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**STATE OF WASHINGTON
GAMBLING COMMISSION**

7 In the Matter of:

NO. CR 2015-00949

8 FRATERNAL ORDER OF EAGLES
9 AUX. 03338,
10 License No. 02-01440,
11 License No. 01-01661,

FINAL ORDER OF THE
GAMBLING COMMISSION

Licensee.

12 This matter having come before the Washington State Gambling Commission
13 (Commission) on November 10, 2016 and the Commission makes the following Findings of
14 Fact, Conclusions of Law, and issues its Final Order:

15 **I. FINDINGS OF FACT**

16 1. The Washington State Gambling Commission issued Licensee Fraternal Order of
17 Eagles Auxiliary 03338 (FOE Aux. 03338) in Ephrata, Washington, two gambling licenses –
18 License Number 02-01440 authorizing Class “A” Raffle activity and License Number 01-01661
19 authorizing Class “D” Bingo activity.

20 2. FOE Aux. 03338’s Raffle license expires on May 27, 2017 and its Bingo license
21 expired on May 27, 2016.

22 3. FOE Aux. 03338’s licenses were issued subject to its compliance with state
23 gambling laws and Commission rules.

24 4. On April 7, 2012, Kathryn Rose, President of the FOE Auxiliary 03338, entered
25 into a settlement to resolve administrative charges brought by the Gambling Commission under
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1 RWC 9.46.075 and WAC 230-03-085 in Case Number 2011-01376. The Settlement Order is
2 attached as Attachment 1 and hereby incorporated by reference in its entirety.

3 5. The settlement resolved charges for violations of: WAC 230-07-060; WAC 230-
4 07-075; WAC 230-07-070; WAC 230-07-090; WAC 230-07-115; WAC 230-10-090; and WAC
5 230-10-335. These violations also were evidence under RCW 9.46.153 that the licensee could
6 not establish by clear and convincing evidence it was qualified to continue its license.

7 6. The above-referenced violations were based upon the following summarized
8 circumstances which occurred despite warnings to the licensee about the lack of independent
9 management control structures: the licensee failed to protect their assets; the licensee operated
10 their bingo games using related parties, which resulted in an inadequate management control
11 structure; and, the licensee failed to follow their own initiating requirements designed to protect
12 their assets. As a consequence, bingo funds were identified as missing.

13 7. As part of the settlement, the Licensee was allowed to keep its gambling licenses
14 as long as it agreed to implement specific internal controls to include an independent review of
15 bingo records along with a monthly report to the trustees, among other things, in order to
16 adequately maintain oversight of bingo funds.

17 8. A Washington State Gambling Commission Special Agent (agent) met with the
18 FOE Aux. 03338 Board of Trustees on January 8, 2014, to discuss issues with their internal
19 controls. During the course of this meeting the special agent reminded them of the Settlement
20 Order's requirement for an independent review of their bingo paperwork.

21 9. Follow up by the agent identified that bingo review findings were not being
22 reported to the Board of Trustees as agreed in the Settlement Order.

23 10. In November 2014, a new bingo manager was hired: Katherine Riley.

24 11. On December 4, 2014, the agent reviewed records from the first few bingo
25 sessions that Ms. Riley oversaw. The agent met with Ms. Riley; club president, Carla Crawford;
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1 and club secretary, Connie Nelson. During the meeting, the agent explained that Ms. Riley had
2 not properly used the cash register causing material misstatements on her daily session
3 summaries and making a determination of actual gross receipts impossible.

4 12. As a consequence, the agent issued the licensee a Notice of Infraction (NOI).
5 Further, the licensee was unable to operate for at least one bingo session.

6 13. The agent made a follow up review of the licensee's bingo records with Ms. Riley
7 and Ms. Nelson on January 15, 2015. Additional shortages were noted on bingo records due to
8 Ms. Riley's failure to record proper disposable card numbers for packet sales resulting in
9 overstatement of gross receipts. During this meeting the agent reminded them of the Settlement
10 Order's agreement to conduct an independent review and oversight of bingo records. Ms. Nelson
11 agreed to undertake this and the agent provided additional training on disposable receipting to
12 both Ms. Nelson and Ms. Riley.

13 14. On May 26, 2015, an agent returned to FOE Aux. 03338 to meet with Connie
14 Nelson. Ms. Nelson informed the agent that she had not been conducting the independent review
15 of bingo records. The agent took copies of bingo monthly records for February, March, April,
16 and May of 2015.

17 15. During the four months of records the agent reviewed, Ms. Riley was responsible
18 for conducting 25 bingo sessions. All but two of these 25 sessions showed shortages, the exact
19 amount of which was impossible to determine given Ms. Riley's poor record keeping and
20 numerous math errors. However, the loss was at least \$554.88.

21 16. The agent questioned Ms. Nelson about the shortages. In turn, Ms. Nelson
22 inquired of Ms. Riley. As a result, Ms. Riley gave Ms. Nelson a second March bingo record
23 showing changes to "actual cash" and "cash shortages." In discussing this update with the agent,
24 Ms. Nelson explained she did not know why the changes had been made, she didn't understand
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1 the bingo paperwork well enough to perform reviews, nor did she have time to complete the
2 bingo monthly record.

3 17. The agent took a copy of the second March report and noted the following:

4 a. There were seven session shortages of more than \$20.

5 b. Most of the errors were incorrectly recorded payouts, which in turn, resulted in
6 errors to net receipts and reported shortages.

7 18. These discrepancies led the agent to review other monthly bingo reports. Among
8 the many concerns the agent found were that:

9 a. Funds were also missing in February (\$25), April (\$16.25), and May (\$20).

10 However, because of the recording discrepancies and math errors, the true amount for shortages
11 are likely to be different; and

12 b. On at least two occasions not all bingo proceeds were deposited into their
13 gambling receipts account (February 28, 2015 and May 16, 2015).

14 19. The agent received a report that Ms. Riley gave money to Chevy Kapalo, another
15 bingo worker, to buy cigarettes for her from across the street. The agent spoke with Mr. Kapalo
16 who confirmed this report saying that Ms. Riley often gave him funds to purchase cigarettes for
17 her. This disclosure prompted the agent to inquire of Ms. Riley further about the missing bingo
18 funds.

19 20. On August 15, 2015, the agent met with Ms. Riley and went through each of the
20 discrepancies found by the agent. Subsequently, she acknowledged that she took bingo monies,
21 between \$20 and \$30 each session between March and June, 2015 (approximately 25 sessions
22 total). The theft cost the licensee at least \$500.00 and \$800.00 during this time frame.

23 21. Director Trujillo issued administrative charges in November 2015 and the
24 Licensee received these administrative charges by certified mail. The Licensee never requested
25 a hearing for the original charges.

1 22. Subsequently, the Licensee held two raffles on July 29, 2016.

2 23. The Licensee failed to complete and/or maintain the proper records needed for
3 raffles.

4 24. The Licensee also failed to submit its 2016 Raffle Report to the Gambling
5 Commission.

6 25. Director Trujillo issued amended administrative charges on September 9, 2016.
7 by regular and certified mail alleging that the Licensee's above-referenced actions or inactions
8 violated WAC 230-07-060; WAC 230-07-110; WAC 230-07-155, WAC 230-10-335; WAC
9 230-07-100, and WAC 230-07-090.

10 26. Director Trujillo revoked Licensees gambling licenses under RCW 9.46.075(1),
11 (8) and WAC 230-03-085(1), (3), (8) because of its actions or inaction described above.

12 27. The administrative charges notified the Licensee that failure to respond would
13 result in the entry of a default order revoking its gambling licenses.

14 28. The Licensee did not submit a hearing request and/or respond to the charges.

15 **II. CONCLUSIONS OF LAW**

16 1. FOE Aux. 03338 had twenty-three (23) days after mailing of its amended
17 administrative charges by regular mail to request a hearing pursuant to WAC 230-17-010(1)(a).

18 2. FOE Aux. 03338 failed to timely request a hearing and this is the second time it
19 is in default pursuant to RCW 34.05.440(1) and WAC 230-17-010(3).

20 3. The Commission is authorized to take final action against the Licensee's
21 gambling licenses under RCW 9.46.075, RCW 34.05.440, WAC 230-03-085(1), and WAC 230-
22 17-010.

23 4. FOE Aux. 03338 cannot show by clear and convincing evidence that it is
24 qualified for licensure as required by RCW 9.46.153(1).

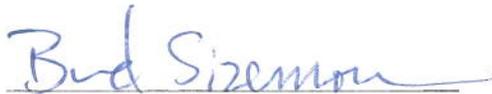
1 5. FOE Aux. 03338's violations described above is a sufficient basis for revocation
2 and its Class "A" Raffle license, Number 02-01440 and its Class "D" Bingo license, Number
3 01-01661 should be revoked pursuant to RCW 9.46.075(1), (8) and WAC 230-03-085(1), (3),
4 (8).

5 **ORDER**

6 This matter having come before the Commission at its November 10, 2016 Commission
7 Meeting, the Commissioners been advised by staff about the case, given the chance to review
8 the administrative record, and being fully advised in this matter, now therefore:

9 It is hereby **ORDERED** that Fraternal Order of Eagles Auxiliary 03338's Class "A"
10 Punchboard/Pull-Tab license, Number 02-01440 and Class "D" Bingo license, Number 01-
11 01661 is **REVOKED**.

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13 DATED this 10th day of November, 2016.

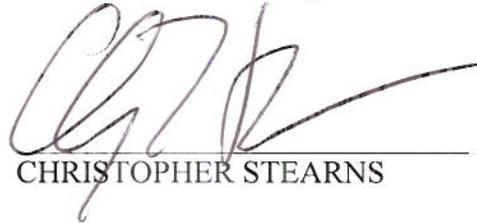
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16 BUD SIZEMORE, Chair

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19 JULIA PATTERSON, Vice Chair

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22 KELSEY GRAY, Ph.D.

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25 CHRISTOPHER STEARNS

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1 **NOTICE**

2 Reconsideration: RCW 34.05.470 and WAC 230-17-140 provide that a party may file a
3 petition for reconsideration of a final order. A petition for reconsideration must be received no
4 later than thirteen (13) days after the date this final order is mailed. Any motion for
5 reconsideration must state the specific grounds supporting the party's request for
6 reconsideration.

7 Stay of Final Order: Filing for reconsideration does not stay the effectiveness of this
8 Order. WAC 230-17-145 provides that a party may petition the Commission for a stay of a final
9 order. Any petition for a stay should be received by the Commission within thirteen (13) days
10 after the date this final order is mailed.

11 Judicial Review: RCW 34.05.542 provides that a party may appeal this final order by
12 filing a petition for judicial review within thirty (30) days after service of this order. A petition
13 for judicial review must be filed with the appropriate superior court and served upon both the
14 Commission and the Office of the Attorney General.

15 Service: This Order was served on you three days after it was deposited in the United
16 States Postal Service regular mail, excluding the date of mailing. WAC 230-17-035.

17 Any motions or petitions for judicial review should be served on or mailed to:

18 Washington State Gambling Commission
19 Legal and Records Division
20 4565 7th Avenue S.E., Lacey, WA
21 P.O. Box 42400
Olympia, WA 98504-2400

Gregory J. Rosen
Attorney General's Office
1135 Washington St. SE
P.O. Box 40100
Olympia, WA 98504-0100

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26 FINAL ORDER

IN RE: FRATERNAL ORDER OF EAGLES
AUX. 03338

NO. CR 2015-00949