

STATE OF WASHINGTON  
GAMBLING COMMISSION

In the Matter of the Suspension or )  
Revocation of the Licenses )  
to Conduct Gambling Activities of: ) No. CR 2011-01376  
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)  
)  
Fraternal Order of Eagles, Auxiliary 03338 )  
Ephrata, Washington, )  
) **NOTICE OF ADMINISTRATIVE**  
) **CHARGES AND OPPORTUNITY FOR**  
Licensee. ) **AN ADJUDICATIVE PROCEEDING**  
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I.

Rick Day, Director of the Washington State Gambling Commission, makes these charges in his official capacity.

II.

The Washington State Gambling Commission issued Fraternal Order of Eagles Auxiliary #03338 (FOE Aux), organization number 00-04310, located at 1145 Basin Street, SW, Ephrata, Washington, the following licenses:

Number 01-01661, authorizing Class "D" Bingo or Nonprofit Gambling activity; and  
Number 02-01440, authorizing Class "A" Raffle Nonprofit Gambling activity.

The licenses expire on May 27, 2012, and were issued subject to the licensee's compliance with state gambling laws and regulations.

III.

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

IV.

**SUMMARY:**

The licensee failed to protect their assets, operated their bingo games using related parties, which resulted in inadequate management control structure, and failed to follow their own initialing requirements designed to protect their assets. The licensee had been warned in the past regarding the requirements of independent management control structures.

## BACKGROUND AND ADMINISTRATIVE HISTORY

- 1) FOE #03338 is referred to as the main Aerie organization, and FOE Aux #03338 is referred to as the Women's Auxiliary organization. Both organizations conduct their business and socials from the same lodge. Many of the women are involved with the main Aerie organization. The Aerie has a pull-tab gambling license, and the Auxiliary has a bingo license. The organizations have separate officers and board members. The Auxiliary pays a fee to the Aerie to operate bingo in the banquet room. An Aerie member sells pull-tabs at the Auxiliary bingo game. Without the Aerie organization, the Auxiliary organization would not exist.
- 2) For at least 2011, the following Tritle family members were involved in working at the Auxiliary bingo game: Dolores Tritle, bingo manager/bingo worker; Kimberly Segura (Ms. Tritle's daughter), bingo manager/bingo worker; Shirley Kehn (Ms. Tritle's daughter), bingo manager/bingo worker; Marina Johnson (Ms. Tritle's daughter-in-law), bingo worker; Brittany Barnes (Ms. Tritle's granddaughter-in-law), bingo worker; Thomas Barnes (Ms. Tritle's grandson and Ms. Segura's son), bingo worker; and Amanda Dodd (Ms. Tritle's granddaughter), bingo worker. In addition, the current Aerie club manager is Chuck Johnson, Ms. Tritle's son.
- 3) In June 2011, a Commission Special Agent (agent) received a complaint from Kimberly Segura, primary bingo manager, that Veda Peter was changing amounts recorded on her bingo paperwork. Veda Peter is the Club Auditor, and James Peter is the Secretary; they are husband and wife, and not related to the Tritles. Ms. Peter is also the Auxiliary Club Secretary, and she is responsible for reviewing bingo paperwork, verifying cash, and making the bingo deposits. In June 2011, the agent reviewed the bingo paperwork, and determined Ms. Segura had made multiple errors. Ms. Peter had changed amounts to correct the errors, but the agent was unable to identify any missing funds due to these changes. In addition, Ms. Segura claimed that Ms. Peter was handling the cash banks while intoxicated. The agent told Ms. Segura to address this issue with the trustees. The agent gave Ms. Segura detailed instructions on how to properly complete the bingo accruals and the bingo daily summary.
- 4) In July of 2011, a second agent completed a lengthy records review and investigation, which ended with a NOVAS<sup>1</sup> being issued to FOE #03338. The agent's investigation noted that licensee failed to accurately maintain the organization's check register, deposit records, and maintain a complete set of accounting and gambling records. The organization failed to have adequate accounting and management controls which lead Ken Tritle, President, and Dolores Tritle, Gambling Manager, to pass checks with insufficient funds. In addition, the agent noted unrecorded expenses and income and inaccurate gambling records.
- 5) In his July 2011 report, the agent noted that Thomas Barnes, 2010 FOE #03338 President, was a convicted felon. Mr. Barnes was also under an employment contract as the bar manager overseeing the FOE #03338 pull-tab operation. Mr. Barnes is the grandson of Ms. Tritle. The agent told the organization that Mr. Barnes, because of his criminal history, could not be

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<sup>1</sup>NOVAS –A Notice of Violation and Settlement identifies the violation and gives the licensee the opportunity to pay a fine to settle the matter.

president or have any responsibility or oversight as related to licensed gambling. Ms. Tritle was the Auxiliary President and the licensed gambling manager at the time, and was present when the agent said that Mr. Barnes could not work in gambling.

6) In 2008, an agent conducted a detailed pull-tab records inspection at FOE #03338. This inspection revealed material internal control, accounting, and record-keeping discrepancies. Among other things, the licensee was warned about the familial related parties and their accounting functions. Specifically, having Veda Peter as auditor, and James Peter as Secretary. Mr. Peter completed and made the deposits, and Ms. Peter reconciled the check register and bank statement. The organization was issued a warning letter at that time.

7) The licensee uses three bingo workers per session. During July and August 2011, the primary workers included Ms. Segura, Brittany Barnes, Marina Johnson, and Ms. Tritle. Donna Clough, who is not related to the Tritles, would sometimes work the bingo game in place of Ms. Johnson. Ms. Tritle took over as primary bingo manager on August 16, 2011. The primary bingo manager is paid \$45 per session, and the two other bingo workers each receive \$30 per session.

## **FACTS**

1) On August 25, 2011, the agent received a call from Dolores (Dee) Tritle. Ms. Tritle was calling to let the agent know that she would be unable to meet the two-day deposit requirement for the bingo session held on August 23, 2011. Ms. Tritle said the August 23, 2011, bingo proceeds were locked inside the safe, and she was unable to unlock it. Veda Peter was in the process of changing the combination to the safe when she forgot to replace the battery cover to the electronic key pad. When Ms. Peter shut the safe door, the batteries fell out, disabling the electronic key pad.

2) The agent asked Ms. Tritle why the combination on the safe needed changing. She said the trustees wanted the combination changed because money from the bingo safe was missing. Ms. Tritle said that on at least four separate occasions; a \$100 bill had been identified as missing.

3) Ms. Tritle said that after each bingo session, the bingo money is counted and locked inside the safe by Ms. Segura. The following day, Ms. Peter would access the bingo funds, recount and reconcile the amount to the closing paperwork, and make the deposit. On at least four occasions, Ms. Peter identified a missing \$100 bill. Ms. Tritle said the trustees decided to remove Ms. Peter from auditing the funds and making the deposits. Ms. Tritle also said Ms. Peter was not authorized to change the combination.

4) This was the first the agent had heard of missing bingo funds, and he was only told about the missing funds when he questioned Ms. Tritle about the safe. Ms. Tritle said she thought Kathryn Rose, Auxiliary President, had reported the funds missing. Ms. Tritle later said she thought Ms. Peter had contacted Commission staff to report the money missing.

5) On August 28, 2011, the agent met with Ms. Tritle at the FOE lodge to gather information about the missing funds. Ms. Tritle said that Ms. Peter was responsible for

identifying the missing \$100 bills. According to Ms. Tritle, Ms. Peter identified the first missing \$100 bill on July 12, 2011, by writing "Not Here" on the closing cash count sheet. Ms. Peter later verified she wrote "Not Here," indicating the \$100 bill listed by Ms. Segura was missing.

6) Ms. Tritle explained the bingo cash handling procedure to the agent. Ms. Segura, the primary bingo manager at the time, and Britney Barnes, bingo caller, counted the ending bank together. Ms. Segura then recorded the amount of each denomination and the ending cash total on the bingo cash-out sheet. Both were required to initial the form attesting to the amount of cash they were turning in. After each bingo session, Ms. Segura put the funds and the cash turn-in record in a bank deposit bag and secured it in the safe. The following day, or sometime prior to the next bingo session, Ms. Peter recounted the bingo funds and verified the accuracy of the bingo paperwork. Ms. Peter then made the bingo deposit.

7) The agent reviewed the July and August 2011 bingo and bank records, and determined there was at least \$600 missing. Ms. Peter had identified four \$100 bills missing from the ending cash totals on Ms. Segura's cash count sheet. During the review, the agent noted an additional \$200 missing due to large cash shortages and other discrepancies.

8) The agent reviewed all of the session summaries and supporting documents for sessions held from July 2, 2011, through August 16, 2011, and found the following:

- The July 5, 2011, bingo session summary sheet materially matched the supporting records with no material math errors noted. However, the licensee reported a \$40.25 cash shortage with no explanation. In addition, the cash-out sheet had been changed; altering the denomination totals, but the grand total remained the same. The cash-out sheet was properly initialed by two bingo workers. Ms. Segura, Ms. Barnes, and Ms. Tritle were working the bingo session.
- The bingo session summary for July 9, 2011, was inaccurate and did not provide an adequate audit trail to verify gross receipts. In addition, Kim Segura paid herself in cash, and a material cash shortage went unexplained. Ms. Peter made several corrections to the bingo session summary. Some of her corrections were necessary and properly adjusted errors made by Ms. Segura, and some of the corrections were made in error.
- During this session, the licensee made two payouts by check. Normally payouts by check are added back into the ending net receipts to arrive at the expected ending cash. However, a \$200 check was paid out on the "PIK 7" accrual game. The \$200 should not have been added back in because the accrual payout is not recorded as a payout for this session. The \$200 check would not affect expected cash for this session. The bingo session summary had multiple changes, and it was very hard to determine how the licensee, (the agent believed it to be Ms. Peter), came up with the final numbers for the ending cash reconciliation. Based on the agent's review, the proper reconciliation should have been:

July 9, 2011, Per Bingo Session Summary Sheet

Bingo Session total net receipts	\$264.00
Add beginning bank	\$855.00
Add pay out by check	\$150.00
Add daily accrued prizes	<u>\$59.25</u>
Total expected cash	\$1,328.25

- The licensee's session summary shows several different amounts for the accruals, expected cash, cash over/short and actual cash on hand. According to Ms. Segura and Ms. Peter, Ms. Segura didn't understand how to complete the paperwork when they had an accrual payout. Ms. Peter made the corrections she believed were necessary to correct the paperwork. For this session, Ms. Peter made several mistakes in her corrections. In addition, the actual cash count changed from \$1,239 to \$1,284, and the original cash count sheet indicates the ending cash was \$1,239. Ms Segura failed to initial the cash-out sheet. When Ms. Peter completed the deposit sheet, she indicated there was an additional \$45 check in the total. This was due to Ms. Segura paying herself in cash from the bingo proceeds. Ms. Segura left a note disclosing that she paid herself in cash. Ms. Peter later completed a check to cover the missing cash taken out for Ms. Segura's pay.
- Although it was difficult to determine how they reconciled the July 9, 2011, bingo session, based on the agent's review, the licensee should have had \$1,328.25. However, they only had \$1,284, for a cash shortage of \$44.25. The licensee gave no explanation of the shortage or what they did to try to find the shortage.
- The licensee also incorrectly adjusted the accrual prize on the "PIK 7" game. The licensee paid out \$200 and accrued \$17.75 for this game. The prize pool should have had a net adjustment of -\$182.25 (-\$200 + \$17.75). However, the licensee correctly added the \$17.75 to the accrual total, but failed to deduct the \$200 accrual payout from the accrual total. The accrual total was overstated by \$182.25. The workers for the session were identified as Ms. Segura, Ms. Johnson, and Ms. Tritle.
- The July 12, 2011, bingo session summary paperwork shows a \$104 cash shortage. The explanation for the shortage indicates payout and receipts were correct. This was the first session where Ms. Peter identified a \$100 bill missing. The agent also noted the closing cash count sheet was not initialed. In addition, Ms. Peter made a correction to the "cash on hand" entry on the bingo session summary. The original amount was \$1,017.75, which included the \$100 bill. Ms. Peter corrected the amount on the session summary to \$951.25. If the licensee was missing \$100, this amount should have been \$917.75. The licensee had unexplained changes in the ending cash count from the time Ms. Segura counted the funds to when Ms. Peter later recounted the funds and made the deposit. Based on payroll checks included on the deposit sheet, Ms. Segura, Ms. Barnes, and Ms. Johnson were working the bingo session.
- The July 16, 2011, bingo session summary paperwork shows at least a \$100 bill was missing. After reviewing the session records, the agent determined the cash shortage to be

\$102.75. The licensee indicated an original adjusted cash shortage of \$53.25. The licensee did not document an explanation of the shortage. Based on the agent's review, the majority of the \$102.75 cash shortage came from a missing \$100 bill indicated on the cash out sheet noted "Not Here." Ms. Peter identified the missing \$100 bill during her recount. The cash was originally counted by Kim Segura and Brittany Barnes, as indicated by the initials at the bottom of the page. According to interviews, Ms. Segura and Ms. Barnes counted the funds including the \$100 bill, and locked the money in the safe. The following day, Ms. Peter recounted the funds and the \$100 bill was missing, reducing the cash by \$100.

- To complicate the review of the July 16, 2011, bingo session paperwork, and several recording errors were noted. The agent performed a detailed reconciliation of the session and compared the recorded amounts to audited amounts. Based on supporting documentation, the licensee over-reported gross receipts on the yellow bingo game by \$39 and over-reported the payouts on the packet games by \$45.
- In addition, the bingo session summary reconciliation portion had two sets of figures. An original recorded amount, which appeared to be incorrect, and a second recorded amount written off to the side. Because of the inaccurate completion of the bingo summary, the agent was unable to confidently determine how the licensee came up with the amounts they recorded. It appeared they had some creative accounting with an accrual payout, where they recorded a portion of the payout coming from the accrual prize fund and a portion of the payout coming from the daily proceeds. Regardless of the inaccurate or incomplete bingo paperwork, the agent's review indicated an approximate \$102 cash shortage, which supports the missing \$100 notation. Ms. Segura, Ms. Tritle, and Ms. Barnes worked the bingo session.
- The July 19, 2011, bingo session paperwork was materially accurate and without corrections. The ending cash count recorded on the cash-out sheet indicated closing cash of \$912. The cash was counted by three people, and initialed at the bottom of the page. Off to the side of the original check total entry (\$329.77), a second figure of \$424.77 was recorded. This increased the checks by \$95, and increased the ending cash to \$1,007, which was recorded on the session summary. If three bingo workers counted and initialed the closing cash, it is unclear how they would have missed \$95. Ms. Segura, Ms. Barnes and Ms. Tritle worked the bingo session.
- The agent's review of the July 23, 2011, bingo paperwork indicated the licensee failed to record at least \$25 in payouts on the blue game #9. They underreported the amount on the session summary. Also, several corrections were properly made to the reconciliation portion of the bingo session summary. Taking into account the \$25 payout adjustment, their cash shortage was immaterial. Ms. Segura, Ms. Tritle, and Ms. Johnson worked the bingo session.
- The July 26, 2011, bingo session summary shows the licensee adjusted their ending actual cash from \$970 to \$870. They also adjusted the cash shortage from \$4.25 to \$95.75. Ms. Peter identified a \$100 bill missing from the ending cash turned in. The subsequent adjustment on the bingo session summary created the \$95.75 cash shortage. There was only

one initial on the cash close-out sheet. Ms. Segura, Ms. Barnes, and Ms. Johnson worked the bingo session.

- The August 2, 2011, bingo session summary shows a recorded shortage of \$117. The licensee did not provide an explanation to the shortage. The records they provided did not have a recorded ending cash count, so the agent was unable to determine if the cash was missing a \$100 bill causing the shortage. The bingo session summary reconciliation portion originally had \$896 recorded in the ending cash on hand which was changed by \$100 to \$796. This would indicate the same pattern as the previous bingo sessions missing the \$100 bill. The expected cash was properly changed to \$913 because of a \$200 cash accrual payout. Ms. Segura, Ms. Barnes, and Ms. Tritle worked the bingo session.

- The August 9, 2011, bingo records packet provided by the licensee did not contain a bingo session summary form. The agent performed reconciliation from the session's payout records and receipting records to arrive at net receipts. The calculated net receipts materially matched the validated deposit slip for the session. However, the cash-out sheets had three sets of initials verifying the ending cash. One set of the initials "DT" was for Dolores Tritle, who the agent identified as playing in the bingo game. Ms. Tritle's name appeared on at least three bingo prize receipts. Ms. Tritle is a regular paid bingo worker and is not eligible to play in the bingo game. The licensee was advised verbally in 2008 that volunteers only may play in bingo sessions that they are not working. The paid workers for this session include Ms. Segura, Ms. Barnes, and Donna Clough. Ms. Tritle was not a paid worker, however she did verify the cash at the end of the night as a voluntary worker, and she was a paid worker at the previous and the subsequent bingo session. Ms. Clough also appeared to be a regular worker in August and was identified on multiple prize receipts within the agent's review period.

- The August 16, 2011, bingo session summary shows a recorded shortage of \$104. The licensee did not provide an explanation of the cash shortage. Ms. Peter identified a \$100 bill missing by noting "Missing Again" next to the entry on the cash-out sheet. This was Dolores Tritle's first bingo session as the primary Bingo Manager. According to Ms. Tritle, Ms. Segura did not work this session. The agent identified the paid workers to be Ms. Tritle, Ms. Barnes, and Ms. Clough. However, when the agent questioned Ms. Segura, she said she did not help with the August 16, 2011, bingo session. There was only one initial on the cash close-out sheet.

- The agent reviewed the records for other sessions, not listed above, with no material discrepancies or shortages noted.

- The above documented discrepancies show the licensee failed to protect their bingo proceeds. In addition they failed to maintain required paperwork, their bingo paperwork was inaccurate, and they failed to follow their own internal control procedures, requiring three initials on each cash close-out sheet.

The following summarizes the \$608 identified missing bingo funds:

7/05/11	\$40.25 (unexplained cash shortage)
7/09/11	\$44.25 (unexplained cash shortage)
7/12/11	\$104.00 (cash shortage, \$100 bill missing)
7/16/11	\$102.75 (cash shortage, \$100 bill missing)
7/26/11	\$95.75 (cash shortage, \$100 bill missing)
8/2/11	\$117.00 (unexplained cash shortage, actual cash count reduced by \$100)
8/16/11	<u>\$104.00</u> (cash shortage, \$100 bill missing)
Total =	<u>\$608.00</u>

9) The agent conducted interviews with Kim Segura, Brittany Barnes, and Veda Peter; all were identified as working bingo or accessing the bingo proceeds for the sessions with missing money. Based on these interviews, the agent was unable to determine the person or persons responsible for taking the bingo funds.

10) During the interview with Ms. Segura, she said she didn't understand how to complete the accrual section and the reconciliation section of the bingo session summary when an accrual payout was made. Ms. Segura admitted she relied on Ms. Peter to correct her mistakes. During the interview, Ms. Segura said she always initials the cash-out sheet and she always has one other worker initial the form attesting to the ending cash. When the agent showed her several of the cash-out sheets that were not initialed, Ms. Segura responded by saying she just forgot. Ms. Segura said she counted the money each night after the bingo session and had one other bingo worker verify the count. She recorded the closing cash count, broken down by denomination on the cash-out sheet, and then locked the sheet and the money inside the safe. Ms. Segura said Ms. Peter, prior to the next bingo session, recounted the funds, made corrections to her bingo paperwork, and made the bingo deposit. Ms. Segura said Ms. Peter never questioned her count or asked her about the missing \$100 bills. Ms. Segura said that she only found out about the missing funds through Ms. Tritle, after several of the sessions had been identified as missing \$100 bills. Ms. Segura denied taking the funds.

11) Ms. Segura admitted to paying herself in cash, explaining that she did so when the licensee did not have three pre-signed checks at the end of the July 9, 2011, bingo session. Ms. Segura said the cash payment was authorized by a board member.

12) The agent questioned Ms. Peter about identifying the missing money. Ms. Peter said she took the money out of the safe and recounted the funds prior to making the bingo deposit. Ms. Peter compared her count to the amount recorded by Ms. Segura on the cash out sheet. On at least four occasions, Ms. Peter identified a \$100 bill missing. Ms. Peter said she did not go to the trustees with this information until the third or fourth incident. Ms. Peter said she was hoping to find a mistake or locate the missing money. Ms. Peter admitted she did not question Ms. Segura about the missing funds. Ms. Peter said she didn't contact the Gambling Commission because she was afraid of what might happen to their license. Ms. Peter denied taking the funds.

13) The agent questioned Ms. Peter about all of the corrections she made to the bingo session summary completed by Ms. Segura. Ms. Peter said Ms. Segura did not understand how to handle payouts for the accrual. Every time an accrual prize was paid, Ms. Peter corrected the summary form. Ms. Peter said she had tried in the past to show Ms. Segura how to properly complete the form, but admitted to making the July and August corrections. Ms. Peter just made the change, and didn't bother to explain the corrections to Ms. Segura.

14) The agent questioned Ms. Barnes about her involvement with the bingo cash. Ms. Barnes said she verified the ending cash each night by recounting the funds in front of Ms. Segura. Ms. Barnes said she always initialed the bottom of the cash-out form. The agent pointed out that several of the forms did not have her initials. Ms. Barnes claimed that she must have been in a hurry to leave and forgot to initial them. Ms. Barnes also admitted to walking the funds back to the safe and locking it. She said the money was always locked inside of the bank bag when she transported it back to the safe, and she did not have access to the bank bag key.

15) The agent also spoke with Kathryn Rose, Auxiliary President, about the missing money. According to Ms. Rose, Ms. Peter had come to her and another board member, and informed them of the missing bingo funds. Ms. Rose remembered Ms. Peter telling her she identified three or four occasions where there was a \$100 bill missing. Ms. Rose said that Ms. Tritle and Ms. Segura were blaming Ms. Peter, and Ms. Peter was blaming Ms. Segura. Ms. Rose said they decided to take away Ms. Peter's access to the bingo funds to possibly eliminate the problem. The agent explained that although they eliminated Ms. Peter's access to reconcile the bingo funds and make deposits, they now had Ms. Tritle, the current bingo manager, performing all of the functions, including completing the bingo paperwork and making the deposit. The agent told Ms. Rose that they had now eliminated the only non-family member, Ms. Peter, involved with the bingo process.

16) The agent informed Ms. Rose that he would be completing his report and recommending a statement of charges. The agent asked Ms. Rose to contact him if she could think of anything else she remembered regarding issues at their bingo games.

17) Based on his investigation, the agent was unable to identify the person or persons responsible for taking the money. However, the organization and their employees failed to follow their own procedures regarding initialing of cash-out sheets, failed to follow gambling rules, failed to protect their assets, and operated their bingo game using related parties, which resulted in inadequate independent management control structure.

The licensee's actions violated WAC 230-07-060, 230-07-075, 230-07-090, 230-07-115, 230-10-090, and 230-10-335, and demonstrate that the licensee 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 a result, the licensee has failed to prove by clear and convincing evidence that it is qualified for licensure, in violation of RCW 9.46.153. Grounds, therefore, exist to revoke its license under RCW 9.46.075(1), and (8), and WAC 230-03-085(1), (3) and (8).

## **VIOLATIONS:**

### **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 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 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 it is qualified in accordance with the provisions of this chapter;

### **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 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.

(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.

The licensee has received previous warnings about its lack of internal controls and having family members perform accounting functions. The licensee has demonstrated willful disregard of gambling rules by their repeated failure to implement adequate internal control procedures to protect their gambling assets. In addition, the licensee failed to take appropriate steps to correct previously noted weaknesses in their management control structure to eliminate possible conflicts of interest. They also failed to take corrective action with paid bingo workers playing and working in their bingo game. Therefore, the licensee poses a threat to the effective regulation of gambling and grounds exist to revoke its license under RCW 9.46.075(1), and (8), and WAC 230-03-085(1), (3) and (8).

### **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.

The licensee failed to follow or enforce their own bingo procedures. At least three bingo workers indicated that it was their procedure to have at least two employees count and initial the cash close-out sheet to verify the ending bingo cash. On at least five occasions, the cash close-out sheet was either not initialed or was only initialed by one employee. Ms. Peter, who responsible for reviewing the paperwork, made no attempt to have Ms. Segura correct this issue.

The licensee failed to develop and maintain an independent management control system to ensure accountability when it allowed family members to operate bingo games, in violation of WAC 230-07-060. The primary bingo workers during the review period included: Kim Segura, Brittany Barnes, daughter in-law of Ms. Segura, Dolores Tritle, mother of Ms. Segura, and Marina Johnson, Ms. Segura's sister in-law. Additional relatives were identified as working the game but not during the review period. The licensee was previously warned in 2008 about family members conducting pull-tab activity.

Because of the lack of independent management control structure and the lack of board policies, procedures, and general oversight, the licensee failed to protect organizational assets. At least \$608 of the licensee's bingo proceeds has been identified as missing or stolen. Therefore, grounds exist to suspend or revoke the licenses issued to FOE Aux # 03338 under RCW 9.46.075 (1), and (8), and WAC 230-03-085(1), (3) and (8).

### **WAC 230-07-075 Conflicts of interest**

- (1) Charitable or nonprofit organizations have an independent operating environment when their officers or board members and supervisory level employees have completely separated their personal interests from the interests of the organization.
- (2) Individual officers or board members acknowledge potential conflicts of interest and abstain from voting on issues that directly or indirectly affect their personal interest, the organization is operating independently.
- (3) The governing board of the organization must review any potential conflicts of interest involving supervisory level employees. They must record all discussions or balloting regarding potential conflicts of interest in the official meeting minutes.

(4) We will presume organizations lack an independent operating environment if the governing board fails to approve and document in the official meeting minutes any of the following by the officers, board members, or supervisory level employees:

- (a) Receiving, directly or indirectly, financial or personal benefit from the organization or share in gambling proceeds of the organization; or
- (b) Supervising, directly or indirectly, or having decision-making authority over transactions that may result in direct or indirect financial or personal benefit to:
  - (i) Their direct relatives; or
  - (ii) Persons with whom they maintain a common household; or
  - (iii) Persons with whom they have a business relationship; or
- (c) Allowing others, directly or, through lack of action, indirectly, to receive or share in the gambling proceeds of the organization.

#### **WAC 230-07-070 Defining "direct relatives."**

"Direct relative" means spouses, parents, grandparents, uncles, aunts, children, siblings, nieces, or nephews, whether by blood, adoption, or marriage

During the period reviewed, Kim Segura, primary bingo manager, was in charge of FOE Aux. #3338 bingo activity. Ms. Segura was responsible for supervising her direct relatives, who were also involved with bingo activities: Dolores Tritle, her mother; Miranda Johnson, her sister in-law; and Brittany Barnes, her daughter in-law, in violation of WAC 230-07-075. The licensee was previously warned about using all relatives to operate their pull-tab games. Therefore, grounds exist to suspend or revoke the licenses issued to FOE Aux under RCW 9.46.075 (1), and (8) and WAC 230-03-085 (1), (3) and (8).

#### **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.

(1) Licensees must:

- (a) Keep a separate gambling receipts account(s) in a recognized Washington state bank, mutual savings bank, or credit union; and
- (b) Deposit only gambling receipts into that account. Licensees may deposit receipts from non-gambling activities operated in conjunction with bingo games into the gambling receipts account if the licensee keeps detailed receipting records of the non-gambling receipts; and
- (c) Deposit all gambling receipts first into the account before spending or transferring them into other accounts, except for prize pay outs; and
- (e) Make all deposits of net gambling receipts from each activity separately from all other deposits, and keep the validated deposit receipt as a part of their records. Deposit receipts are a part of the applicable daily or monthly records and licensees must make them available for our inspection; and
- (f) Deposit all net gambling receipts which they are holding, pending pay out:
  - (i) From bingo, no later than the second banking day after they receive them. Licensees may withhold bingo receipts from deposits for "jar," "pig," or other special game prizes if the total of all such prize funds does not exceed two hundred dollars, enter the

amount withheld each session in the bingo daily record, and record the reconciliation of the special game fund on the bingo daily record. "Reconcile" means the licensee must compare the two balances, resolve any differences, and document the comparison and the differences in writing. Licensees must keep the reconciliation as part of their records.

The licensee, on at least one occasions, allowed the bingo manager to pay herself in cash from bingo proceeds. In addition, the records indicate the bingo manager wrote out payroll checks each bingo session to each bingo worker including herself, in violation of WAC 230-07-090. The three paid bingo workers, including the bingo manager, exchanged their bingo checks for cash from the bingo proceeds. Therefore, grounds exist to suspend or revoke the licenses issued to FOE Aux # 03338 under RCW 9.46.075 (1), and (8), and WAC 230-03-085(1), (3) and (8).

### **WAC 230-07-115 Duties of charitable or nonprofit gambling managers**

Charitable or nonprofit gambling managers must:

(1) Be knowledgeable of the laws and rules that relate to the operation of the gambling activities and the restrictions on the use of funds made from gambling activities for which they are responsible; and

(2) Supervise the gambling activity, including all secondary activities, such as retail sales, conducted along with gambling activities; and

(3) Ensure:

- (a) The business premises are maintained in a safe condition and persons participating in the activity are reasonably protected from physical harm; and
- (b) Fair and equal participation by players in gambling activities; and
- (c) All records are completed and correct; and
- (d) All funds are disbursed or invested according to the directions of the officers or governing board and are used solely to further the charitable or nonprofit purpose(s) of the organization; and

(4) Protect:

- (a) The public from fraud; and
- (b) The organization from players or workers committing illegal acts; and
- (c) All gambling assets of the organization from misuse or theft; and

(5) Safeguard funds or other assets made from gambling and secondary activities for which he or she is responsible until directly deposited in the organization's bank account.

The investigation shows Kim Segura, the primary bingo manager, failed to have sufficient knowledge to adequately oversee the licensee's bingo activity, in violation of WAC 230-07-115. Specifically Ms. Segura did not understand how to complete bingo session summary records to ensure all funds were properly accounted for. Ms. Segura admitted that she would sometimes rely on Ms. Peter to complete or correct the daily reconciliation portion of the bingo paperwork. She also said she didn't understand the corrections made by Ms. Peter. Ms. Peter said she had

tried to explain how to properly complete the form, but Ms. Segura continued to make the same mistakes. In addition, Ms. Segura failed to have procedures followed to protect the bingo proceeds.

Ms. Segura was not knowledgeable of the laws and rules that relate to the operation of the gambling activities and ensure all records were completed and correct, and all that all funds were used solely to further the charitable or nonprofit purposes of the organization. She also failed to protect the organization from players or workers committing illegal acts, and protect all gambling assets for the organization from misuse or theft. Therefore, grounds exist to suspend or revoke the licenses issued to FOE Aux # 03338 under RCW 9.46.075 (1), and (8) and WAC 230-03-085 (1), (3), and (8).

**WAC 230-10-090 Workers not playing in Class D and above bingo games.**

(The following subsections apply.)

(1) Class D and above bingo licensees must not allow persons who participate in operating or managing their bingo games to play in any of their bingo games.

(2) Persons who work without compensation for Class D and above licensees may play bingo, but they must not play during bingo sessions they are operating or managing.

The licensee allowed paid bingo workers to play in their bingo game. Specifically Donna Clough, and Dolores Tritle, both identified as paid bingo workers, played bingo during occasions they were paid to work, in violation of WAC 230-10-090. On one occasion Ms. Tritle, although was not identified as being paid, had her initials on the ending bingo cash close out sheet. On the same occasion, Ms. Tritle's name appeared as the winner on at least three bingo prize receipts. The licensee was previously informed that only volunteers could play in the bingo game, and then only on occasions they did not work. Therefore, grounds exist to suspend or revoke the licenses issued to FOE Aux under RCW 9.46.075 (1) and (8), and WAC 230-03-085 (1), (3) and (8).

**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

(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.

To ensure that bingo licensees meet the intent of RCW 9.46.010 and provide adequate funds to promote charitable and nonprofit programs, bingo licensees must not allow their bingo operation to award excessive prizes or pay excessive expenses. The governing board of the organization must specifically approve all capital expenditures for the bingo operation that exceed six thousand dollars.

The licensee, on several occasions, failed to accurately and sufficiently complete their daily bingo records as required. Specifically, the agent identified at least six shortages in excess of \$20. On at least one bingo occasion, August 9<sup>th</sup>, the licensee failed to provide a completed bingo session summary including a reconciliation of cash on hand.

On July 9, 2011, the licensee failed to reduce a \$200 accrued prize payout to their accrual total, which overstated the accrual ending balance. And, on July 16, 2011, the licensee showed some very creative accounting for a \$180, accrual payout which caused an error on the final accrual balance for the session. Therefore, grounds exist to suspend or revoke the licenses issued to FOE Aux # 03338 under RCW 9.46.075 (1) and (8), and WAC 230-03-085 (1), (3) and (8).

### **RCW 9.46.153 Applicant and licensees – Responsibilities and duties.**

(The following subsections apply.)

(1) It shall be the affirmative responsibility of each applicant and 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;

(3) All licensees, and persons having any interest in licensees, including but not limited to employees and agents of licensees, and other persons required to be qualified under this chapter or rules of the commission shall have a duty to inform the commission or its staff of any action or omission which they believe would constitute a violation of this chapter or rules adopted pursuant thereto. No person who so informs the commission or the staff shall be discriminated against by an applicant or licensee because of the supplying of such information.

The licensee failed to protect their assets, operated their bingo games using related parties, which resulted in inadequate management control structure, and failed to follow their own initialing requirements designed to protect their assets. As a result, the licensee had a loss of at least \$608 in gambling receipts. The licensee had been warned in the past regarding the requirements of independent management control structures.

Therefore, grounds exist to suspend or revoke the licenses issued to FOE Aux #03338 under RCW 9.46.075 (1) and (8), and WAC 230-03-085 (1), (3) and (8).

V.

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 REVOKING your licenses.

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.

*Rick Day*  
\_\_\_\_\_  
RICK DAY, DIRECTOR

SUBSCRIBED AND SWORN TO before me

this 22 day of February, 2012.

*Michelle F. Rancour*  
\_\_\_\_\_  
NOTARY PUBLIC in and for the State of

Washington residing at Thurston County

My Commission expires on 10-19-15



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 24 day of February, 2012

*Margaret Pretell*  
\_\_\_\_\_  
Margaret Pretell

Communications and Legal Department  
Washington State Gambling Commission