv. An expense at a KFC/Taco Bell on April 23, 2009, was attributed to a committee meeting. No attendance records were kept.
- d. Tukwila Nonprofit Grants:
- i. The licensee allocated a total of about \$55,185 as a direct program expense. The licensee created this program in 2007 to “assist nonprofit and community programs serving people in the City of Tukwila.”
 - ii. In 2007, the licensee had asked the City of Tukwila for a waiver of gambling taxes, and offered to contribute 70 percent of what it would have owed in taxes, to Tukwila based charities. The Tukwila City Council later passed an ordinance, codified at TMC Chapter 3.08.030, which allows the City’s finance director to waive taxes for bona fide charitable and nonprofit organizations, as long as the organization donates 70 percent of the taxes due to the City, to a charitable nonprofit organization serving the City.
 - iii. The licensee’s Policies and Procedures do not include a “Tukwila Nonprofit Grants Committee.”
 - iv. The licensee did not schedule any meetings, and did not retain any meeting minutes associated with committee meetings.
 - v. No leadership training was involved in this program.
- e. Individual Development ID Trainings:
- i. The licensee allocated a total of \$1,127 as a direct program expense. The licensee described this program as giving “our members the training and skills needed to improve their personal and professional lives as well as implement and run more effective projects that impact the communities in which they live and work.” However, the only project the agent was able to identify that was associated with this program was the sale of the licensee’s building.
 - ii. The licensee stated that in “2009, we continued with the process of selling our building. This in itself was a huge learning experience for all involved. The members that were involved attended meetings with the brokers and potential buyers. This allowed them to learn all things involved in selling a building,”
 - iii. The only members that were involved in the sale of the building were Board or Financial Management Committee (FMC) members.
 - iv. Joe Gong, the FMC Chairman and Board Advisor at the time, was the primary person involved with the sale of the building.
 - v. General members were not involved in the sale, and leadership training was not provided to anyone.

- f. Washington State Junior Chamber State Convention:
 - i. The licensee allocated a total of \$3,789 as a direct program expense.
 - ii. In 2009, the licensee paid 100 percent of the lodging for five members at two separate conventions: Tara Winkler, Kendra Demuth, Monique Cleary, and Nathan Norton. Ms. Winkler and Demuth were Board members at the time. The licensee's Policies and Procedures allow only 50 percent reimbursements for lodging at conventions or events.
 - iii. The licensee paid for Ms. Winkler's and Ms. Demuth's meals. Ms. Winkler and Demuth were both Board members and signers on the licensee's bank accounts.
 - iv. The licensee did not keep attendance records.
 - v. Only two general members benefited from available training at the conventions.
- g. National Meetings and Trainings:
 - i. The licensee allocated \$5,125 as a direct program expense, for expenses related to attending a national convention held in Orlando, Florida, between September 22 and September 27, 2009.
 - ii. The licensee paid the airfare and lodging for four Board members: Tara Winkler, Kendra Demuth, Katrina Bettis, and Jill Griffin.
 - iii. In June 2010, Tara Winkler and Kendra Demuth attended another national convention, and were the only members to do so.
 - iv. When the agent questioned the payment of 100 percent of travel expenses for board members, the licensee provided the agent with two different versions of its Policies and Procedures. Stephan Vinzant gave the agent a version dated 4/20/10. Tara Winkler, a board member who had 100 percent of her travel expenses paid, gave the agent a version dated 8/25/04. Both versions were identical except for the "Travel" section of the document. Tara Winkler had hand written a change to the travel policy stating that the licensee would cover in full, 100 percent, of the cost of lodging and registration fees at state meetings. The agent reviewed all of the licensee's meeting minutes between January 1, 2009, and June 1, 2010, to see whether there was ever any discussion at any meeting (general, board, financial management committee, or executive) about changing the policy. There was none.

13) The licensee has the following administrative history:

- a. In 2001, the Commission administratively charged (CR-2001-01425) the licensee with spending in excess of \$12,000 on projects or reimbursements that did not meet the stated purpose of the organization and which were a misuse of funds.

- i. The licensee spent money on projects that did not meet the licensee's stated purpose, including, attending a Sonics basketball game, 24-Hour Fitness memberships, a "Spa Day," Tarot card readings, meals and movies, horseback riding, a Seattle Singles Soiree, and hiring a spiritual medium to cleanse the licensee's building of negative energy.
 - ii. The licensee failed to retain records, failed to complete Chairman's Planning Guides, failed to implement an account control system for management approval of expenditures, and kept two sets of conflicting meeting minutes for the same board meeting regarding reimbursement of a board member's trip to Africa.
 - iii. Joe Gong was the Financial Vice President at the time, and was later elected President.
 - iv. The licensee agreed to a 30-day suspension of its licenses, with 15 days deferred, and 15 days vacated by payment of a \$6,660 fine. The licensee also agreed to complete all reimbursement requests, to maintain one official set of meeting minutes, and to ensure that any expenditure of gambling proceeds were used only to benefit the licensee's stated purpose of providing members with leadership training through community service.
- b. In 2005, the Commission administratively charged the licensee with the following:
- i. 2005-00628: the licensee was organized primarily for the purposes of gambling, as demonstrated by its excessive reserves. The licensee had excessive reserves for 2002, 2003, 2004, and 2005, of \$269,504, \$424,953, \$439,953, and \$583,753, respectively.
 - ii. 2005-02167: failure to demonstrate significant progress towards its stated purpose of providing its members with leadership training through community services. Also, failure to correctly document and allocate expenses, charging support services as direct program expenses.
 1. Katrina Bettis was the licensee's president at the time of the investigation.
 2. In a settlement that combined both 2005 cases, the licensee agreed to a 30-day suspension, with 20 days deferred, and ten days vacated by payment of a \$7,360 fine. The settlement was signed in 2006, by then President, Jill Griffin. The licensee also agreed to distribute a copy of the Settlement Order to every present and future Board member and gambling manager for the next five years.
- c. In 2008 (2007-01609), the licensee, through then President, Tara Winkler, received a warning letter for failing to provide sufficient supporting documentation for nine checks written from its main account, and for six checks from its charities account. The licensee also failed to protect against the misuse of funds by paying a check for \$65 that was not authorized by the licensee's Board.

VIOLATIONS:

- 1) **RCW 9.46.075(1)** provides that the Commission may suspend or revoke any license when a licensee has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by chapter 9.46 RCW, or any rules adopted by the Commission.
- 2) **RCW 9.46.075(8)** provides that the Commission may suspend or revoke any license when a licensee fails to prove, by clear and convincing evidence, that it is qualified in accordance with the provisions of this chapter. **RCW 9.46.153(1)** provides that it shall be the affirmative responsibility of each 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.
- 3) **WAC 230-03-085(1) and (3)** provides that the Commission may suspend or revoke any license when the licensee commits any act that constitutes grounds for suspending or revoking licenses or permits under RCW 9.46.075, or has demonstrated willful disregard for complying with ordinances, statutes, administrative rules, or court orders, whether at the local, state, or federal level.
- 4) **WAC 230-03-085(8)** provides that the Commission may suspend or revoke any license when the licensee 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 prior activities, or reputation, or habits.

The Gambling Commission administratively charged the license with the same or substantially similar violations in 2001, and 2005, and issued a warning letter in 2008. The licensee has repeated a pattern of not making significant progress, not providing services directly related to its stated purpose and misusing funds. The licensee's conduct demonstrates willful disregard for complying with administrative rules.

The licensee's habits and prior activities also demonstrate that it 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.

The licensee has failed to prove clearly and convincingly, that it is qualified to hold a gambling license, based on its repeated violations of not making significant progress, not providing services directly related to its stated purpose and misusing funds. Grounds, therefore, exist to suspend or revoke the Seattle Jaycees' licenses under RCW 9.46.075(1) and (8), and WAC 230-03-085(1), (3) and (8).

- 5) **WAC 230-07-010(1)** requires charitable or nonprofit organizations to use all net income from gambling activities remaining after paying necessary expenses of operating the gambling activities exclusively for the lawful purpose(s) of the organization stated on the organization's license application.

The licensee failed to use net income from gambling activities exclusively for the lawful purposes of the organization stated on its application. The licensee misused about \$47,863, kept little or no supporting documentation for about \$15,724 in expenses, and paid for meals, alcoholic drinks,

baseball game, movie, boat cruise, and theater tickets for its board members, violating WAC 230-07010(1). Grounds, therefore, exist to suspend or revoke Seattle Jaycees' licenses under RCW 9.46.075(1) and (8), and WAC 230-03-085(1), (3) and (8).

6) **WAC 230-07-060(2) (c) and (d)** requires charitable or nonprofit licensees to develop and maintain an independent management control system that ensures they protect all assets of the organization from misuse or embezzlement and use gambling proceeds solely to advance the purposes of their organization.

The licensee failed to develop and maintain an independent management control system that ensures they protect all assets of the organization from misuse or embezzlement and use gambling proceeds solely to advance the purposes of the organization. The licensee misused about \$47,863, kept little or no supporting documentation for about \$15,724 in expenses, and paid for meals, alcoholic drinks, baseball game, movie, boat cruise, and theater tickets for its board members. Two of the licensee's board members were in a relationship, lived together and shared a bank account, but were allowed to approve over 100 expenditures. This conduct violated WAC 230-07-060(2)(c) and (d). Grounds, therefore, exist to suspend or revoke Seattle Jaycees' licenses under RCW 9.46.075(1) and (8), and WAC 230-03-085(1), (3) and (8).

7) **WAC 230-07-065(3), (5) and (6)** provide that charitable or nonprofit licensees assigned to Groups III, IV, and V must develop and implement a management control system that:

(3) Includes affirmative management and accounting controls to ensure that all funds and other assets directly or indirectly obtained with gambling proceeds are protected from misuse, are dedicated solely to the purposes of the organization, and do not inure to the private use of any person.

(5) Includes a system of internal accounting controls designed to reduce errors, minimize the risk of embezzlement, and safeguard assets. The licensee's officers or board of directors must implement procedures to monitor established controls for compliance. The internal accounting control system must include at least:

(a) Management approval for expenditures; and

(b) Access to assets is restricted to those individuals management authorizes; and

(c) Recording procedures for all transactions in accordance with generally accepted accounting principles (GAAP). Licensees must record transactions with enough detail to maintain accountability for assets; and

(d) Periodic comparison of recorded assets to physical assets and reconciliation of all differences. "Reconcile" means the licensee must compare the two balances, resolve any differences, and document the comparison and the differences in writing. Licensees must keep the reconciliation as part of their records.

(6) Is documented and available for our review.

The licensee, assigned to Group III based on its combined annual gross receipts, failed to develop a management control system to ensure that all funds and other assets directly or indirectly obtained with gambling proceeds are protected from misuse, are dedicated solely to the purpose of the organization, and do not inure to the private use of any person. The licensee failed to keep records for all transactions in accordance with generally accepted accounting principles, and with enough detail to maintain accountability for assets. The licensee misused about \$47,863, kept little or no supporting documentation for about \$15,724 in expenses, and paid for meals, alcoholic drinks, baseball game, movie, boat cruise, and theater tickets for its board members. Two of the licensee's board members were in a relationship, lived together and shared a bank account, but were allowed to approve over 100 expenditures. This conduct violated WAC 230-07-065(3), (5) and (6). Grounds, therefore, exist to suspend or revoke Seattle Jaycees' licenses under RCW 9.46.075(1) and (8), and WAC 230-03-085(1), (3) and (8).

8) WAC 230-07-075(1), (2), and (4) provide:

(1) Charitable or nonprofit organizations have an independent operating environment when their officers or board members and supervisory level employees have completely separated their personal interests from the interests of the organization.

(2) If individual officers or board members acknowledge potential conflicts of interest and abstain from voting on issues that directly or indirectly affect their personal interest, the organization is operating independently.

(4) We will presume organizations lack an independent operating environment if the governing board fails to approve and document in the official meeting minutes any of the following by the officers, board members, or supervisory level employees:

(a) Receiving, directly or indirectly, financial or personal benefit from the organization or share in gambling proceeds of the organization; or

(b) Supervising, directly or indirectly, or having decision-making authority over transactions that may result in direct or indirect financial or personal benefit to:

(i) Their direct relatives; or

(ii) Persons with whom they maintain a common household; or

(iii) Persons with whom they have a business relationship; or

(c) Allowing others, directly or, through lack of action, indirectly, to receive or share in the gambling proceeds of the organization.

The licensee failed to acknowledge potential conflicts of interest, and approved of board members receiving directly and indirectly, financial and person benefit from the licensee's gambling proceeds. The licensee also allowed board members to have decision-making authority over transactions that resulted in financial or personal benefit to persons who maintain a common household. The licensee misused about \$47,863, kept little or no supporting documentation for about \$15,724 in expenses, and paid for meals, alcoholic drinks, baseball game, movie, boat cruise, and theater tickets for its

board members. Two of the licensee's board members were in a relationship, lived together and shared a bank account, but were allowed to approve over 100 expenditures. Board members approved a grant or loan of \$18,200 to another nonprofit organization which a former board member belonged to. This conduct violated WAC 230-07-075(1), (2), and (4). Grounds, therefore, exist to suspend or revoke Seattle Jaycees' licenses under RCW 9.46.075(1) and (8), and WAC 230-03-085(1), (3) and (8).

9) **WAC 230-07-130(1) and (2)** requires charitable or nonprofit licensees to maintain records which clearly show how the licensee used or disbursed the funds from each licensed activity. These records must provide an audit trail satisfactory for us to verify that the funds were used for the licensees' stated purpose(s). These records must include, at least, canceled checks for the disbursements. Charitable or nonprofit licensees must keep these records for three years from the end of year for which the record was created.

The licensee failed to keep records which clearly show how the licensee used or disbursed the funds from each licensed activity, and did not provide an audit trail satisfactory for us to verify that the funds were used for the licensees' stated purpose(s). This conduct violated WAC 230-07-130(1) and (2). Grounds, therefore, exist to suspend or revoke Seattle Jaycees' licenses under RCW 9.46.075(1) and (8), and WAC 230-03-085(1), (3) and (8).

10) **WAC 230-07-020(1) and (2)** require charitable or nonprofit licensees to make "significant progress" toward their stated purpose. They have made "significant progress" when they have complied with all requirements set forth in their bylaws and articles of incorporation, and have actively engaged in providing services to the public or their members during the fiscal year under review, and the services directly relate to the stated purposes of the organization.

Between January 2009 and June 2010, the licensee failed to make significant progress, as demonstrated by its disregard for complying with its Bylaws, Policies and Procedures. The licensee frequently failed to complete Chairman's Planning Guides for projects, failed to complete expense/reimbursement forms and to keep proper receipts and a detailed descriptions of items. The licensee also failed to keep meeting minutes and attendance records, reimbursed board members 100 percent of travel expenses, and failed to provide services directly related to its stated purpose of providing leadership training to its members through community service. This conduct violated WAC 230-07-020(1) and (2). Grounds, therefore, exist to suspend or revoke Seattle Jaycees' licenses under RCW 9.46.075(1) and (8), and WAC 230-03-085(1), (3) and (8).

11) **WAC 230-03-085(7)** provides that the Commission may suspend or revoke a licensee's license when the licensee fails to provide us with any information required under Commission rules within the time required, or, if the rule establishes no time limit, within thirty days after receiving a written request from us.

12) **WAC 230-06-080(1) and (2)(a)** requires licensees to notify us in writing if any information filed with the application changes in any way within thirty days of the change. Licensees must submit to us any new or updated documents and information, including the following: Articles of incorporation or bylaws, or any other documents which set out the organizational structure and purposes.

The licensee failed to submit its updated Bylaws, Policies and Procedures, violating WAC 230-06-080(1) and (2). Grounds, therefore, exist to suspend or revoke Seattle Jaycees' licenses under RCW 9.46.075(1) and (8), and WAC 230-03-085(1), (3), (7), and (8).

V.

The facts and violations set forth in paragraph IV above constitute grounds for the suspension or revocation of the licenses issued to the Seattle Jaycees pursuant to RCW 9.46.075 and WAC 230-03-085.

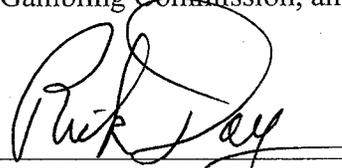
VI.

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 a request for hearing will result in the entry of a default order REVOKING your licenses.

STATE OF WASHINGTON)
) ss.
COUNTY OF THURSTON)

Rick Day, 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 Director of the Washington State Gambling Commission, and in that capacity has executed said Notice.

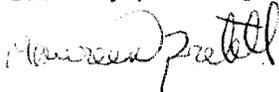


RICK DAY, DIRECTOR

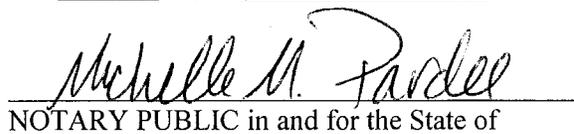
STATE OF WASHINGTON)
) ss.
COUNTY OF THURSTON)

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 12 day of October, 2010

 Communications and Legal Department
Washington State Gambling Commission

SUBSCRIBED AND SWORN TO before me this 12 day of October, 2010.


NOTARY PUBLIC in and for the State of

Washington residing at Lacey

My Commission expires on June 16, 2013



Projects and Socials – Misuse of Funds			
Expense	Amount	Date	Notes
Hooters Restaurant, Lake Union (Seattle)	\$80	12/6/09	Form merely listed "\$80.00," with no other detail. Receipt time stamped 4:56 pm, with no details of purchase. Agent called the restaurant and spoke with "Jill," a manager. Jill looked up the account information on the receipt and told the agent, "There were two people in the party, they ordered a lot of food, a pitcher of Coors Light beer, and two Mac and Jack beers." Tara Winkler signed the receipt.
Hamburger Harry's and Movie Tickets	\$80	7/8/09	Form listed expense as "Movie night-dinner and movie for members Jill Griffin, Tara Winkler, and Kendra Demuth." \$50 restaurant receipt included purchase of 3 beers. Receipt time stamped 6:50 pm. A \$30 receipt time stamped 7:08 pm was for movie tickets.
Nick Carkonen	\$543.15 ck #3189	8/26/09	Form listed expense as reimbursement for Dicks Drive In (\$259.27) and 6 Seattle Sounders Tickets. No attendance sheet or CPG completed.
Seattle Mariners-Safeco Field	\$396	7/12/09	Form listed expense as "Mariners Game Social." The licensee's supporting records show 12 people went to the game, and of the 12 people, only 5 were Seattle Jaycees members. One person was a Jaycee Senator. No other person who went to the game became a Seattle Jaycee member. Seattle Jaycees paid for the tickets for Kendra, Tara, Lance Ahlgren, Heather, and Monique Cleary at \$33 each. Every other participant paid the Seattle Jaycees \$33 for the ticket. No CPG completed.
Seattle Mariners-Safeco Field	\$14.25 + \$12.50	7/12/09	Form listed expense as food at the Mariners Game Social. Receipt contained no details of purchase.
Jillian's Billiards Club (bar & restaurant in Seattle)	\$60.75	7/24/09	Form listed expense as "Recruitment." Receipt time stamped 9:27 pm, with no details of purchase.
Jillian's Billiards Club	\$15	7/26/09	Form listed expense as "Recruitment." Receipt time stamped 10:25 am, with no details of purchase.
Intiman Ticket Office	\$1300 + \$50 + \$10	12/1/09	Form listed expense as tickets for "Black Nativity," a Christmas holiday show. The licensee paid for 50 tickets at \$26 each, \$50 for a room rental and \$10 for parking. An attendance sheet showed 37 people attended the event, and of the 37, only 9 were Seattle Jaycee members. A CPG was not completed.
Suzanne Wilson	\$307.68	12/9/09	Form listed expense as reimbursement to Suzanne Wilson for "food for Black Nativity." Sam Adams beer (2 cases) and Charles Shaw wine purchased.
Uptown China Restaurant	\$78.11	8/31/09	Form listed expense as "Recruitment." Receipt time stamped 8:45 pm, with no details of purchase.
Social Gatherings – Misuse of Funds			
Expense	Amount	Date	Notes
TS McHugh's (bar & restaurant in Seattle)	\$61	3/14/09	Form listed expense as "Community Game Night-Queen Anne Neighborhood Entertainment Night." Incomplete CPG retained, with 7 of 9 questions completed. Primary purpose of the project was to "host a networking neighborhood entertainment night." No attendance sheet

Projects and Socials – Misuse of Funds

Expense	Amount	Date	Notes
			retained.
Chopstix- (bar & restaurant in Seattle)	\$58	3/14/09	Form listed expense as "Community Game Night-Queen Anne Neighborhood Entertainment Night." Incomplete CPG retained, with 7 of 9 questions completed. Primary purpose of the project was to "host a networking neighborhood entertainment night." No attendance sheet retained.
Floyd's Place (bar & restaurant in Seattle)	\$34.21	3/15/09	Form listed expense as "Community Game Night-Queen Anne Neighborhood Entertainment Night." Incomplete CPG retained with 7 of 9 questions completed. Primary purpose of the project was to "host a networking neighborhood entertainment night." No attendance sheet retained.
Ozzie's Bar and Grill	\$79	3/15/09	Form listed expense as "Community Game Night-Queen Anne Neighborhood Entertainment Night." Incomplete CPG retained with 7 of 9 questions completed. Primary purpose of the project was to "host a networking neighborhood entertainment night." No attendance sheet retained.
Ozzie's Bar and Grill	\$27.49	4/8/10	Form was not completed, and no receipt retained.
Floyd's Place-Seattle	\$78.03	6/6/09	Form listed expense as "Game Night." Receipt time stamped 7:29 pm, with no details of purchase. This was the first stop of three this day (see entries below for TS McHughs and Ozzie's Bar on 6/6/09). Booked in the "Community Game Nights" expense account under Community Development.
TS McHugh's	\$127.66	6/6/09	Form listed expense as "Game Night." Receipt time stamped 8:40 pm with no details of purchase. This was the second stop of three this day (see entries for Floyd's Place and Ozzie's Bar on 6/6/09). Booked in the "Community Game Nights" expense account under Community Development.
Ozzie's Bar and Grill	\$211.69	6/6/09	Form listed expense as "Game Night." Receipt time stamped 11:50 pm, with no details of purchase. This was the last stop of three this day (see entries for TS McHugh's and Ozzie's Bar on 6/6/09). Booked in the "Community Game Nights" expense account under Community Development.
Target	\$166.02	6/4/09	Form listed expense as "Game Night." Various items on receipt such as DVD's, gift cards, candy. Booked in the "Community Game Nights" expense account under Community Development.
Ozzie's Bar and Grill	\$96.56	6/3/09	Form listed expense as "Game Night." Receipt time stamped 9:34 pm with no details of purchase. Booked in the "Community Game Nights" expense account under Community Development.
Ozzie's Bar and Grill	\$62.66	11/20/09	Form was not completed. Receipt time stamped 9:35 pm with no details of purchase. In the "Moving Program" sub-expense account under "ID Chapter Projects expense account under Individual Development.
Monique Cleary	\$69.35 ck #8009	2/21/10	Form listed expense as reimbursement to Monique Cleary for purchasing items for "Membership Social." Coors Light and Alaskan

Projects and Socials – Misuse of Funds			
Expense	Amount	Date	Notes
			beer purchased. No CPG or attendance sheet completed.
Jill Griffin	\$91.95 ck #8008	2/21/10	Form listed expense as reimbursement to Jill Griffin for purchasing items for “State YEC and Membership Social.” Alaskan Ale beer purchased. No CPG or attendance sheet completed.
Tara Winkler	\$372.74 ck #3291	1/9/10	Form listed expense as reimbursement for “dinner supplies and prizes for Transition Party.” Bud Light, Pyramid, Henry Weinhard, and Litehouse beer and wine purchased. Party was for 2009 to 2010 officer transition. No attendance sheet retained. (Kendra Demuth became President in 2010).

Meetings – Misuse of Funds			
Expense	Amount	Date	Notes
Hale’s Ales LTD	\$324.24	3/3/10	Form listed expense as “March GM Dinner-dinner for members in attendance at the meeting.” Receipt time stamped 9:01 pm, with no details of purchase. No meeting minutes or attendance sheet retained.
The Great Nabob	\$256.06	4/7/10	Form listed expense as “April GM-appetizers and nonalcoholic beverages for members and guests at GM.” Receipt time stamped 9:39 pm, with no details of purchase. Two sets of meeting minutes retained. One set says that the meeting lasted from 7:02 pm to 7:36 pm; the other says the meeting lasted from 8:19 pm to 9:10 pm. No attendance sheet retained.
Ozzie’s Bar and Grill	\$39.12	1/21/10	Form listed expense as “Dinner meeting with Tara Winkler and Jill Griffin to discuss Chapter Plan, budget and various duties.” Tara, Kendra, and Jill were present during the meeting. Receipt, time stamped 8:39 pm, with no details of purchase, and no meeting minutes or attendance sheet retained.
Salty’s on Alki	\$166.50	7/21/09	Form listed expense as BOD meeting. Receipt time stamped 9:24 pm, with no details of purchase, and with name of “Gong” printed on it (Joe Gong is a Jaycees member).
Ram Restaurant and Brewery	\$83.65	2/3/10	Form listed expense as “February GM-appetizers and beverages for those attending GM Meeting.” Receipt time stamped 8:33 pm, and shows 4 people in the party. Meeting minutes retained but no attendance sheet. According to meeting minutes, the meeting lasted from 7:00 pm to 7:45 pm.
Ozzie’s Bar and Grill	\$40.48	1/26/10	Receipt has Joe Gong’s, Katrina Bettis’, and Avalon Townsend’s names written on it. Receipt time stamped 12:53 pm, with no details of purchase. A note retained with receipt reflects the expense was for a lunch meeting with Katrina to discuss Avalon’s job duties.
Ozzie’s Bar and Grill	\$79.19	3/30/09	Form listed expense as BOD meeting. Receipt time stamped 7:00 pm, with no detail of purchase.
Uptown China	\$85.62	1/20/09	Form listed expense as BOD/FMC (Financial Management

Meetings – Misuse of Funds

Expense	Amount	Date	Notes
Restaurant			Committee) meeting. Receipt contained no details of purchase. 6 persons attended the meeting (Tara, Kendra, Heather, Joe, Katrina, and Candy).
Pizza Hut	\$72.59	1/7/09	Form listed expense as GM meeting. Pizzas purchased. No meeting minutes or attendance sheet retained.
Safeway	\$34.74	2/4/09	Form listed expense as various snacks for a GM meeting. No meeting minutes or attendance sheet retained.
Safeway	\$30.62	3/4/09	Form listed expense as various snacks for a GM meeting. No meeting minutes or attendance sheet retained.
Uptown China Restaurant	\$61.29	5/6/09	Form listed expense as GM meeting. Receipt contained no details of purchase. 4 persons attended the meeting: Tara, Kendra, Heather, and Joe. No meeting minutes retained.
Safeway	\$52.76	3/25/09	Form listed expense as BOD/FMC meeting. Various food items purchased. No attendance sheet retained.
Uptown China Restaurant	\$72.26	10/2/09	Form listed expense as "Employee meeting." Receipt time stamped 8:12 pm.
KFC/Taco Bell	\$28.57	4/23/09	Form listed expense as "Scholarship Committee Meeting." Various food items purchased. No attendance sheet retained.
Safeway	\$30.15	4/1/09	Form was not completed, and no receipt retained. Attendance sheet for a GM meeting on 4/1/09 retained, but no meeting minutes. 7 persons attended the meeting: Katrina, Tara, Kendra, Heather, Jenna Kortlever (Heather's daughter), Mike McCarty, and Joe.
Pizza Hut	\$60.48	7/22/09	Form listed expense as BOD/FMC meeting. Pizzas purchased. No meeting minutes or attendance sheet retained.
KFC/Taco Bell	\$60.48	7/1/09	Form listed expense as various food items purchased for a GM meeting. No meeting minutes or attendance sheet retained.
Safeway	\$55.90	7/1/09	Form listed expense as various food items purchased for a GM meeting. No meeting minutes or attendance sheet retained.
Subway	\$30.68	8/26/09	Form listed expense as a BOD/FMC meeting. Receipt time stamped 6:57 pm. 6 persons attended: Tara, Kendra, Heather, Joe, the "Nat'l Chaplin, and a "visitor." No meeting minutes retained.
Pagliacci Pizza	\$96.05	11/4/09	Form was not completed. "GM" was written on the receipt. "Event Information" provided to agent showed a GM meeting was scheduled on 11/4/09; however, no meeting minutes or attendance sheet retained.
Taco Del Mar	\$30.78	11/21/09	Form listed expense as BOD meeting; however there was no meeting listed for 11/21 in the "Event Information." No meeting minutes or attendance sheet retained.
Petty Cash	\$228.62 ck #3134	6/3/09	Form listed expense as reimbursement to Petty Cash bank for "BOD/FMC Meeting Dining and Bingo Employee Lunch." A receipt from unknown restaurant and from Safeway retained. No meeting minutes or attendance sheet retained.
Panda Express	\$38.94	1/20/10	Form listed expense as "Dinner Meeting w/Bingo Managers," and the following people attended: Linda, Edna, Tara, Vera and Kendra. Receipt time stamped 7:12 pm, with no details of purchase. No

Meetings – Misuse of Funds			
Expense	Amount	Date	Notes
			meeting minutes or attendance sheet retained.
Pizza Hut	\$22.92	12/28/09	Form listed expense as “2009 Exec. Wrap Up Meeting.” No meeting minutes or attendance sheet retained.
Randy’s Restaurant	\$50.29	2/17/10	Form listed expense as “Dinner Meeting w/Bingo Managers,” and the following people attended: Linda, Edna, Tara, and Kendra. Receipt time stamped 9.27 pm, with no detail of purchase. No meeting minutes or attendance sheet retained.
Randy’s Restaurant	\$29.83	11/25/09	Form listed expense as “Dinner meeting with Bingo managers.” Receipt time stamped 12:43 am, with no details of purchase.
Randy’s Restaurant	\$30.27	9/29/09	Form listed expense as “Employee dinner meeting.” Receipt time stamped 11:24 pm, with no detail of purchase.
University Heights Center	\$330.40	4/30/10	Form listed expense as “May GM-meeting space rental for meeting.”

Training and Paperwork - Misuse of Funds			
Expense	Amount	Date	Notes
Italian Spaghetti	\$122.25	12/30/09	Form listed expense as “BOD retreat train for 2010.” Receipt time stamped 9:25 pm, with no details of purchase.
National Licensing Association	\$90 ck #3216	10/6/09	Form listed expense as “Class 12 Training National Licensing Association.” (Class 12, Mixologist Permit for liquor). Check request says training was for Kendra, Tara, and Heather.
Olive Garden	\$83.51	1/4/10	Form listed expense as “Board Training.” Receipt time stamped 8:24 pm, with no details of purchase.
Chan’s Place Restaurant (Kirkland)	\$78.04	2/6/10	Form listed expense as “BOD Planning Session-Dinner for BOD Members.” Receipt time stamped 8:33 pm. No meeting minutes or attendance sheet retained. 2/6/10 was a Saturday.
Starbucks	\$22.11	2/6/10	Form listed expense as “BOD Planning Session-Drinks & Snacks for BOD members.” Receipt time stamped 10:06 am, with 4 coffees and various pastries purchased. No meeting minutes or attendance sheet retained. 2/6/10 was a Saturday.
Pizza Hut	\$42.95	4/18/10	Form listed expense as “Paperwork/Office Party.” 4/18/10 was a Sunday. No attendance sheet retained.
Ozzie’s Bar and Grill	\$11.25	8/26/09	Form listed expense as “Paperwork.” Receipt time stamped 10:31 pm, with “Joe” written on it, and no details of purchase.
Pagliacci Pizza	\$27.16	8/6/09	Form listed expense as “Paperwork.” Receipt time stamped 9:06 pm, with no detail of purchase.
Pizza Hut	\$28.73	2/28/10	Form listed expense as “Paperwork Party.” Receipt time stamped 2:25 pm. No meeting minutes or attendance sheet retained. 2/28/10 was a Sunday.

Miscellaneous – Misuse of Funds

Expense	Amount	Date	Notes
Shindig Martini Bar (Kent)	\$150	9/4/09	Form listed expense as "Fundraiser for Susan G. Komen 3 Day Walk." Shindig Martini Bar receipt was time stamped 11:39 pm, with no details of purchase.
Hard Rock Café Orlando	\$227.61	9/25/09	Form listed expense as "Nat'l Year End-meals for BOD, State's Dinner, and Gifts for attending Seattle Jaycees." Receipt showed 5 alcoholic drinks purchased, with the following names written on it: Tara, Kendra, Jill, Nathan, Lance, and Shane.
Stearns Promotions	\$84	9/28/09	Form listed expense as "Nat'l Year End-meals for BOD, State's Dinner, and Gifts for attending Seattle Jaycees." Receipt showed various golf merchandise purchased.
Pizza Hut	\$45.34	11/22/09	Form does not explain the expense. Receipt time stamped 1:03 pm.
Red Robin	\$70.19	11/15/09	Form was not completed. Receipt time stamped 8:51 pm, with no details of purchase, and "office move" written on it.
Seattle Seafair Commodores	\$465	7/21/09	Form does not explain expense and is incomplete. A section of the form lists "BOD Incentives." Supporting records indicate board members bid on various items in an auction conducted by the Seattle Seafair Commodores (ex. Quilt, Mariners paraphernalia, etc.). No details of purchase on receipt. Expense also listed as a donation to the Seattle Seafair Commodores.
Pizza Rgazzi	\$65.13	5/10/09	Form was not completed. No receipt retained.
Safeway	\$263.16	11/21/09	Form listed expense as "Random Acts." Receipt time stamped 11:44 am, and various food items purchased. No meetings scheduled for this day, no meeting minutes or attendance sheet retained.
Brown's Point Charters	\$895	2/20/10	Form listed expense as "Boat Cruise-Dinner Cruise." Check Request was for "membership recruitment." Incomplete CPG retained, with only 5 of 9 questions completed. No attendance sheet retained.
The Silent Night Foundation	\$2,364 ck#8028	3/25/10	Form listed expense as "Evening of Hope-grant to help cover food expenses." The Silent Night Foundation is not a nonprofit organization. Conflict of Interest: Joe Gong, who has been affiliated with the Seattle Jaycees for many years in almost every capacity (including President) is on the board of directors for The Silent Night Foundation. Joe Gong started The Silent Night Foundation. Joe Gong acted as the "Project Chair" for this event/project as a Seattle Jaycee even though he was an Executive Director of The Silent Night Foundation. A CPG was not completed. Instead a "Project Information Sheet" was completed that was missing many of the details in a CPG.
Brunswick Majestic Lanes	\$3,275	12/7/09	Incomplete form listed the expense as "PFEA." PFEA- Police Firefighters, EMT Appreciation project/event. No CPG or attendance sheet retained.
Brunswick Majestic Lanes	\$1,000 ck #3192	8/26/09	Form listed the expense as "PFEA- deposit to secure venue." No supporting documentation retained.
World of Disney	\$80.73	9/26/09	Form listed expense as "Auction items for PFEA and gifts for incoming president."
Starbucks	\$11.57	2/19/10	Form listed expense as "Beverages for those getting stuff together for YEC." Receipt time stamped 11:57 am, with no details of purchase. No

Miscellaneous – Misuse of Funds

Expense	Amount	Date	Notes
			attendance sheet retained.
Monarch Association	\$18,200 ck #8013	3/3/10	Form listed expense as "Grant for nonprofit emergency help." Referred to as a grant/loan in meeting minutes. Purpose was to help Monarch move into a new building because Monarch allegedly was removed from its old building. Stephen Vinzant was on Seattle Jaycees board and had allegedly just left the board of directors at Monarch before applying for the Jaycees grant/loan. Vinzant's mom was the CEO of Monarch.
Monarch Association	\$8,000	11/14/09	Form listed expense as "two trucks."
Pagliacci Pizza	\$114.31	11/11/09	Form listed expense as "Dinner for meetings coming to help at building for moving."
Safeway	\$57.52	11/11/09	Form listed expense as "Dinner for meetings coming to help at building for moving."
East African Center	\$5,000 ck#8033	4/7/10	Form listed expense as "Sponsorship at Evening for Africa." Ann Marie Speirs, a BOD member, started the nonprofit East African Center in 2001. She sat on the board of directors for both Jaycees and the East African Center at the same time. Although she is no longer on the board for the East African Center, she remains affiliated with them. Ms. Speirs was involved in this project as a Seattle Jaycee board member and voted to approve the grant to the East African Center. According to the CPG, the goal was to donate \$10,000.00 to receive Platinum Sponsorship. Platinum Sponsorship would get the Seattle Jaycees 2 tables at the event and a classroom built in Kenya named after the Seattle Jaycees. No attendance sheet retained.

