National Indian Gaming Commission

NOTICE OF VIOLATION

NOV-08-13

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1. Notification of Violation

The Chairman of the National Indian Gaming Commission (NIGC) hereby gives notice that the Spokane Tribe of Indians (Tribe), located in Wellpinit, Washington and operating the Chewelah Casino in Chewelah, Washington and the Two Rivers Casino in Davenport, Washington has violated the National Indian

Gaming Commission Regulations (NIGC) regulations by failing to submit timely annual audits.

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 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. 25. U.S.C. § 2710(b)(2)(C). 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.

B. 25 C.F.R. §§ 571.12 and 571.13. 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 gaming operation's fiscal year.

C. Section 2.17 Spokane Tribe of Indians Tribal Gaming Ordinance.

Administrative Duties of the Tribal Gaming Commission.

The Tribal Gaming Commission shall perform all duties, exercise all powers, assume and discharge all responsibilities, and carry out and affect all purposes of this Code relating to the regulation of all gaming activity. In all decisions, the Commission shall act to promote and ensure integrity, security, honesty, and fairness of the operation and administration of all gaming activity. The Commission's duties shall include but not be limited to the following:

(a) Correspond with the National Indian Gaming Commission and do whatever is necessary to complete compliance with the rules and regulations of that agency, including but not limited to compliance with all requirements of NIGC regulations set forth in 25 CFR Parts 556 and 558. Specifically, the Commission shall arrange for an annual outside audit of authorized gaming and will provide a copy to the National Indian Gaming Commission.

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. The Tribe is a federally recognized Indian Nation with tribal headquarters in Wellpinit, Washington.

B. The Tribe has operated its two gaming facilities, Chewelah Casino, 2555 Smith Rd., Chewlah, Washington, and Two Rivers Casino, 6828 B Highway 25 South, Davenport, Washington (Casinos) since 1994. Two Rivers opened in May and Chewelah opened in September of 1994. The Casino uses the 12 month period from October 1 to September 30 as its fiscal year.

C. 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.

D. Therefore, the Tribe's audit, based on the close of the Tribe's fiscal year and the requirement for submission on or before 120 days from the close of the fiscal year, was due to the NIGC on January 28, 2008.

E. In violation of NIGC regulations, the Tribe failed to submit an annual independent audit report to the NIGC until February 13, 2008, 16 days after the audit was due.

F. On March 1, 2006, the Tribe signed a settlement agreement with the NIGC regarding, among other types of violations, a failure of the Tribe to separate annual financial audit reports for multiple operations. In that agreement, attached hereto as Exhibit 1, in paragraph 21, the Tribe agreed to submit audited financial statements for each fiscal year no later than 120 days after the end of each fiscal year for each gaming operation. The Tribe failed to abide by this provision of the agreement as it failed to submit the audit for the fiscal year ending September 30, 2007 until February 13, 2008, 16 days after it was due.

6. Measures Required to Correct the Violation

Audits must be received within 120 days of the end of a gaming operation's fiscal year. 25 C.F.R. § 571.13. While there is no remedial action that can correct the 2006-2007 audit, improved controls to assure timely compliance of the next audit should be put in place.

7. Appeal

Within thirty (30) days after service of this Notice of Violation, The Tribe 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. The Tribe 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, the Tribe 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 the Tribe wishes to present oral testimony or witnesses at the hearing, the Tribe 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. The Tribe 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 Tribe in an amount not to exceed $25,000 per violation per day. Under 25 C.F.R. § 575.5(a), the Tribe 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 25TH of July, 2008.

PHILIP N. HOGEN
Chairman

ANTONIA COWAN
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 25th day of July, 2008 to:

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