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In the Matter of the Suspension or Revocation)
of the License to Conduct Gambling)
Activities of:)
)
Ching Hua Garden)
Spokane Valley, Washington,)
)
Licensee.)
_____)

NO. CR 2011-01432

SETTLEMENT ORDER

This Settlement Order is entered into between the Washington State Gambling Commission and Ching Hua Garden. The Gambling Commission is represented by Stephanie U. Happold, Assistant Attorney General, and Melinda Froud, Staff Attorney. Jack Gau Hua Liu, owner, represents the licensee.

I.

The Washington State Gambling Commission issued Ching Hua Garden, organization number 00-21308, located at 18203 E. Appleway, Spokane Valley, Washington, the following license:

Number 05-20578, authorizing Class "A" Punchboard/Pull-Tab activity.

The license, which expired on March 31, 2012, was issued subject to the licensee's compliance with state gambling laws and regulations.

II.

The Director issued a Notice of Administrative Charges and Opportunity for an Adjudicative Proceeding to the licensee on February 24, 2012. On March 5, 2012, Commission staff received the licensee's Request for Hearing.

III.

The following facts and violations were alleged in the Notice of Administrative Charges:

SUMMARY:

From 2007 through 2011, the licensee failed to prepare and maintain proper monthly pull-tab reports and underreported their gambling receipts. During the same time period, the licensee failed to maintain and account for their pull-tab inventory. The licensee also failed to submit proper and timely quarterly activity reports, under-reported activity in 2009 and 2010, and failed

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to submit any reports at all for the fourth quarter of 2009. This repeated behavior reflects willful disregard of administrative gambling rules.

VIOLATIONS:

RCW 9.46.075(1), and (8) provide the Commission may 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 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, 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 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.

2) **WAC 230-03-085(1) and (8)** provides that the Commission may revoke any license or permit when the licensee, or anyone holding a substantial interest in the licensee's business or organization:

(The following subsections apply.)

(1) Commits any act that constitutes grounds for revoking licenses or permits under RCW 9.46.075; or

(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 gaming activities, as demonstrated through the person's prior activities, criminal record, reputation, habits, or associations.

The licensee violated gambling laws and Commission rules regarding accounting, disclosure and Internal Controls. The licensee also 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 gaming activities, as demonstrated through the licensee's repeated violations of record keeping and basic accounting practices. Grounds exist to revoke Ching Hua Garden's license based on 9.46.075 (1), and (8), and WAC 230-03-085(1) and (8).

WAC 230-06-070 Keep Monthly Records 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 record keeping requirements for the specific gambling activity.

(1) Every licensee must record for each licensed activity:

(a) The gross gambling receipts; and

(b) Full details on all expenses; and

- (c) The total cost of all prizes paid.
- (2) Commercial stimulant licensees must also record:
 - (a) Gross sales of food and drink for consumption on the business premises; and
 - (b) Gross sales of food and drink for consumption off the business premises; and
 - (c) Gross sales from all other business activities occurring on the business premises.
- (3) Licensees must record each licensed activity separately and include all transactions occurring during the calendar month. Licensees must complete these records and have them available for audit or inspection by our agents or other law enforcement no later than thirty days following the end of each month.
- (4) Licensees must include copies of all additional financial data which support tax reports to any governmental agency.
- (5) Licensees must maintain each of these records for at least three years from the end of the fiscal year.

The monthly Income Summaries (MIS) reports for this licensee during the years 2007 through part of 2010 were not prepared and maintained in the manner required in (1) above. The manner in which the MIS reports were assembled during those years greatly inhibited the investigating agent's ability to discern relevant financial information attributable to the operation of pull tabs at this licensee. Grounds exist to revoke Ching Hua Garden's license based on 9.46.075 (1), and (8), and WAC 230-03-085(1) and (8).

WAC 230-14-260 Inventory Control

- (1) Punch board and pull-tab operators must control and account for each punch board and pull-tab series they obtain. Operators must:
 - (a) Enter the I.D. stamp numbers for the series in all records; and
 - (b) Attach the packing slip to the original invoice if the pull-tab series is packed in more than one container; and
 - (c) Record each pull-tab dispenser they purchase.
- (2) Distributors must record every purchase of punch boards or pull-tabs on an invoice. Operators must use this record to account for each series between the time they purchase it and the time they remove it from play. Invoices must include space for the operator to attach:
 - (a) The I.D. stamp numbers for each board or series; and
 - (b) The date they placed the punch board or pull-tab series out for play.
- (3) When operators receive punch boards or pull-tab series, they must ensure that the manufacturer or distributor recorded all required data by comparing the Washington state identification stamp number attached to each punch board and pull-tab series to the number recorded on the purchase invoice.
- (4) Operators may use a separate computerized inventory record as long as they:
 - (a) Use an I.D. stamp or print a computer generated facsimile of the stamp number on the inventory record; and
 - (b) Record all other required information.

During the course of this investigation, which included exhaustive review of records obtained from multiple entities, the licensee failed to locate and account for four pull tab games sold to this licensee during the years 2007 through 2010. Grounds exist to revoke Ching Hua Garden's license based on 9.46.075 (1), and (8), and WAC 230-03-085(1) and (8).

WAC 230-14-284 Activity reports for punch board and pull-tab licensees.

Punch boards and pull-tab licensees must submit an activity report to the commission. Licensees must complete the report in the format we require and must:

- (1) Cover the periods:
 - (a) January 1 through June 30; and
 - (b) July 1 through December 31; and
- (2) Be received at our administrative office or postmarked no later than thirty days following the end of the reporting period; and
- (3) Be signed by the licensee's highest ranking executive officer or a designee. If someone other than the punch board and pull-tab licensee or its employee prepares the report, then it must provide the preparer's name and business telephone number; and
- (4) Be filed even if they do not renew their license. They must file a report for the period between the previous report filed and the expiration date of the license; and
- (5) Unless they are also licensed for Class D or above bingo, charitable and nonprofit licensees must submit a semiannual activity report for punch boards and pull-tabs; and
- (6) Class D or above bingo licensees with a punch board and pull-tab license must report punch board and pull-tab activity, on the combined quarterly report provided by the commission as explained in WAC 230-10-331.

From 2007 through 2011, the licensee failed to prepare and maintain proper monthly pull-tab reports and underreported their gambling receipts. During the same time period, the licensee failed to maintain and account for their pull-tab inventory. The licensee also failed to submit proper and timely quarterly activity reports, underreported activity in 2009 and 2010, and failed to submit any reports at all for the fourth quarter of 2009. This repeated behavior reflects willful disregard of administrative gambling rules. Therefore, grounds exist to revoke Ching Hua Garden's license based on 9.46.075 (1), and (8), and WAC 230-03-085(1) and (8).

IV.

Jack Gau Hua Liu, Owner, acknowledges that he received the Notice of Administrative Charges issued in this case, and understands the facts and violations contained in it.

The licensee has waived its right to a hearing, based on the terms and conditions of this Settlement Order. The licensee agrees to the following terms and sanctions:

- 1) **Ching Hua Garden will surrender its gambling licenses on or before April 17, 2012.**
- 2) If Ching Hua Garden reappplies, or if any applicant related or associated in any way with the current owners of the licensee applies for a license, they shall be required to establish, by clear and convincing evidence, that they are qualified to hold a gambling license.
- 3) If Ching Hua Garden reappplies, or if any applicant related or associated in any way with the current owners of the licensee applies for a license, they will be subject to all the Commission's investigative procedures for processing an application for a gambling license.

4) Furthermore, no promises or assurances have been made that Ching Hua Garden, or any applicant related or associated in any way with the current owners of the licensee, will receive a license from the Commission should they reapply.

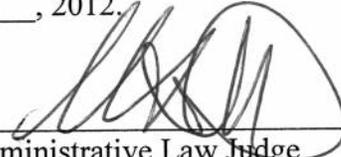
5) **The signed Settlement Order and gambling license must be received by Commission staff on or before April 17, 2012**, and mailed to Commission Headquarters at the following address:

Washington State Gambling Commission
Attention: Communications and Legal Division
P.O. Box 42400
Olympia, WA 98504-2400

Or delivered (in person or via private courier) to the following address:

Washington State Gambling Commission
Attention: Communications and Legal Division
4565 7th Avenue SE; Fourth Floor
Lacey, WA 98503

DATED this 25th day of April, 2012.



Administrative Law Judge

APPROVED FOR ENTRY:

APPROVED AS TO FORM:

By his signature, the licensee understands and accepts the terms and conditions of this Order.

Jack Gau Hua Liu 04/12/12
Jack Gau Hua Liu (Date)
Owner, Ching Hua Garden

Stephanie U. Happold 4/18/12
Stephanie U. Happold, WSBA# 38112
Assistant Attorney General, Representing
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Commission

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Lead Staff Attorney,
Washington State Gambling Commission