



Minnesota Gambling Control Board

# GAMING NEWS

## January/February 2011

### Gambling Control Board

**William Goede, Chair  
(Plainview)**

Committee: Executive

**Norm Pint, Vice-Chair  
(New Prague)**

Committees: Executive;  
CRG (chair)

**William Gillespie, Secretary  
(St. Paul)**

Committees: Executive;  
Legislative (chair); CRG

**Robert Hyde (Plymouth)**

Committees: Rules (chair)

**Geno Fragnito (Woodbury)**

Committees: Rules, Legislative

**Susan McCarville (Hopkins)**

Committees: Rules; CRG

**Gary Sigfrinius (Forest  
Lake)**

Committees: Legislative

**Monthly board meetings are  
open to the public and are  
held at:**

Gambling Control Board office,  
Suite 300 South,  
1711 West County Road B,  
Roseville, Minnesota.

#### 2011

Tuesday, February 22, 10 am  
Monday, March 21, 10 am  
Monday, April 18, 10 am  
Monday, June 20, 10 am

The agenda is posted at:  
[www.gcb.state.mn.us](http://www.gcb.state.mn.us)

### DIRECTOR'S COLUMN

**Tom Barrett, Executive Director**

#### Organization Annual Financial Summary

The results are in from the FY2010 Organization Annual Reports. It is interesting to compare the numbers going back to FY2005. The percentage of gross receipts paid back in prizes was exactly the same last year as it was five years ago (81.7%). On the other hand, net receipts have dropped by more than a fourth during that time period and the percentage of net receipts spent on allowable expenses has increased by nearly seven percent (it's now at 56.6%).

Veterans organizations make up 29% of the total licensed organizations, youth programs 15%, fire relief associations 14%, and outdoor organizations such as conservation clubs or snowmobile clubs make up 8%. Even though there were more than 100 fewer active organizations in FY2010, each of these percentages is exactly the same as in FY2005.

The "star" rating system was implemented for FY2010. Organizations received one star if they spent under 20% of their net receipts on lawful purposes, two if they were over 20%, three if over 30%, four if over 40% and five stars if 50% or more. The number of organizations in each category is as follows:

Five stars ----- 363 organizations  
Four stars ----- 410 organizations  
Three stars ----- 364 organizations  
Two stars ----- 62 organizations  
One star ----- 14 organizations  
Organizations must obtain three or more stars by the end of the fiscal year (June 2011) to avoid possible penalties.

A detailed summary of the FY2010 Organization Annual Report is available at [www.gcb.state.mn.us](http://www.gcb.state.mn.us) under Annual Reports.

#### Rules Update

We're in the final stage of adopting proposed rules and anticipate that the rules will be officially adopted later this month when the official notice is published in the State Register. Watch for an update on our web site at [www.gcb.state.mn.us](http://www.gcb.state.mn.us). In March Board staff will start presenting many continuing education classes throughout the state regarding the new rules. Get a head start on your yearly education requirements and up-to-speed on the new rules by attending one of these classes. Check out the education schedule on page 2 for our March and April classes.

#### Protect your Assets!

It appears robbery and thefts are on the rise again... Please take a moment to read a couple of special alerts we've included in this newsletter (pages 6 & 7).

We continue to work closely with our counterparts at the Department of Public Safety, Alcohol & Gambling Enforcement Division on investigations involving theft or fraud as well as working with local law enforcement on robberies.

When it comes to filing a fund loss with the Board, we will continue to scrutinize each organization's internal controls and security measures to ensure the assets are properly protected. If the assets (money) are not adequately protected, chances are good the Board will not approve the fund loss and the organization will be required to reimburse the gambling account for the loss.

## Continuing Education Classes

- Preregistration is not required for continuing education classes.
- Classes are free and open to the public.
- **Reminder:** Gambling managers are required to attend at least one continuing education class each CALENDAR YEAR.
- Check our web site at [www.gcb.state.mn.us](http://www.gcb.state.mn.us) for updates and changes.

### JANUARY AND FEBRUARY 2011

Classes will not be conducted in January and February 2011.

### MARCH 2011

<b>March 22, 2011</b> 4:30 - 6:30 pm	South Central College Conference Center C 1920 Lee Boulevard, <b>North Mankato</b>	2011 Rules Update
<b>March 22, 2011</b> 4:30 - 6:30 pm	Gambling Control Board, Suite 300 South 1711 West County Road B, <b>Roseville</b>	2011 Rules Update
<b>March 24, 2011</b> 4:30 - 6:30 pm	AmericInn Lodge and Suites Fergus Falls Room, 526 Western Avenue <b>Fergus Falls</b>	2011 Rules Update
<b>March 31, 2011</b> 4:30 - 6:30 pm	BestWestern Kelly Inn, Congress/Senate Room 100 4th Avenue South, <b>St. Cloud</b>	2011 Rules Update
<b>March 31, 2011</b> 4:30 - 6:30 pm	Forestry Service Center, Auditorium 175 University Road, <b>Cloquet</b>	2011 Rules Update

### APRIL 2011

<b>April 7, 2011</b> 4:30 - 6:30 pm	Lyon County Government Center Commissioner Rooms 1 and 2 607 Main Street, <b>Marshall</b>	2011 Rules Update
<b>April 7, 2011</b> 4:30 - 6:30 pm	Plaza Hotel and Suites, Rosewood Room II 1025 Highway 61 East, <b>Winona</b>	2011 Rules Update
<b>April 12, 2011</b> 4:30 - 6:30 pm	Country Inn Suites 15058 Dellwood Drive, <b>Baxter</b>	2011 Rules Update
<b>April 14, 2011</b> 4:30 - 6:30 pm	BestWestern Kelly Inn, Congress/Senate Room 100 4th Avenue South, <b>St. Cloud</b>	2011 Rules Update
<b>April 14, 2011</b> 4:30 - 6:30 pm	C'Mon Inn 1586 Highway 59 South, <b>Thief River Falls</b>	2011 Rules Update
<b>April 19, 2011</b> 4:30 - 6:30 pm	Hibbing Memorial Building, Dining room 400 East 23rd Street, <b>Hibbing</b>	2011 Rules Update
<b>April 28, 2011</b> 4:30 - 6:30 pm	Gambling Control Board, Suite 300 South 1711 West County Road B, <b>Roseville</b>	2011 Rules Update

# CRG Report

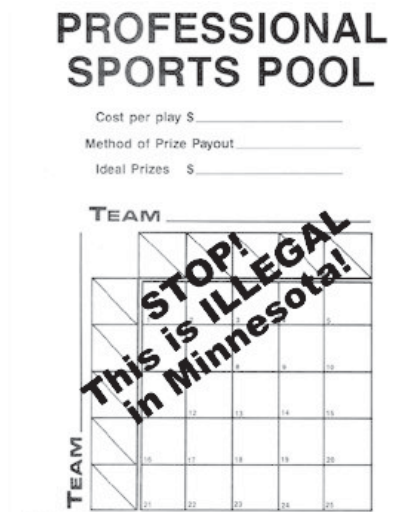
The Compliance Review Group (CRG), a committee of the Gambling Control Board, meets with licensees to conduct informal inquiries into alleged violations of lawful gambling statutes and rules. This information is a condensed report of recently completed CRG conferences. Penalties imposed are based on specific and unique information reviewed for each licensee.

Licensee	Consent Order Allegations	Consent Order Requirements
<b>American Legion Post 372, Blackduck, License 00531</b>	<ul style="list-style-type: none"> <li>• Failed to maintain records on its perpetual and physical inventory.</li> <li>• Filed inaccurate information with the Department of Revenue.</li> <li>• Failed to maintain records that account for its assets, liabilities and fund balance.</li> <li>• Failed to maintain deposit records which were sufficient to allow determination of deposits made from each deal or game at each permitted premises.</li> <li>• Deposits for closed pull-tab games did not match the cash-in-hand amounts reported on the B-2's.</li> <li>• Failed to make deposits of gambling receipts within four business days of the close of the game.</li> <li>• Failed to reconcile its profit carryover with its cash balance on hand.</li> <li>• Failed to accurately complete Schedule F forms.</li> <li>• Failed to properly use or complete the required forms.</li> <li>• Failed to maintain correct and complete accounting records.</li> <li>• Failed to maintain adequate bingo records.</li> </ul>	<ul style="list-style-type: none"> <li>• \$1500 fine</li> <li>• File corrective action plan.</li> <li>• Resolve all Department of Revenue audit issues.</li> <li>• Resolve all compliance review report issues.</li> <li>• Focused compliance review.</li> </ul>
<b>Lakeville Hockey Association, License 02059</b>	<ul style="list-style-type: none"> <li>• Failed to maintain adequate bingo records.</li> <li>• Failed to maintain a perpetual inventory for bingo.</li> <li>• Filed inaccurate information with the Department of Revenue and the Gambling Control Board</li> <li>• Failed to make deposits of gambling receipts within four business days of the close of the game.</li> <li>• Failed to correctly complete prize receipt forms for winning pull-tabs.</li> <li>• Failed to maintain correct and complete accounting records.</li> </ul>	<ul style="list-style-type: none"> <li>• \$1,000 fine.</li> <li>• File corrective action plan.</li> <li>• Focused compliance review.</li> </ul>
<b>Elks Lodge 2386 Wadena, License 00802</b>	<ul style="list-style-type: none"> <li>• Failed to comply with the Board's request, in a timely manner, to provide documents to verify compliance or that the corrective action required in the compliance report had been completed.</li> <li>• Failed to correct violations for which a fine was previously imposed.</li> </ul>	<ul style="list-style-type: none"> <li>• \$1,000 fine</li> <li>• File a corrective action plan.</li> <li>• Reconcile/reimburse the gambling account \$343.50.</li> </ul>

**CRG Report** (continued)

Licensee	Consent Order Allegations	Consent Order Requirements
<p><b>VFW Post 6316 Blaine, License 01298</b></p>	<ul style="list-style-type: none"> <li>• Failed to maintain accurate physical and perpetual inventory systems, and to reconcile the records on a monthly basis.</li> <li>• Made expenditures of gambling funds which do not qualify as lawful purpose or allowable expense.</li> <li>• Failed to reconcile its profit carryover with its cash balance on hand.</li> <li>• Failed to make deposits of gambling receipts within four business days of the close of the game.</li> <li>• Filed inaccurate information with the Department of Revenue.</li> <li>• Failed to complete a monthly bank reconciliation which listed outstanding checks, deposits in transit, and beginning and ending book balances for the month which correspond to the profit carryover.</li> <li>• Failed to accurately complete Schedule F forms.</li> <li>• Failed to properly complete records using the required forms.</li> </ul>	<ul style="list-style-type: none"> <li>• \$1,000 fine.</li> <li>• File corrective action plan.</li> <li>• Reconcile/reimburse profit carryover variance.</li> <li>• Resolve all compliance review report issues and inquiries.</li> </ul>

**Don't let MARCH MADNESS get the best of you or your charitable gambling site...**



**Federal law still prohibits wagering based on the outcome of a sporting event...**

## Citations Paid in November/December 2010

Licensee	Violation	Amount
<b>AmVets Post 12 Hibbing</b> License 32537	Made expenditures that did not meet the definition of lawful purpose expenditure or allowable expense.	\$800
<b>North Branch Area Hockey Association,</b> License 04335	Repeatedly filed late G1 reports with the Department of Revenue.	\$650
<b>Princeton Youth Hockey Association,</b> License 01414	Pull-tab game results not properly reported on LG861.	\$500
<b>Lions Club of Waconia</b> License 32393	Records not retained for 3.5 years.	\$450
<b>American Legion Post 84 Northfield,</b> License 00685	Repeatedly filed late G1 reports with the Department of Revenue.	\$450
<b>North Tartan Area Girls Basketball Booster Club, Oakdale,</b> License 03101	Gambling manager dishonesty bond not maintained.	\$300
<b>American Legion Post 284 Cass Lake,</b> License 01082	Failed to file certified inventory with Department of Revenue.	\$200
<b>Andover Huskies Youth Hockey Association,</b> License 35843	Failed to comply with Gambling Control Board request for documentation.	\$150
<b>VFW Post 1778 Wells</b> License 00043	Checks not signed by two active members.	\$50
<b>Wabasso Lions Club</b> License 02013	Transferred gambling funds to general account without prior Gambling Control Board approval.	\$50

### What Happens to Defective Games . . When the Manufacturer Is No Longer Licensed?

Bonanza Press, manufacturer of gambling equipment, did not renew their manufacturer's license, which expired on November 30, 2010. However, the Gambling Control Board was informed that Bonanza Press agreed to accept defective deals until May 31, 2011. After that date, any defective deals will not be accepted by Bonanza Press.

This question came up because an organization recently tried to return to a distributor a defective game manufactured by Paramount. The distributor would not accept the game. Paramount was a manufacturer of gambling equipment that did not renew their manufacturer's license, which expired on March 31, 2009. However, Paramount did accept defective product until September 30, 2009.

We'd suggest that you check your existing inventory to see if you have any games that were manufactured by Bonanza Press, and put those games into play. In the event any game might be defective, the game could be returned before May 31, 2011.

## Counterfeit Information . . .

### Be on lookout for counterfeit currency

Counterfeit \$20 and \$100 bills were recently discovered at a Minnesota gambling premises. These were real, lower denomination bills that had been bleached and then reprinted in \$20 and \$100 denominations.

Because the bills were printed on authentic US Treasury paper, counterfeit detection pens were not effective. The only giveaway on the bills is the magnetic strip embedded in the paper. One and two dollar bills do not contain the strip. All other bills printed since 1990 contain the strip which will show the bill's real denomination.

Alert your pull-tab sellers to carefully inspect all \$20, \$50 and \$100 bills they receive. The

magnetic strip imbedded in the bill can be seen by holding the bill up to a bright light.

Verify that the denomination on the strip matches the denomination printed on the bill.

Also, instruct your sellers not to accept a bill from a customer who claims to have received a counterfeit bill in change from the pull-tab operation. Instruct the customer to call police if they are in possession of a questionable bill. The Board will likely deny a fund loss request involving counterfeit currency if the organization has not exercised due diligence in educating its employees as to how to identify counterfeit bills.

From the US Secret Service web site.

If you receive a counterfeit bill:

1. Do not return it to the passer.
2. Delay the passer if possible.
3. Observe the passer's description, as well as that of any companions, and the license plate numbers of any vehicles used.
4. Contact your local police department (or US Secret Service).
5. Write your initials and the date in the white border areas of the suspect note.
6. Limit the handling of the note. Carefully place it in a protective covering, such as an envelope.
7. Surrender the note or coin only to a properly identified police officer or a U.S. Secret Service special agent.



For additional information go to  
[http://www.secretservice.gov/know\\_your\\_money.shtml](http://www.secretservice.gov/know_your_money.shtml)

### Handling counterfeit pull-tab tickets

If your organization discovers that it has received a counterfeit pull-tab ticket or that it awarded a prize based upon a counterfeit pull-tab, the gambling manager should follow these steps:

1. Review the prize receipt to see who signed it as the winner and which pull-tab seller signed and dated it as the payor.
2. Deliver the pull-tab ticket and prize receipt form to the local law enforcement agency and file a complaint against the alleged violator. Get a receipt from the law enforcement official.
3. Keep a copy of the pull-tab ticket, prize receipt, and complaint with the game records.
4. Report the counterfeit incident to the Alcohol and Gambling Enforcement Division (Department of Public Safety) at 651-201-7500.
5. When filing Schedule B2 of the G1 Lawful Gambling Monthly Summary and Tax Return, do not report the actual amount paid out for a redeemed counterfeit ticket. Report the amount on line 11a of the Schedule F.
6. Within 60 days, file a fund loss report with the Gambling Control Board using LG250 Fund Loss Request for Profit Carryover Adjustment.

## Recent Crime Alerts . . .

### American Legion and VFW Posts Targeted.

The Board received information about a wave of burglaries in southeastern Minnesota that targeted primarily American Legion and VFW Clubs between October and December. Burglaries were reported in Winona, Caledonia, Spring Grove, and Houston.

The suspects forcefully entered into the establishments after hours and pried open safes. Bar and gambling funds were taken.



### Alert on increased burglaries.

In November 2010 the Board received information regarding break-ins and burglaries that occurred during one weekend. Burglaries were reported in Pelican Rapids, Fisher, Dawson, Browerville, and Long Prairie, Minnesota.

Based on past experience, it has been noted that these incidences increase in times of economic difficulty and during a holiday season.

Locking up receipts and start-up banks in a safe saved one organization from losses.

Another organization had the paper work for the games stored in a separate location from the money, so they were able to determine the amount of the loss.

Another organization was not so fortunate, as the game records were stored with the money that was taken, and as a result the organization will have to report the games at ideal profit.

## Take Steps to Prevent Losses

#### Review internal operations

To avoid a loss of gambling funds, gambling managers are advised to review and update, if needed, their current internal operations.

#### Secure facilities; night deposits; cameras

Make sure your facilities are secured at night and observe any unfamiliar persons. Funds should be secured in a safe or, if possible, night deposits made to limit cash exposure. The use of cameras may help to deter crimes or aid law enforcement in catching the suspects.

#### Secure gambling funds 24/7

Take steps to ensure that gambling funds are secured not only *after business hours* but also *during business hours*. Instruct gambling employees on the appropriate procedures to follow during business hours to ensure that funds are never left unattended or unsecured...not even for a minute. Keep paperwork separate from the money so that the amount of a loss, if it occurs, can be determined.

#### Why some fund losses were denied

The Board has historically approved fund loss adjustments for organizations that secured funds using a safe. However, the Board has denied adjustments when an organization taped the combination to the safe or hung a key for the safe in close proximity to the safe. Also, hiding funds within a locked room or keeping funds overnight locked in a drawer that is easily pried open have been considered inadequate safeguards by the Board. We'd also suggest not using a "suitcase style" safe that is easily carried off.



#### Reporting funds losses

If you have a loss, contact local law enforcement and your compliance specialist immediately.

Fund losses must be reported to the Board within 60 days of the loss.

Gambling Control Board  
 1711 West County Road B, Suite 300 South  
 Roseville, Minnesota 55113

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State offices will be closed on February 21, 2011.

This publication will be made available in alternative format (large print, Braille) upon request.

**TRENDS in LAWFUL GAMBLING GROSS RECEIPTS**

NOTE: Figures for the current calendar year are subject to change due to amended, corrected, or late tax returns.

	2010	% Change from 2009	2009	% Change from 2008	2008
January	77,239,000	-7.67	\$83,654,000	-5.30	\$88,334,000
February	78,299,000	-5.93	83,237,000	-6.45	88,977,000
March	90,397,000	-1.89	92,137,000	-6.20	98,227,000
April	84,451,000	-3.52	87,535,000	-7.07	94,196,000
May	82,259,000	-4.91	86,506,000	-8.09	94,118,000
June	78,131,000	-2.61	80,222,000	-8.65	87,820,000
July	80,836,000	-2.89	83,238,000	-6.26	88,795,000
August	78,942,000	-5.15	83,231,000	-7.36	89,843,000
September	80,422,000	+2.73	78,288,000	-9.84	86,837,000
October	83,531,000	-0.40	83,865,000	-7.31	90,476,000
November	76,755,000	-2.84	78,998,000	-5.51	83,609,000
December			77,644,000	-1.81	79,079,000
	<b>\$891,262,000</b>	<b>-3.22%</b>	<b>\$998,555,000</b>	<b>-6.70%</b>	<b>\$1,070,311,000</b>

**LAWFUL PURPOSE EXPENDITURES (includes taxes and fees)**

January 2010 -----	\$6,633,000	May 2010 -----	\$9,350,000	September 2010 -----	\$5,402,000
February 2010 -----	\$6,710,000	June 2010 -----	\$8,735,000	October 2010 -----	\$6,369,000
March 2010 -----	\$8,116,000	July 2010 -----	\$4,414,000	November 2010 -----	\$6,232,000
April 2010 -----	\$8,411,000	August 2010 -----	\$4,934,000		

**AGENCY INDEX**

**Gambling Control Board**

www.gcb.state.mn.us  
 Roseville ----- 651-639-4000  
 St. Peter ----- 507-931-5112  
 Hibbing ----- 218-262-7301  
 Fergus Falls ----- 218-739-7402

**Department of Revenue**

www.taxes.state.mn.us  
 Lawful Gambling Tax Unit -----651-297-1772  
 Email: lawfulgambling.taxes@state.mn.us

Department of Public Safety

www.dps.state.mn.us  
 Alcohol & Gambling Enforcement -- 651-201-7500  
 Minnesota's Bookstore ----- 1-800-657-3757  
 www.minnesotasbookstore.com 651-297-3000  
 Internal Revenue Service  
 Forms ----- 1-800-829-1040  
 Questions ----- 651-312-7716  
 Minn. Problem Gambling Helpline --- 1-800-333-HOPE  
 http://www.nojudgment.com