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APR 23 2013

Gambling Commission  
Comm. & Legal Division

STATE OF WASHINGTON  
GAMBLING COMMISSION

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GAMBLING COMMISSION  
COMM & LEGAL DIVISION

In the Matter of the Suspension or Revocation of )  
the Licenses to Conduct Gambling Activities of: )

NO. CR 2012-00959

Fraternal Order of Eagles, #02327 )  
Monroe, Washington, )

SETTLEMENT ORDER **RECEIVED**

Licensee. )  
\_\_\_\_\_ )

APR 17 2013

OAH - Tacoma

The Washington State Gambling Commission and the licensee, Fraternal Order of Eagles (FOE), #02327, have entered into this Settlement Order to resolve the administrative charges pending against the licensee. Stephanie U. Happold, Assistant Attorney General, and Melinda Froud, Staff Attorney, represent the Commission. Michael Meade, President, represents the licensee.

I.

The Washington State Gambling Commission issued FOE #02327, organization number 00-00467, the following licenses:

- Number 05-02498, authorizing class "C" Nonprofit Punchboard Pull-Tab activity;
- Number 08-00017, authorizing class "A" Combination License activity; and
- Number 60-00254, authorizing class "B" Special Card Room activity.

The licenses expire on June 30, 2013, and were issued subject to the licensee's compliance with state gambling laws and rules.

II.

In the above-entitled case, the Gambling Commission issued a Notice of Administrative Charges and Opportunity for an Adjudicative Hearing on December 21, 2012, seeking the suspension or revocation of FOE #02327's licenses to conduct gambling activities. On January 3, 2013, Commission staff received the licensee's request for a hearing. The following summary of facts and violations were alleged in the Notice of Administrative Charges:

**SUMMARY:**

The licensee's nonprofit manager did not safeguard funds and other assets directly deposited in the organizations bank account. The licensee also had multiple pull-tab violations.

**VIOLATIONS:**

**RCW 9.46.075 Denial, suspension, or revocation of license**

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.

**WAC 230-03-085 Denying, suspending, or revoking an application, license**

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 230-14-284 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:

(The following subsections apply.)

(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.

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

(The following subsections apply.)

(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.

(2) Licensees may store punch board and pull-tab monthly records electronically if they:

(a) Retain all original input control documents supporting the electronic record; and

(b) Generate a monthly paper income summary that organizes the electronic record into the format we require.

(c) Ensure that the income summary:

(i) Does not hinder our review of records; and

(ii) Is available for review no later than thirty days following the end of the month; and

(iii) Is available within three days of a request by us, local law enforcement, or local tax agencies.

**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 subsections apply.)

(1) Licensees must:

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

(iii) From punchboard 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.

(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.

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

Charitable or nonprofit gambling managers must:

(The following subsections apply.)

(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

(3) Ensure:

(c) All records are completed and correct

(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 licensee's non-profit gambling manager failed to maintain accurate and complete gambling records and accurately and completely account for nonprofit gambling receipts. The licensee failed to maintain an accurate monthly income summary, which recorded 40 fewer played pull-tabs than the licensee's actual "Kill Dill" game, in violation of WAC 230-14-285. There were also deposits that did not contain the Washington State identification number for each pull-tab game on the deposit slip. Furthermore, there were receipts that failed to be deposited at all, and receipts that were deposited later than two days, in violation of WAC 230-07-090. This demonstrates that the gambling manager failed to prepare complete and correct records, and failed to safeguard assets, in violation of WAC 230-07-115. Additionally, the Quarterly Activity Report Inventory section for the second quarter of 2012 was completed incorrectly, in violation of WAC 230-14-284. Grounds, therefore, exist to suspend FOE #02327's licenses, pursuant to RCW 9.46.075(1), and (8), and WAC 230-03-085(1), and (8).

### III.

The facts and violations set forth in paragraph II above constitute grounds for the suspension or revocation of the licenses issued to FOE #02327 pursuant to RCW 9.46.075 and WAC 230-03-085.

### IV.

The licensee acknowledges that it received the Notice of Administrative Charges issued in this case, and understands the facts and violations contained in it.

On January 3, 2013, Commission staff received Fraternal Order of Eagles #02327's request for a hearing in this matter; however, the licensee has waived its right to a hearing, based on the terms and conditions of this Settlement Order.

The licensee agrees to the following terms and sanctions:

- 1) FOE #02327's licenses gambling licenses are hereby suspended for a period of **ten (10) days**, provided that:
  - a) **Three (3) days** of the suspension shall not be currently served, but shall be deferred for a period of one year from the date of entry of this Settlement Order, subject to the following: The licensee agrees not to violate the terms of this Settlement Order, or any of Washington's gambling statutes or regulations during the one (1) year term. If the licensee violates this Settlement Order or gambling statutes or regulations, and if the violation is the type that warrants the filing of administrative or criminal charges, then the Director may impose the three-day deferred suspension of the current gambling licenses and any subsequently acquired gambling licenses.
  - b) The parties agree that the Director of the Washington State Gambling Commission, pursuant to this agreement, has discretion to determine whether the licensee has violated any term of this agreement. In the event the Director determines that a violation of this agreement has occurred, he may suspend the license(s) issued to the licensee for up to three days, by mailing or delivering a Notice of Order of Administrative Charges to the

licensee. In addition to the consequences of the new violation, the deferred sentence shall also be served. The licensee shall be afforded the opportunity to have an Adjudicative Proceeding, which includes a hearing on the alleged violations.

- c) Pursuant to RCW 9.46.077, the licensee has chosen to vacate the **remaining seven (7) days** of the suspension by paying a fine of **three hundred forty seven dollars (\$347)**, which represents 50 percent of the licensee's daily costs averaged from the 2012 Quarterly Activity Reports. The licensee also agrees to reimburse the Commission for its investigative and administrative costs in the amount of **two thousand, four hundred fifty one dollars (\$2,451)**, for a total penalty of **two thousand, seven hundred ninety eight dollars (\$2,798)**.
- d) The licensee shall serve a one-day suspension which was deferred in the May 2012 Settlement Order, as follows:

**The suspension period begins at 8:00 a.m. on Tuesday, April 16, 2013, and runs through 8:00 a.m. on Wednesday, April 17, 2013.**

The licensee may resume gambling activities at 8:00 a.m. on April 17, 2013.

During this period of suspension, no gambling activities shall take place at the licensed premises.

- e) **The signed order and payment must be received by Commission staff on or before Friday, April 5, 2013, 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 7<sup>th</sup> Avenue SE; Fourth Floor  
Lacey, WA 98503

III

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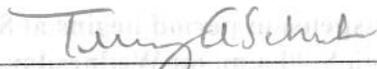
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4) The licensee shall reimburse the Commission for the costs incurred in conducting a follow up inspection within thirty (30) days after receiving notice of the costs of such inspection. The follow up inspection shall not exceed ten hours and shall be made within six (6) months after the entry of this Order; this will allow the licensee additional time to ensure that it is complying with state gambling laws and rules.

5) If the licensee makes its payment as agreed, this matter will be deemed closed. However, if the licensee fails to timely make its payment, the Director may impose an additional **two (2)** day suspension for the late payment. Serving the suspension would not, however, relieve the licensee of its obligation to pay its fine.

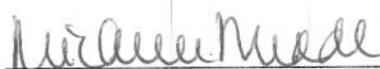
DATED this 18th day of April, 2013.

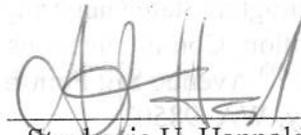
  
\_\_\_\_\_  
Administrative Law Judge

APPROVED FOR ENTRY:

APPROVED AS TO FORM:

By signing this Settlement Order,  
the licensee acknowledges and understands  
the terms and conditions contained in it.

 Date 4/3/13  
Michelle Meade, President  
Fraternal Order of Eagles, #02327

 4/10/13  
Stephanie U. Happold, #38112  
Assistant Attorney General,  
Representing the Washington  
State Gambling Commission

 AMY B. HUNTER, # 23773  
Melinda A. Froud, WSBA #26792,  
Staff Attorney  
Washington State Gambling Commission