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Pawnee Business Council



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Pawnee Nation Tribal Development Corporation
Mr. Jeff Goodfox, Chairman of the Board
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Dear President Whiteshirt,

The Pawnee Tribal Development Board has asked the current management team to prepare a short summary of the actions taken by us following the recommendations outlined in a Pawnee Nation Gaming Commission report (Report) issued, after an exhaustive investigation and a final meeting by the commission, on July 23rd, 2018. Before delving into the substantive changes, we as an organization have made, we think it prudent to highlight the relevant weaknesses/findings that were highlighted in the final Report. It is also important to note that we neither agree or disagree with the findings of the commission and that our highlighting of the issues is us merely restating the findings/views of the Pawnee Gaming Commission.

Issues:

- 1.) Issue "Wholesome" financial documents;
- 2.) TDC fulfilling the lease agreement with TeePee;
- 3.) Overhaul of policy and procedure;
- 4.) Segregation of casinos and facilities;
- 5.) Have periodic review of gaming/vendor contracts;
- 6.) Implement an organizational chart reflecting segregation of duties;
- 7.) Develop proper financial reporting and creation, and
- 8.) Facilitate and maintain proper communication with (and between) the PBC, PNTDC, and PNGC.

Though there are a few more issues raised by the commission, like the development of a revenue allocation plan (RAP) , the qualifications of the individual board members, and the general oversight by the board issue, they are either irrelevant to the PNTDC management or best left to the Pawnee Business Council to address, and as such, will not be addressed in this report.

Another important note is that many of the systemic changes that have been undertaken under the current management were undertaken independent of any recommendation by any governing agency. Some of these changes were initiated and made because they are in keeping with best business practices.

1.) Issue “Wholesome” financial documents

In the Report, it was often stated that the financial information submitted to the commission and the Nation was either inadequate and/or purposefully misleading. This led to the arms of the government, who had proper oversight of the PNTDC, not being able to properly understand the true fiscal health of the entity they were statutorily bound to protect.

Action Taken:

PNTDC, now under new management, takes this concern very seriously and has taken the following steps to ensure this will not happen again:

- a.) The internal auditor used during the time period this was going on is no longer contracted with the Nation or PNTDC;
- b.) The CPA firm Wipfli/Joseph Eve, whose reports were rightfully maligned, are having their contracts terminated by PNTDC, and
- c.) PNTDC has hired a finance director, a new position, who is going to oversee the creation of inhouse accounting here at the corporation.

2.) TDC fulfilling the lease agreement with TeePee

This is the issue that started the investigation and is one in which the Report recommends be handled as expediently as possible.

Action Taken:

Due to the financial health of the corporation at the time of the Report, it was determined that PNTDC was not in the cash position necessary to remedy the arears in a lump sum payment. However, knowing that we were contractually bound to make the payments as expeditiously as possible, PNTDC has been paying the landowner \$16,000 a month and we currently (as of June 2019) only owe \$139,000 in back payments. We will be paid off completely by the end of the year or the beginning of next year. We are also in the process of renegotiating the lease with the landowner with all of this in mind.

3.) Overhaul of policy and procedure

The Report rightfully pointed out the inadequacies of the policies and procedures used/developed at PNTDC. They point to inconsistencies in reporting and improper management controls as being reflective of the weaknesses in the policies and procedures.

Action Taken:

PNTDC has begun the process of overhauling/creating the policies and procedures needed to effectively manage the corporation. We have created a SICS rewrite committee, that includes representation from the gaming commission, that is tasked with bringing order to a chaotic regulatory environment. All the current directors are tasked with providing their departments input into the document and they are also tasked with creating the standard operating procedures that will govern their day-to-day activities. The Human Resources Director has begun the process of developing an HR policy that addresses weaknesses in the current handbook and has also developed a compendium that accurately reflects our true personnel position. HR has contracted with Paycom to provide more management tools and tools needed to properly ensure that our employees are trained, payed, and tracked in an effective manner.

4.) Segregation of casinos and facilities

One of the weaknesses identified by the Report was the segregation of duties within our organization. The Minimum Internal Control Standards, Tribal Internal Control Standards, and the System of Internal Controls make very clear that segregation of duties is of vital importance for the protection of gaming resources.

Action Taken:

PNTDC has completely reorganized (and continues to reorganize) its business structure. We have, in fact, completely segregated the casino operations from the retail/food operations by hiring a Director of Retail, Food and Beverage who independently (from the Director of Gaming Operations) reports to the Chief Operations Officer and the Chief Executive Officer. In addition to a Director of Retail, Food and Beverage, PNTDC has created (hired) a Directory of Safety Operations, a Director of Finance, and continues to look for ways to improve our organization by tweaking our organizational chart. This is all being done to maximize the efficiency of our operations while maintaining the segregation of duties demanded by the regulatory framework we operate in.

5.) Have periodic review of gaming/vendor contracts

To ensure that the corporation does not get behind on any payments or acts, either negligently, willfully, or in any other way contrary to any existing lease or contract. The Report recommends that management undertake a periodic review of the gaming contracts PNTDC has entered or is operating under.

Action Taken:

The new management at PNTDC takes this issue seriously and had long ago begun to scrub all of the existing agreements and contracts the corporation was entered into so that we might better understand the liabilities of the corporation. One of the first agreements to be scrubbed was the loan agreement between the Bank of Oklahoma and PNTDC. We determined that this agreement created a toxic environment and needed to be disposed of accordingly. In 2019, PNTDC executed a refinancing agreement with First Secure Bank which allowed us to begin making payments to the tribe. To date, we have given the tribe over \$1 million and look to give them more as our business allows. We also looked at the contracts we had with our gaming partners and have continued to refine those agreements and/or press for more favorable terms. The PNTDC is also looking for ways to address the lease arrangement at our TeePee location and have had regular meetings to discuss the future of Pawnee Gaming in Yale, Oklahoma.

6.) Implement an organizational chart reflecting segregation of duties

As discussed previously (see *infra*, §4) the segregation of duties issues was an important discussion point found in the Report.

Action Taken:

Under new management, the corporation has undergone an overhaul of its organizational model. This was done as a direct result of the findings outlined in the Report and were much needed in some cases. In late 2018, the PNTDC Board adopted a new organizational chart that reflected a segregation of duties that was more in-line with expectations laid out by the Report. As a corporation, however, we continue to streamline and segregate the chart so that it is stronger and a better reflection of how we want to do business. This chart has been sent to/reviewed by the gaming commission because PNTDC wanted to ensure that the chart reflected and addressed the concerns outlined in the Report.

7.) Develop proper financial reporting and creation

The Report stated that the financial reporting done by PNTDC was insufficient for governing agencies/authorities to properly regulate the gaming activity here at the Nation. Those reports included the audits conducted on behalf of the gaming commission, internal audits done on behalf of the corporation and accounting done on behalf of the organization. The Report stated that the finances of the corporation were done in such way as to hide the true financial health of corporation.

Action Taken:

PNTDC has done an exhaustive analysis of the finances and financial health of the corporation. We have determined that the reporting done (and the reports created) by outside/contracting agencies were inadequate and not keeping in-line with management expectations. Because of that, PNTDC has begun to develop an internal finance department capable of handling all the accounting needs in-house. We have hired a finance director, an accountant, and a payroll clerk so that we can move away from our current accounting providers who created all of the reports at issue. We no longer use the same outside auditing firm either. They have been replaced by a new firm that just recently completed an exhaustive audit of the corporations gaming activities.

8.) Facilitate and maintain proper communication with (and between) the PBC, PNTDC, and PNGC.

The Report highlights communication (or lack thereof) as a main/driving issue/force behind many of the other deficiencies identified.

Action Taken:

PNTDC has done everything in its power to ensure the lines-of-communication remain open between ourselves, the gaming commission, and the PBC. We have made it a point to create and submit financial reports that satisfy their needs and have done so since July of 2018 as stated in the report. We have made management available to anyone and the CEO has actively engaged all the stakeholders here at Pawnee and has provided all the transparency needed for those same shareholders to effectively provide oversight of the activities here at PNTDC.

Conclusion

The PNTDC management team and the PNTDC Board takes seriously the recommendations that were contained in the final Report and has worked diligently to correct any of the deficiencies that were identified. We continue to keep the gaming commission, the Board, and the PBC apprised of everything we are doing so that we can ensure, that at the end of the day, we have the corporation the Pawnee people expect and deserve.

With all due respect,

Jeff Goodfox, Chairman of the board