

Activity Report (QAR).

- 2) The agent did not observe any indication that they were still failing to maintain an independent management control system. The licensee was able to provide all of the monthly records and QARs that the agent requested.
- 3) The agent requested copies of the licensee's monthly records for the 2nd quarter of 2013. Upon review of the records, the agent noticed multiple errors between what was reported on their QAR and what was listed in their monthly records. The following discrepancies were noted:

	Accurate monthly records	Inaccurate QARs	Difference
Gross Income	\$32,240.50	\$31,739.00	\$501.50
Prizes Paid	\$29,573.25	\$22,130.00	\$7,443.25
Cash Over/Short	\$(1,195.00)	\$258	\$1,453.00

- 4) The licensee has failed to accurately report their QARs since the warning letter was issued.
- 5) On February 7, 2014, an agent completed a compliance module at FOE #04122. During the inspection, the agent noticed the licensee failed to deposit gambling revenue within two banking days, as required
- 6) On February 12, 2014, the agent met with Ms. Taylor, Ms. Beach, and Kelly Mattison the Trustee, to discuss the issues found on the February 7, 2014 compliance module. Ms. Beach admitted that deposits were often made on a weekly basis, occasionally every two weeks. The agent requested they consider making deposits on Mondays, Wednesdays, and Fridays to ensure there is never a lapse beyond two business days.
- 7) The agent reviewed bank statements for the gambling account and noticed the licensee had been making approximately five deposits each month. The agent also noticed that one deposit slip was missing for the month of November 2013. Ms. Taylor asked the bank for a copy, but the bank did not have one.
- 8) The agent asked if deposits were made after a game was pulled from play. Ms. Beach said deposits were made at random times, often including money from games which had already been removed from play, as well as games that were still in play.

Ms. Taylor said she and Ms. Beach would attempt to reconcile all 12 games played during the month of November, but she was concerned that they might not be able to trace all of the deposits back to the games. The agent asked them to try to reconcile the deposits and report to the agent by February 17, 2014.

- 9) On February 19, 2014, Ms. Taylor told the agent she was unable to reconcile the games. She was unable to reconcile the deposits, as well as match the information on the front of the deposit slips to the dollar amount deposited into the account.

10) On February 20, 2014, the agent attempted to reconcile the November 2013 deposit slips to the bank statements and the monthly records. The information on the deposit slips did not match the actual cash deposited with the deposit slips. Five pull-tab games could not be traced to a deposit slip. According to the November Monthly Income Summary, the five missing games totaled \$748.25 but according to the November bank deposit, only \$400 was deposited with the missing deposit slip on November 14, 2013.

11) On June 19, 2014, the agent began a routine pull-tab compliance inspection. During the inspection, the agent noticed FOE's licenses expired on March 31, 2014, yet FOE was still selling pull-tab games and holding bingo games. FOE #04122 received new licenses on June 24, 2014.

ADMINISTRATIVE HISTORY:

The licensee was issued a warning letter (2013-00458) dated August 6, 2013, for the following violations:

- Failure to maintain net income and cash flow requirements
- Failure to maintain an independent management control system
- Failure to maintain records.

The licensee was issued a Warning Letter (2012-00541) dated August 6, 2012, for the following violations:

- Failure to maintain net income and cash flow requirements
- Failure to maintain an independent management control system
- Failure to account for pull-tab inventory
- Failure to submit an accurate activity report.
- Failure to maintain additional records
- Failure to require two signatures on organizational checks

The licensee was issued a warning letter (2009-00812) dated May 26, 2009, for the following violations:

- Failure to maintain an independent management control system to protect assets from misuse
- Failure to record the ID number assigned to the pull-tab series on the deposit receipt
- Failure to control and account for all pull-tab games

The licensee was issued a Notice of Violation and Settlement (NOVAS)² (2009-00705) on May 7, 2009, for the following violations:

- Failure to prepare an accurate monthly income summary report
- Failure to deposit net gambling receipts within two banking days
- Failure to maintain records which show how the licensee used funds from the licensed activity

² NOVAS- Notice of Violation and Settlement identifies the violation and gives the licensee the opportunity to pay a fine to settle the matter.

The licensee was issued a NOVAS (2009-00338) on February 26, 2009:

- Failure to submit an activity report

VIOLATIONS:

1) RCW 9.46.075 Denying, suspending, or revoking a license or permit

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

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

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

2) WAC 230-03-085 Denying, suspending, or revoking a license or permit

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:

(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; 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 gambling activities, as demonstrated by: (a) Prior activities; or (b) Criminal record; or (c) Reputation; or (d) Habits; or (e) Associations.

3) RCW 9.46.170 False or misleading entries or statements, refusal to produce records.

Whoever, in any application for a license or in any book or record required to be maintained by the commission or in any report required to be submitted to the commission, shall make any false or misleading statement, or make any false or misleading entry or wilfully fail to maintain or make any entry required to be maintained or made, or who wilfully refuses to produce for inspection by the commission, or its designee, any book, record, or document required to be maintained or made by federal or state law, shall be guilty of a gross misdemeanor subject to the penalty set forth in RCW 9A.20.021.

4) WAC 230-07-060 Independent management structure required.

(The following subsections apply.)

(1) Charitable or nonprofit organizations and their officers or board of directors have an affirmative responsibility to conduct gambling activities according to the legislative intent in chapter 9.46 RCW.

(2) Organizations must develop and maintain an independent management control system that ensures they:

(b) Supervise and operate gambling activities according to gambling laws and our rules; and

(c) Protect all assets of the organization from misuse or embezzlement.

5) WAC 230-07-090 Keeping and depositing all gambling funds separate from other funds.

(The following subsections apply.)

Charitable or nonprofit licensees must protect all funds generated from gambling activities and keep these funds separate from their general funds.

(1) Licensees must:

(f) Deposit all net gambling receipts, which they are holding, pending pay out:

(iii) From punch-board and pull-tabs, including cost recovery for merchandise prizes awarded, no later than two banking days after they remove the board or series from play; and

(g) Record the Washington state identification number assigned to the punchboard or pull-tab series and the amount of net gambling receipts on the deposit slip/receipt. Licensees may record the number and the receipts on a separate record if they record the bank validation number and maintain the record with the deposit slip/receipt.

6) WAC 230-07-130 Additional recordkeeping for charitable or nonprofit licensees.

(The following subsection applies.)

(1) Charitable or nonprofit licensees, except agricultural fairs, must 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.

7) RCW 9.46.160 Conducting activity without license.

(The following subsection applies.)

Any person who conducts any activity for which a license is required by this chapter, or by rule of the commission, without the required license issued by the commission shall be guilty of a class B felony. If any corporation conducts any activity for which a license is required by this chapter, or by rule of the commission, without the required license issued by the commission, it may be punished by forfeiture of its corporate charter, in addition to the other penalties set forth in this section.

III

8) WAC 230-06-125 Renew your license in a timely manner.
(The following subsections apply.)

(1) Licensees must ensure a properly completed renewal application and all applicable fees are received at our administrative office in Lacey at least fifteen days before the expiration date on their license.

(2) If licensees do not submit a properly completed application and all fees and their license expires, they must immediately stop the gambling activity covered by their license.

(3) If your license expires, you must submit an application and you must not operate any gambling activity until a new license is issued.

Fraternal Order of Eagles #04122 (FOE), failed to maintain accurate monthly records, in violation of RCW 9.46.170. Additionally, the licensee failed to deposit gambling revenue within two banking days and failed to record required information, in violation of WAC 230-07-090. The licensee also failed to maintain an independent management control system to supervise and operate gambling activities in compliance with rules and laws and failed to ensure protection of assets from misuse or embezzlement, in violation of WAC 230-07-060. FOE #04122's failure to keep accurate records is in violation of WAC 230-07-130. *The licensee operated with an expired license for more than two months, in violation of WAC 230-06-125.* Therefore, grounds exist for the suspension or revocation of FOE #04122's licenses to conduct gambling activities, based on RCW 9.46.075(1) and (8) and WAC 230-03-085(1), (3) and (8).

III.

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

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.

III

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IV.

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

Dated 6/27/14

Mark Harris
MARK HARRIS, ASSISTANT DIRECTOR

STATE OF WASHINGTON)
COUNTY OF THURSTON)

Jennifer Green

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

Dated at Olympia, Washington this 1 day of July, 2014.