National Indian Gaming Commission

NOTICE OF VIOLATION

NOV-08-11

To: Confederated Salish and Kootenai Tribes
Attn: James H. Steele, Jr., Chairman
P.O. Box 278
Pablo, MT 59855
FAX: (406) 275-2806

Confederated Salish and Kootenai Tribal Gaming Commission
Attn: Forrest Lester, Chairman and Agent for Service of Process
P.O. Box 278
Pablo, MT 59855
FAX: (406) 676-4264

1. Notification of Violation

The Chairman of the National Indian Gaming Commission (NIGC) hereby gives notice that the Confederated Salish and Kootenai Tribes (Respondent or Tribe), located in Pablo, Montana, have violated NIGC regulations by failing to submit a timely annual audit.

2. Authority

Under the Indian Gaming Regulatory Act (IGRA) and NIGC regulations, the Chairman of the NIGC (Chairman) may issue a Notice of Violation (NOV) to any person for violation of any provision of the Indian Gaming Regulatory Act (IGRA), NIGC regulations, or any provision of a tribal gaming ordinance or resolution approved by the Chairman. 25 U.S.C. § 2713; 25 C.F.R. § 573.3

3. Applicable Federal Laws and Tribal Ordinance Provisions

A. IGRA requires an annual audit of each gaming operation and requires that a copy of the results of the annual audit be submitted to the NIGC. 25 U.S.C. § 2710(b)(2)(C).

B. NIGC regulations require that a tribe cause to be conducted annual independent audits of the financial statements of each gaming operation on Indian lands and submit a copy of the audit report(s) and any

management letter(s) setting forth the results of the annual audit(s) to the NIGC within 120 days after the end of each fiscal year. 25 C.F.R. §§ 571.12 and 571.13.

C. NIGC regulations and the Tribal Gaming Ordinance define "gaming operation" as "each economic entity that is licensed by a tribe, operates the games, receives the revenues, issues the prizes and pays the expenses. A gaming operation may be operated by a tribe directly; by a management contractor; or, under certain conditions, by another person or other entity." 25 C.F.R. § 502.10; Confederated Salish and Kootenai Tribes Tribal Gaming Ordinance, "Gaming Operation" p3.

D. The Tribal Gaming Ordinance requires that "[t]he Commission shall cause to be conducted annually an independent audit of Gaming Operations and shall submit the resulting audit reports to the NIGC." Confederated Salish and Kootenai Tribes Tribal Gaming Ordinance §10.03(a).

4. Role of Independent Audit Report

Submission of the annual independent audit report by a firm of certified public accountants is critical to the NIGC's mission to protect the integrity of Indian gaming. A firm's ability to conduct an audit in accordance with generally accepted auditing standards and render an opinion on the financial statements prepared in conformity with generally accepted accounting principles provides a certain level of assurance as to the security of tribal gaming revenues. The audit report prepared and submitted on a timely basis is evidence of, among other things, the integrity of the gaming operation and, more specifically, of the adequacy of the books and records, the functioning of the internal financial controls, and the disclosure of information having a bearing on the financial statements.

5. Circumstances of the Violation

A. Respondent is a federally recognized Indian Tribe with tribal headquarters in Pablo, Montana.

B. Respondent operated the following gaming facilities during all or part of the S&K Gaming fiscal year from October 1, 2006 to September 30, 2007:

- Kwataqnuk, Polson, Montana
- Gray Wolf Peak Casino, Missoula, Montana

C. The fiscal year for all gaming operations named in this violation ended September 30, 2007.

D. The NIGC has not received any audit reports for the gaming operations whose fiscal years ended September 30, 2007. The audit reports were due to the NIGC on January 28, 2008.

E. IGRA requires that tribes submit annual audits of each gaming facility. 25 U.S.C. § 2710(b)(2)(C). NIGC regulations require that a tribe cause to be conducted an annual independent audit of the financial statements of each gaming operation on Indian lands and submit a copy of the audit report(s) and management letter(s) setting forth the results of the annual audit(s) to the NIGC within 120 days after the end of each fiscal year. 25 C.F.R. §§ 571.12, 571.13. The Tribe is therefore in violation of these regulations for failure to submit a timely annual independent audit report.

6. Measures Required to Correct the Violation

There is no way to correct this violation for an untimely audit report submission. The regulations require that audits be received within 120 days of the end of the fiscal year.

Additionally, however, there is a continuing violation because the Tribe has yet to submit any audit reports for the fiscal year ended September 30, 2007. The continuing violation ceases upon the NIGC's receipt of the delinquent audit reports.

7. Appeal

Within thirty (30) days after service of this Notice of Violation, Respondent may appeal to the full Commission under 25 C.F.R. Part 577 by submitting a notice of appeal, and, if desired, request for hearing to the National Indian Gaming Commission, 1441 L Street, NW, Ninth Floor, Washington, DC 20005. Respondent has a right to assistance of counsel in such an appeal. A notice of appeal must reference this Notice of Violation.

Within ten (10) days after filing a notice of appeal, Respondent must file with the Commission a supplemental statement that states with particularity the relief desired and the grounds therefore and that includes, when available, supporting evidence in the form of affidavits. If Respondent wishes to present oral testimony or witnesses at the hearing, Respondent must include a request to do so with the supplemental statement. The request to present oral testimony or witnesses must specify the names of proposed witnesses and the general nature

of their expected testimony, whether a closed hearing is requested and why. Respondent may waive its right to an oral hearing and instead elect to have the matter determined by the Commission solely on the basis of written submissions.

8. Fine-Submission of Information

The violation cited above may result in the assessment of a civil fine against Respondent in an amount not to exceed $25,000 per violation per day. Under 25 C.F.R. § 575.5(a), Respondent may submit written information about the violation to the Chairman within fifteen (15) days after service of this notice of violation (or such longer period as the Chairman may grant for good cause). The Chairman shall consider any information submitted in determining the facts surrounding the violation and the amount of the civil fine, if any.

Dated this 11th of July, 2008.

PHILIP N. HOGEN
Chairman

JENNIFER O. WARD
Staff Attorney

Certificate of Service

I certify that this **Notice of Violation** was sent by facsimile transmission and certified U.S. mail, return receipt requested, on this 11TH day of July, 2008 to:

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