National Indian Gaming Commission

NOTICE OF VIOLATION

NOV-06-14

To: Mark Macarro, Chairman
Pechanga Band of Luiseno Mission Indians of the Pechanga Reservation
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Pechanga Gaming Commission
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1. Notification of Violation

The Chairman of the National Indian Gaming Commission (NIGC) hereby gives notice that the Pechanga Band of Luiseno Mission Indians of the Pechanga Reservation (Respondent or Band), located in Temecula, California, is in violation of the Indian Gaming Regulatory Act (IGRA) and NIGC regulations for failure to timely submit an annual audit.

2. Authority

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

3. Applicable Federal and Tribal Laws

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. Section 1 of the Pechanga Gaming Act 1992 (Ordinance), the Band's approved gaming ordinance, was enacted to develop and operate gaming in conformity with IGRA and regulations promulgated thereunder.

D. Section 1 of the Ordinance declares that the Band desires to regulate and control gaming in a manner that protects the environment, the Reservation, the health, security and general welfare of the Band, the players, and the community.

E. Section 8 of the Ordinance requires that annual outside auditing shall be conducted by a recognized independent accounting firm and the results thereof reported to NIGC.

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 (GAAP) and render an opinion on the financial statements prepared in conformity with GAAP 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 Temecula, California.

B. Respondent operated its gaming facility, Pechanga Resort and Casino, during all or part of 2003, 2004 and 2005.

C. NIGC did not timely receive an audit report for the fiscal year ending September 30, 2005. The audit report was due to the NIGC on January 28, 2006, 120 days after the end of the Band's fiscal year, and was received on July 7, 2006.

D. NIGC did not timely receive an audit report for the fiscal year ending September 30, 2004. The audit report was due to the NIGC on January 28, 2005, 120 days after the end of the Band's fiscal year, and was received on April 11, 2005.

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 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, 571.13. The Band is therefore in violation of these statutes and regulations, as well as Sections 1 and 8 of the Band's Ordinance, for failure to timely submit annual independent audit reports.

6. Measures Required to Correct these Violations

There is no way to rectify the late submission of an annual audit. NIGC regulations require that audits be received within 120 days of the end of the fiscal year. 25 C.F.R. § 571.13.

7. Appeal

Within 30 (thirty) 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 15 days after service of this notice of violation (or such longer period as the Chairman of the Commission 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 19 th day of July, 2006.

PHILIP N. HOGEN
Chairman
National Indian Gaming Commission

WENDY L. HELGEMO
Staff Attorney