

Received
MAY 20 2014
Gambling Commission
Comm. & Legal Division

STATE OF WASHINGTON
GAMBLING COMMISSION

In the Matter of Suspension or Revocation) No. CR 2013-02320
of the License to Conduct Gambling)
Activities of:)
)
LOOM #01724,) **SETTLEMENT IN LIEU OF**
) **ADMINISTRATIVE CHARGES**
Licensee.)

I.

The licensee, LOOM #01724, and the Washington State Gambling Commission enter into this Settlement in Lieu of Administrative Charges to resolve the administrative charges currently pending against the licensee, but not yet issued. Greg J. Rosen, Assistant Attorney General, and Melinda Froud, Staff Attorney, represent the Gambling Commission. Michael Moore, President of LOOM #01724, represents the licensee.

II.

The Washington State Gambling Commission issued LOOM #01724, organization number 00-00-00551, the following license:

Number 01-00689, Authorizing Class "D" Bingo activity.

The license expires on December 31, 2014, and was issued subject to the licensee's compliance with state gambling laws and regulations.

III.

SUMMARY:

On December 5, 2013, a Washington State Gambling Commission Special Agent (agent) visited LOOM #01724 (LOOM) to investigate a bingo complaint and to review bingo records. The agent noted material recording and accuracy problems and, based on recording errors, the licensee slightly underpaid bingo winners.

FACTS:

1) On December 15, 2013, a Washington State Gambling Commission Special Agent (agent) reviewed the LOOM's bingo schedule to determine payout disclosure. According to the licensee's schedule, bingo prizes are calculated three ways: straight payouts based on the number of players; percentage games, based on total card sales for each game; and bonus or jackpot payouts.

2) The agent performed a detail review on the yellow flimsy packet cards¹ for the month of November 2013. The agent reviewed the licensee's disposable receipting records to verify all yellow flimsy sheet numbers were accounted for and proper payouts calculated. The following exceptions were noted:

- When Christie Overshaw, the bingo manager, calculated her gross receipts, she correctly subtracted the beginning sheet number from the ending sheet number. However, she failed to add one to the calculation to arrive at the true total sheets issued/sold. This caused the yellow flimsy sheet numbers to be understated during every bingo session by \$2.00.
- Ms. Overshaw incorrectly calculated all of her sheet sales, including packets, each session. The total record discrepancy for the November 21, 2013 bingo session was \$24. This amount would be the approximate under-reported gross receipts for each bingo session based on the incorrect disposable receipting calculation. Payouts would have been to be approximately \$1.20 lower than they should have been if the correct sales/receipts were entered.
- The licensee listed card #189, a yellow single flimsy card, as sold twice: once on November 4, 2013, and again on November 7, 2013.
- The payout on November 24, 2013, for the yellow flimsy game did not match 60% of sales. Ms. Overshaw indicated she paid \$58 however, 60% of her recorded sales should have been \$51. She overpaid the player \$7.

3) The agent performed an additional review of licensee's November Bingo Session Summary records. Based on a comparison of the recorded amount to the audited totals, the agent noted the following discrepancies:

- The November 3, 2013, session summary indicated a \$4 cash overage, but the review indicated they should have recorded a (\$24.50) cash shortage.
- The November 7, 2013, session summary indicated a \$3.25 cash overage, but the review indicated they should have recorded a (\$20.25) cash shortage.
- The November 10, 2013, session summary indicated a (\$2.50) cash shortage, but the review indicated they should have had a (\$64.50) cash shortage.
- The November 14, 2013, session summary indicated no cash over/short, but the review indicated a (\$15.50) cash shortage. In addition the licensee overstated their recorded gross receipts by \$100 and incorrectly added their net receipts overstating by \$11.

¹ Flimsy packet cards are known as special games and are sold as one unit containing 5 sheets/games for \$5.00. Most of the special game prizes are calculated by multiplying 60% of card sales for the game.

- The November 17, 2013, session summary indicated no cash over/short, but the review indicated a (\$29.00) cash shortage. The licensee failed to complete their throwaway receipting record and they did not record their actual cash or bank deposit amount.
- The November 21, 2013, session summary indicated a \$1.00 overage, but the review indicated a (\$23.00) cash shortage.
- The November 24, 2013, session summary indicated a \$3.50 overage, but the review indicated a \$14.75 cash overage.

4) The agent noted several other errors where the licensee failed to complete records. The agent compared the licensee's November bingo deposit/recorded actual cash to the corrected audited expected cash/net receipts and determined the licensee should have had (\$158.00) in cash shortages for the month. Ms. Overshaw reported a November cash overage of \$13.25, under-reporting their cash shortage by \$171.25.

5) In addition, the licensee is behind in their taxes and they owe Moose International a sizable amount from past loans or missed Moose International payments.

6) On March 12, 2014, the agent spoke with Coleen Johnson with Department of Revenue, who said LOOM is behind in making the back tax payments. According to Ms. Johnson, LOOM has not made a back tax payment from September 2013 through at least January 2014. They currently own back DOR taxes in the amount of approximately \$3,340.

7) On March 12, 2014, the agent requested information from Lynnette Cummins, Employment Security (ESD), regarding the organizations late tax payments. According to Ms. Cummings, as of March 18, 2014, the organization is delinquent on their back tax payment plan.

VIOLATIONS:

1) RCW 9.46.075(1) 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.

\\

\\

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.

(7) 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.

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

(The following subsections apply.)

(1) Charitable or nonprofit organizations and their officers or board of directors has 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:

- (a) Create an operating environment that makes it possible to implement the policies of the officers or board of directors; and
- (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; and
- (d) Use gambling proceeds solely to advance the purposes of their organization.

4) WAC 230-10-335 Bingo daily records.

(The following subsections apply.)

Bingo licensees must prepare detailed records for each bingo session during that session in the format we require. Daily records must include, at least:

(5) The gross gambling receipts collected for each separate type of sale, of any kind, for bingo games including, but not limited to, regular games, early bird games, blackout games, special games, or pick up games. Licensees using the combination receipting method for bingo income must reconcile the extended value of all disposable cards, packets of cards, and electronically generated cards sold to the amount of sales recorded per the cash register; and

(6) The amount paid out or accrued for prizes awarded for each bingo game. Each session record must contain at least the following regarding prizes awarded:

- (g) Full details of prizes accrued; and

- (7) The net gambling receipts from each bingo session; and
- (8) The cash on hand at the beginning and the end of each session; and
- (9) A reconciliation of cash on hand, net gambling receipts, and the bank deposit of net revenue for each session. Licensees must include a validated copy of the bank deposit receipt. Licensees must document all steps taken to reconcile overages or shortages of more than twenty dollars for any session.

5) WAC 230-10-390 Disposable bingo card method for receipting bingo income required when disposable bingo cards used.

Bingo licensees must use the disposable bingo card method to receipt for bingo income when disposable bingo cards are used. Licensees using the disposable bingo card method to receipt for bingo income must:

(The following subsections apply.)

- (3) Record for each set of cards or sheets intended for playing a single game, including on-the-way games:
 - (h) The number of cards issued as receipts; and
 - (i) The total gross gambling receipts from all cards issued as receipts; and
- (4) Record for each set or collation of packs or packets of cards sold and intended for playing a defined set of games:
 - (a) The serial number of the top sheet or page of the packet; and
 - (b) The color and/or border pattern of the top sheet or page of the packet; and
 - (c) The lowest consecutive card, sheet, or packet number for the first packet issued as a receipt; and
 - (d) The card, sheet, or packet number of the last or highest packet issued as a receipt; and
 - (e) The number of packets issued as receipts; and
 - (f) The number of packets returned and not issued; and
 - (g) Missing packets per the manufacturer's packing record; and
 - (h) The value of each packet; and
 - (i) The total gross receipts from all packets issued as receipts; and
- (5) Record each disposable card issued for each type of sale separately. When more than one card or sheet, number appears on a sheet of cards, licensees must use the manufacturer's designated control system to determine the beginning and ending number sold. Each time the numbering of the sheets breaks in the set, licensees must make a separate entry in the records; and
- (6) Consecutively issue each disposable card or sheet or packet of cards from the same set at each individual sales point. Licensees may sell these cards, sheets, or packets not issued during a session only at the next bingo session. Otherwise, licensees must retain these cards, sheets, or packets of cards for at least one year; and

(7) Return unsold cards issued to the operator for a linked bingo prize to the linked bingo prize provider. The linked bingo prize provider must store these cards six months or until we have examined and approved them for destruction, whichever is less. Unopened blocks of two hundred fifty cards may be reissued.

LOOM #01724 failed to have accurate and adequate documentation or accounting control verifying their bingo receipts, in violation of WAC 230-07-060 and WAC 230-10-335. The licensee incorrectly calculated sold sheets by one sheet for each type of sale, which resulted in an under-statement of gross and net receipts, in violation of WAC 230-10-390. Additionally, the licensee has failed to stay current meeting their previous tax obligations. As a result, there are grounds to suspend or revoke LOOM #01724's license based on RCW 9.46.075(1) and WAC 230-03-085(1), (3), and (7).

III

III

III

III

III

III

III

III

IV.

In lieu of formal adjudicative proceedings, the licensee has waived the right to a hearing based on the terms and conditions of this Settlement Order and further agrees to the following:

1) LOOM #01724 has surrendered its license. The signed Settlement Order must be received by Commission staff on or before May 14, 2014, 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; Third Floor
Lacey, WA 98503

2) If LOOM #01724 reapplies, the organization will be subject to all the Commission's investigative procedures for processing an application for a gambling license.

DATED this 16 day of May, 2014.
20 10



David Trujillo, Director

AGREED TO BY:



Michael Moore, President
LOOM #01724



Melinda Froud, Staff Attorney
Washington State Gambling Commission

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 23 day of May, 2014.

Communications and Legal Department
Washington State Gambling Commission