

STATE OF WASHINGTON  
GAMBLING COMMISSION

In the Matter of the Suspension of )  
the Licenses to Conduct Gambling Activities of: ) No. CR 2009-00689  
)  
VFW 02100 )  
Everett, Washington, ) **NOTICE OF ADMINISTRATIVE**  
) **CHARGES AND OPPORTUNITY FOR**  
Licensee. ) **AN ADJUDICATIVE PROCEEDING**  
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I.

The Washington State Gambling Commission issued VFW 02100, organization number 00-00208, the following licenses:

Number 05-00716, Authorizing Class "C" Punchboard/Pull-tab Activity; and  
Number 08-00173, Combination License.

These licenses expire on March 31, 2010, and were issued subject to the licensee's compliance with state gambling laws and regulations.

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

II.

Rick Day, Director of the Washington State Gambling Commission, charges the licensee with the following violations of the Washington State Gambling Act, 9.46 RCW, and WAC Title 230:

1) The licensee did not have independent checks or accountability on gambling revenue collected. There was no system in place to verify gambling revenue collected by the bookkeeper or the Quartermaster (general manager). The licensee failed to maintain an independent management control structure that ensured gambling revenue was protected from misuse or embezzlement, in violation of WAC 230-07-060(2).

2) From January 2006 through July 2009, the licensee failed to timely and accurately deposit cash from pull-tab activity.

- The licensee failed to deposit cash from pull-tab activity no later than two banking days after they removed the pull-tab series from play. Some deposits were not made until over a year after the pull-tabs were pulled from play.
- The amount of pull-tab revenue deposited was different from the amount recorded on the Monthly Income Summaries (MIS). The difference was a shortage totaling \$64,176.

As a result, gambling revenue was not accounted for, not used towards the licensee's stated purpose, and not protected from misuse or embezzlement, in violation of WAC 230-07-090(1).

- 3) From January 2006 through March 2009, the licensee failed to properly fill out the MIS. Several columns of the MIS failed to include totals and the summary failed to have enough detail to prove compliance with recordkeeping requirements in violation of WAC 230-14-285 and WAC 230-06-070.
- 4) From January 2007 through June 2009, the licensee filed inaccurate Quarterly Activity Reports (QAR). The licensee underreported \$127,782 in gross gambling receipts and under reported \$38,377 in prizes paid to players on the QARs in violation of WAC 230-14-284.
- 5) From 2004 through 2008, the licensee failed to make gambling tax payments to the City of Everett and failed to keep financial data that supported its tax reports in violation of WAC 230-06-070(4).
- 6) The licensee has the previous administrative history:
- In June 2006, the licensee received a warning letter for excessive pull-tab shortages and failure to keep accurate deposit records. The licensee failed to maintain an independent management control system that ensured gambling activities were closely supervised and all assets of the organization are protected from misuse.
  - In June 2006, the licensee received a Notice of Violation and Settlement<sup>1</sup> (NOVAS) for not accurately completing gambling revenue records.
  - In July 2007, the licensee received a NOVAS for failure to supervise pull-tab sales and failure to prevent pull-tab revenue loss. The licensee failed to maintain an independent management control system that ensured gambling activities were closely supervised and all assets of the organization are protected from misuse.
- 7) Based on the licensee's actions, grounds exist to suspend VFW 02100's licenses under RCW 9.46.075(1) and WAC 230-03-085(1).

**RCW 9.46.075 Denial, suspension, or revocation of license, application, 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) 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 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.

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<sup>1</sup> The NOVAS identifies the violation and gives the recipient the opportunity to pay a fine to settle the matter.

**WAC 230-03-085 Denying, suspending, or revoking an application, 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 subsection applies.)

(1) Commits any act that constitutes grounds for denying, suspending, or revoking licenses or permits under RCW 9.46.075.

**WAC 230-14-285 Monthly income summary.**

(1) Punch board and pull-tab licensees must prepare a detailed monthly income summary for punch board and pull-tab series removed from play in the format we require either manually or electronically.

**WAC 230-06-070 Keep monthly record.**

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 recordkeeping 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.

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

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

(The following subsection(s) apply.)

(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.

**WAC 230-07-060 Independent management structure required.**

(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:

- (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.

**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.

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III.

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

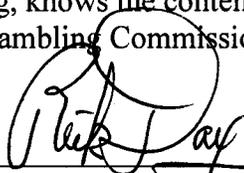
The licensee will have the opportunity to have a hearing on the alleged violations.

**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.

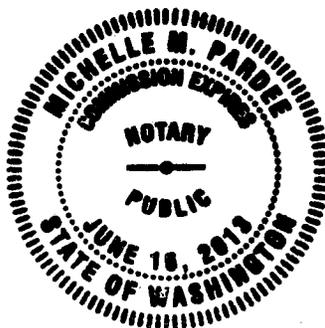
Based on RCW 34.05.440, failure to return this document will result in the entry of a default order SUSPENDING your licenses for 30 days.

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.



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RICK DAY, DIRECTOR



SUBSCRIBED AND SWORN TO before me  
this 16 day of February, 2010.

Michelle M Pardee  
NOTARY PUBLIC in and for the State of

Washington residing at Lacey

My Commission expires on June 18, 2013

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 16th day of February, 2010

Communications and Legal Department  
Washington State Gambling Commission

