

New Hampshire Racing & Charitable Gaming Commission
Commission Meeting
September 22, 2014
14-09

Present: Timothy J. Connors, Chairman
Anthony B. Urban, Secretary
Frederick H. Booth, Member
Dennis H. Caza, Member
Michael J. Gatsas, Member
Lynn M. Presby, Member
Paul M. Kelley, Director
Sudhir K. Naik, Deputy Director
Valerie King, Procedures Administrator
Stephen Johnston, Supervisor-Gaming Operations
Billie Jean Arseneault, Gaming/Licensing Supervisor
Linda Glaser, Auditor
Stratos Argiras, Auditor
Amir Alic, Auditor
Robert White, Gaming Enforcement Investigator
Linda Darrow, Administrative Secretary

In Attendance: Dick Bouley, Nick Bonardi, Jan DiMarzio, Ed Callahan, Rick Newman, Ryan Gloddy, Mike McLaughlin, Susan Geiger, Dan Mullen, Representative Gardner, Richard Melvin, and others. Attending from Cochecho Valley Humane Society were Jeff Herring, Jeanne McGee, Brenda Rose, Karen Zaramba, Jennifer Stauffis and Leslie Heindl.

The Chairman called the meeting to order at 10:00 a.m. The scheduled hearing was to be heard after all agenda items were reviewed.

On a motion by Commissioner Booth, seconded by Commissioner Caza and unanimously voted to approve and place on file the minutes dated August 12, 2014.

On a motion by Commissioner Urban, seconded by Commissioner Booth and unanimously voted to place on file the Racing & Charitable Gaming statistics for the fiscal period of July 1, 2014 – August 31, 2014.

The Games of Chance/Bingo/Lucky 7 warning letters/late financials spreadsheets were reviewed. Deputy Director Naik noted all responses have been received except from American Legion Post 3. That response is not yet due and staff will be following up. On a motion by Commissioner Urban, seconded by Commissioner Caza and unanimously voted to accept and place on file.

The Games of Chance State and Charity revenue spreadsheets were reviewed and placed on file.

Action Items

- a. *Rules promulgation for the Electronic Lucky 7.*

Discussion ensued on the rulemaking process. (This item was inadvertently labeled a pilot program in the agenda packet). Director Kelley noted that the following schedule will keep the process on track in order to present the final proposal at JLCAR on December 18th:

- November 6th – public hearing to be held at 1:00 p.m. in Room 100 (quorum needed)
- November 13th – written comment period ends
- November 19th – staff recommendations submitted to Commissioners
- November 24th – Commissioners submit changes to proposed rules
- December 3rd – Commissioners meet to approve final proposal (quorum needed)
- December 4th – final proposal submitted to OLS
- December 18th – final proposal to be heard at JLCAR

On a motion by Commissioner Presby, seconded by Commissioner Booth and unanimously voted to move forward with the initial proposal for electronic Lucky 7 rule-making.

Correspondence:

- a. The WhiteSand Gaming study was reviewed.
- b. The RCGC Monthly Activity Report for month ended August 31, 2014 was reviewed.

On a motion by Commissioner Caza, seconded by Commissioner Booth and unanimously voted to accept the correspondence and place it on file.

Old Business:

None

New Business:

- Chairman Connors noted that Commissioner Presby was confirmed for another 3-year term with the Commission.
- Director Kelley stated that the Attorney General's office approved the Hinsdale Harness LLC application for simulcast wagering but still needs to be formalized. The occupational license applications will be processed when they are received. Discussion ensued. On a motion by Commissioner Presby, seconded by Commissioner Urban and unanimously voted to approve the simulcast wagering license for Hinsdale Harness LLC based on the Attorney General's formalized approval. Attorney Mike McLaughlin thanked the Commission for their work and support during the licensing process.
- Director Kelley provided copies of a letter received from Special Olympics stating that they were conducting their final Bingo game on October 4th. They outlined in the letter their plan to distribute their current jackpots. Discussion ensued. On a motion by Commissioner Booth, seconded by Commissioner Caza and unanimously voted to allow Special Olympics to distribute the current jackpots as outlined in their letter dated September 18, 2014.
- Commissioner Gatsas noted that the account wagering balance information from Seabrook and Rockingham fall within the required limits.

Cocheco Valley Humane Society Hearing

At 10:20 a.m., the Chairman opened the hearing for Cocheco Valley Humane Society relative to the Bingo Lucky7 audit findings. The chairman swore in those who were to testify:

Sudhir Naik – Deputy Director, Racing & Charitable Gaming Commission (RCGC)

Linda Glaser – Auditor, RCGC
Robert White – Gaming Enforcement Investigator, (RCGC)
Jeffrey Herring – Board of Directors, Cocheco Valley Humane Society (CVHS)
Jeanne McGee – Board of Directors, CVHS
Brenda Rose – Bingo volunteer, CVHS
Karen Zaramba – President, Board of Directors, CVHS
Jennifer Stauffis – Treasurer, Board of Directors, CVHS
Leslie Heindl – Executive Director, CVHS

After testimony was given, the Chairman asked if anyone else had any testimony or evidence to offer. There being none, the Chairman closed the hearing at 11:15 a.m. Based on all evidence received and all testimony heard, on a motion by Commissioner Urban, seconded by Commissioner Caza and unanimously voted for the following:

IN THE MATTER OF
Cocheco Valley Humane Society

Decision & Order

**Revocation of the Bingo and Lucky 7 licenses for a period of one year
with the option to petition the Commission to reconsider in 4 months**

Finding of Facts

1. On August 27, 2014, the NH Racing and Charitable Gaming Commission (Commission) released an audit report of the Cocheco Valley Humane Society (Cocheco Valley) covering the period of July 1, 2012 to June 30, 2013. The focus of the audit was to obtain reasonable assurance that Cocheco Valley's Bingo and Lucky 7 ticket sales activities were being conducted in compliance with state statutes and rules, the organization fully profited and retained funds from such activities and proper amount of taxes and fees were collected and remitted to the State. The audit report noted numerous deficiencies in internal controls, non-compliance with state rules and regulations and an absence of management oversight.
2. On September 11, 2014, Commission Investigator Robert White, hand delivered a Notice of Hearing to the Cocheco Valley Treasurer, Jennifer Stauffis, informing the organization that the Commission would be reviewing the audit at its next regular meeting, and making a decision regarding the disposition of the organization's Bingo and/or Lucky 7 licenses.
3. On September 22, 2014, Commission Deputy Director Sudhir Naik, and Internal Auditor Linda Glaser, presented testimony before the Commission summarizing the audit findings.
4. The following individuals represented Cocheco Valley at the hearing: Leslie Heindl (Executive Director); Karen Zaramba (President); Jennifer Stauffis (Treasurer); Jeffrey Herring (Board Member), Jean McGee (Board Member) and Brenda Rose (Bingo volunteer). The representatives responded to the Commission's questions and provided testimony including, among others, the following assurances:
 - a. The organization has already begun to address some of the issues and will continue to make changes to rectify all of the items noted in the audit report;
 - b. The person responsible for the reporting and recordkeeping activities at the time of the audit is no longer with the organization, and new protocols will be established requiring segregation of duties and training of multiple member volunteers on correct reporting and recordkeeping procedures;

- c. A new accounting firm (Leone, McDonnell and Roberts Professional Association) has been hired, and is currently completing an audit of Cocheco Valley for calendar year 2013; and
- d. The organization agreed that documentation errors were made, and more oversight is needed, but does not believe that these errors resulted in an actual loss of money.

Conclusions of Law

1. The audit report concludes that, except for the payment of deal bag fees to the State that was independently verified through distributor invoices, the auditors cannot provide the Commission any assurance that:
 - a. The Bingo operations and Lucky 7 ticket sales activity as reported to the Commission could be relied upon,
 - b. The appropriate amount of taxes were remitted to the State; and
 - c. Cocheco Valley fully profited and retained the necessary funds from the Bingo and Lucky 7 operations for its charitable purposes.
2. Based on testimony given and information received, the Commission determines that the violations of law were committed, including:
 - a. RSA 287-E:9,VII, RSA 287-E:24,VII, Pari 1013.01(a)(1), Pari 1014.01(b)(2), Pari 1109.01(c), Pari 1110.01(a) and Pari 1111.01(b)(2) - failure to maintain a complete and accurate record of all revenues and expenses;
 - b. RSA 287-E:7,XVI and Pari 1010.02 - failure to ensure the integrity of the Carryover Cover All (COCA) receipts and the subsequent payout of COCA and Winner-Take-All (WTA) prizes and jackpots;
 - c. RSA 287-E:7,XIII(e), RSA 287-E:8, Pari 1006.02(c) and Pari 1012.02(a) and (d) - failure to maintain a sufficient audit trail to determine if the 7% charity allotment required by statute was properly made; and
 - d. RSA 287-E:7,VI, RSA 287-E:7,I and RSA 287-E: 21,I – failure to perform criminal background checks, and allowing non-members to participate in the operation of Bingo and the sale of Lucky 7 tickets; and
3. Pursuant to RSA 287-E:25, the Commission shall immediately revoke the license of any licensee who violates any provision of this subdivision (Lucky 7). Any licensee whose license is revoked shall not be eligible for licensure for a period of up to one year from the date of revocation.
4. Pursuant to RSA 287-E: 14, the Commission may suspend or revoke the license of any licensee who violates any provision of this subdivision. Any licensee whose license is revoked shall not be eligible for licensure for a period of up to one year from the date of revocation.

Order

The Racing & Charitable Gaming Commission hereby orders that the Bingo and Lucky 7 licenses for the Cocheco Valley Humane Society be revoked immediately (September 22, 2014) for one year with the option to petition the Commission in 4 months for new licenses. If Cocheco Valley chooses to petition the Commission for licenses, the organization shall provide the Commission with a report from a Certified Public Accountant (CPA) outlining how the organization will remedy each of the observations detailed in the audit report, and agree to

conduct a full audit in 6 months from the date of licensure, the scope of which shall be determined by the Commission.

So Ordered.

There being no questions or comments from the audience, at 11:20 a.m., on a motion by Commissioner Booth, seconded by Commissioner Presby and by a unanimous roll call vote the Commission voted to adjourn the regular meeting and go into nonpublic session as allowed under RSA 91-A:3, II(c)

Connors	-	Yes
Caza	-	Yes
Booth	-	Yes
Gatsas	-	Yes
Presby	-	Yes
Urban	-	Yes

At 11:50 a.m., on a motion by Commissioner Caza, seconded by Commissioner Booth and by a unanimous roll call vote the Commission voted to come out of the nonpublic session and permanently seal the nonpublic minutes.

Connors	-	Yes
Caza	-	Yes
Booth	-	Yes
Gatsas	-	Yes
Presby	-	Yes
Urban	-	Yes

The next meeting is scheduled for Wednesday, October 22, 2014 at 11:00 a.m., location to be determined.

The Chairman closed the public meeting at 11:55 a.m.

Respectfully Submitted,

Anthony B. Urban
Secretary