

Little River Band of Ottawa Indians

1762 U.S. 31 South
Manistee MI 49660
(231) 723-8288

Resolution No. #02-0320-01

**Authorizing the Tribal Ogema, or in the absence of, the Tribal Council Speaker,
to Execute an Engagement Letter with Egghart & Associates
to Perform Internal Audits of
Little River Casino Resort for Fiscal Year 2002**

WHEREAS, the Band's status as a federally-recognized Indian tribe was reaffirmed and restored by Congress pursuant to Public Law 103-324, 108 Stat. 2156 (25 U.S.C. §1300k et seq.)(hereinafter "Little River Act"); and

WHEREAS, the Tribal Council has, pursuant to Resolution No. #99-0325-07, authorized the chartering of Little River Casino Resort, as a distinct instrumentality created, wholly-owned and controlled by the Band, for the purpose of operating a Class II and Class III gaming resort on the Band's Reservation; and

WHEREAS, the Little River Band Gaming Commission has recommended retention of the an independent public accounting firm to perform internal, compliance audits of Little River Casino Resort; and

WHEREAS, the Band adopted a new Constitution, pursuant to a vote of the membership on May 27, 1998, which Constitution became effective upon its approval by the Assistant Secretary-Indian Affairs on July 10, 1998; and

WHEREAS, the Tribal Council, pursuant to Article IV, 7(b) of the Constitution, has the power to authorize and ratify agreements and contracts with private persons on all matters within the authority of the Band; and

WHEREAS, the Little River Band Gaming Commission has received a proposal for conducting the internal audits from Egghart & Associates, which proposal has been presented to the Tribal Council; and

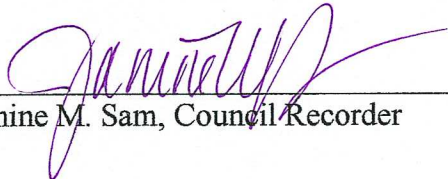
WHEREAS, the Tribal Council and the Little River Band Gaming Commission have been satisfied with the work Egghart & Associates has performed on behalf of the Band during fiscal years 1999 through 2001 on behalf of the Tribal Gaming Commission; and

WHEREAS, the Tribal Council desires to continue its relationship with Egghart & Associates to have that firm perform the internal, compliance audits of Little River Casino Resort for Fiscal Year 2002.

NOW THEREFORE IT IS RESOLVED THAT the Tribal Council of the Little River Band of Ottawa Indians hereby authorizes the Tribal Ogema, or in the absence of, the Tribal Council Speaker, to execute an engagement letter for the services of Egghart & Associates to complete the 2002 compliance audits of Little River Casino Resort.

CERTIFICATE OF ADOPTION

I do hereby certify that the foregoing resolution was duly presented and adopted by the Tribal Council with 8 FOR, 0 AGAINST, 1 ABSENT, and 0 ABSTAINING, at a Regular Session of the Little River Band of Ottawa Indians' Tribal Council held on March 20, 2002, at the Little River Band Downtown Offices in Manistee, Michigan, with a quorum being present for such vote.



Janine M. Sam, Council Recorder

Attest:



Stephen Parsons, Council Speaker

Distribution: Council Records
Tribal Ogema
LRB Gaming Commission
Business Board, LRCR

REC'D MAR 22 2002

Egghart & Associates

A Professional Corporation

Certified Public Accountants

February 18, 2002

Cy Hill
Little River Gaming Commission
PO Box 337
Manistee, MI 49660

Via Fax: 231-723-7788

Dear Cy,

We are pleased to propose the following professional services for Little River Casino of Little River Band of Ottawa Indians relating to the performance of internal audit functions as required by the National Indian Gaming Commission Minimum Internal Control Standards for the year ending December 31, 2002.

These proposed internal audit procedures would be performed on a quarterly rotational basis for both properties. The procedures have been developed based on the mandatory requirements of the National Indian Gaming Commission Minimum Internal Control Standards (MICS) over gaming revenues and the guidelines from the Institute of Internal Auditors for other areas. Additionally, pursuant to 31 CFR 103.54 we would perform independent external testing of the Casino's and the Bingo's compliance with the provisions of Title 31 regulations concerning currency transaction reporting. Our internal audit procedures would be performed, wherever possible, utilizing unannounced observations. As you know, we currently perform these types of internal audit services for several of our Indian Casino clients and we have programs developed for this type of work. We have enclosed a summary of the detailed areas of testing for your consideration.

This consulting engagement would be performed in accordance with standards established by the American Institute of Certified Public Accountants. This engagement does not constitute an audit examination; therefore, we would not express an opinion on the internal control system or financial transactions of the Casino as a whole. It is understood that the report would be used solely by your Tribe and by no other external parties.

We would report all findings to the Tribal Council (Business Committee), Gaming Commission, and Management directly and would update you on the status of implementation of any finding recommendations on a quarterly basis.

Our fee for performing the minimum internal audit services as required by the MICS would be \$26,000 annually, excluding out-of-pocket expenses such as airfare and lodging. These necessary travel expenses would be kept to a minimum.

The competitive fees that we can offer are largely due to our in-depth understanding of the Indian gaming industry and regulatory requirements that our clients must comply with. We

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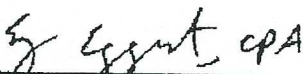
believe that Egghart & Associates is best qualified to perform this engagement for the following reasons:

- We take a team approach when we work with our clients. Our goal is to assist our clients to achieve effective and efficient operations while they are in compliance with relevant laws and regulations.
- Our firm is an expert in the gaming industry and Indian gaming operations. Our team brings a wide range of experience and resources from Indian gaming as well as Nevada gaming operations. For example, members of our team have served at various times more than forty gaming properties nationwide.
- Our firm is very familiar with regulatory requirements by the National Indian Gaming Commission and has developed close working relationships with various staff of the NIGC. In addition, we are very familiar with the Tribal-State Compact in the Washington State.

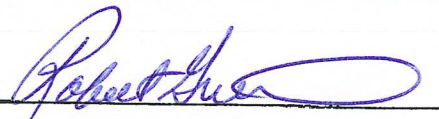
Many members of your organization know the commitment and expertise that we will bring to providing the outstanding, objective, and forthright services that you should expect from your consultant. These members will attest to our abilities to provide this.

We appreciate the opportunity to be of service to the Little River Casino and Little River Band of Ottawa Indians, and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions or comments about this proposal, please do not hesitate to call us. If you agree to the terms of our proposal as described in this letter, please sign a copy and return it to us.

Sincerely,


EJ Egghart, MBA, CPA
Principal

The above letter summarizes our understanding of the terms of the engagement.

Signed 

Position Ogema Date 4/2/02

MINIMUM INTERNAL AUDIT PROCEDURES

The following procedures will be performed two times a year for the Casino.

Table Games

We will review and observe:

- fill and credit procedures
- soft count procedures and the subsequent transfer of funds
- the location and control over sensitive keys
- table drop procedures
- table opening and closing procedures
- gaming surveillance controls
- gaming operation controls

We will trace source documents to summarized documentation on a sample basis.

We will reconcile the restricted copies of source documents with the accounting records on a sample basis.

Gaming Machines

We will review and observe:

- jackpot and fill procedures
- gaming machine drop procedures
- gaming machine count procedures and the subsequent transfer of funds
- the location and control over sensitive keys
- EPROM procedures
- the opening and closing of any change banks
- player tracking standards
- progressive jackpot systems
- machine operation controls

We will trace source documents to summarized documentation on a sample basis.

We will reconcile the restricted copies of source documents with the accounting records on a sample basis.

The following procedures will be performed annually on a rotational basis.

Cashier's Cage

We will review and observe:

- opening procedures for line and main bank cashiers at the cage, including the counting of all cash/chips
- physical cashier controls at the cage

We will reconcile trial balances to physical instruments on a sample basis.

We will reconcile cage accountability to the accounting records on a sample basis.

Surveillance

We will review and observe:

- camera coverage of the gaming areas
- tape retention procedures

We will review logs documenting surveillance activities and repairs to surveillance equipment on a sample basis.

Electronic Data Processing

We will review and observe:

- general controls over gaming hardware and software
- dial-up access procedures
- password control procedures

We will review documentation of any in-house developed systems on a sample basis.

Complimentary Services

We will review and observe:

- procedures for the authorization of complimentary items

We will review documentation of complimentary services and items on a sample basis.

Title 31

- We will read and review the Casino's documented system of internal control for all departments relating to compliance with the Title 31 Regulations, the Currency Transaction Report by Casinos ("CTRC" form required by the IRS) together with related filing instructions.
- We will interview and administer tailored questionnaires to accounting, cage, table games and slot personnel to evaluate their familiarity with the provisions of the Title 31 Regulations. Personnel will be interviewed at varying times during day shift and swing shift.
- We will review copies of CTRCs on file on a sample basis for compliance with the provisions of the Title 31 Regulations.
- We will review Multiple Transaction Logs for selected days for the Cage, Table Games and Slot departments to determine if CTRCs were filed with the Internal Revenue Service as required and in timely manner.
- We will review the Monetary Instrument Log held in the Cage on a sample basis to determine whether Cage personnel maintain records of currency transactions involving monetary instruments as required by the Title 31 Regulations.
- We will select and review cage deposit slips on a sample basis, and will review Table Games' player tracking records for selected days, to determine if corresponding entries are posted to the Multiple Transaction Logs of the Cage or Table Games Department and to determine whether CTRCs are filed, if applicable, with the Internal Revenue Service.
- We will determine whether or not accounting personnel have retained copies of the Multiple Transaction Logs, CTRCs, and other supporting documents for currency transactions in chronological order.