

March 17, 2023

Executive Office
Tribal Council
The Eastern Band of Cherokee Indians
Cherokee, NC

We conducted an internal control review of the Tribal Employee Rights Office (TERO) in accordance with the FY23 annual audit plan.

An internal control review is designed to assess key processes within the program, to evaluate the adequacy of internal controls and to identify opportunities for process improvements. The review is intended to be used as a tool to determine effectiveness of controls, compliance and if improvement is needed.

Overall TERO's internal controls need improvement. OIA identified 3 issues and provided recommendations.

The details of these findings along with recommendations can be found in the attached report. Management's response is included as an attachment.

The assistance of the TERO staff is appreciated. Please do not hesitate to contact our office with questions.

Sincerely,



Sharon Blankenship, CIA, CGAP, CFE, LPEC
Chief Audit and Ethics Executive

cc: Lori Lambert, Audit and Ethics Committee Chair
William Brown, TERO Commission Chairman
Terri Henry, TERO Director



**TRIBAL EMPLOYEE RIGHTS OFFICE
INTERNAL CONTROL REVIEW (23-005)
FINAL REPORT
March 17, 2023**

EASTERN BAND OF CHEROKEE INDIANS



OFFICE OF INTERNAL AUDIT AND ETHICS

738 ACQUONI ROAD □ PO BOX 455 □ CHEROKEE NC 28719



HIGHLIGHTS

Why We Did This Audit

The Tribal Employee Rights Office (TERO) was identified for audit on the FY23 annual audit plan. The overall objective of this audit was to assess the control structure and business risk of the program to determine if improvement is needed.

What We Found and Recommend

TERO internal controls need improvement. There were 3 observations identified, and recommendations made to address the control weaknesses as follows:

OBSERVATION	RECOMMENDATION
The TERO strategic plan needs to be updated	Develop a new strategic plan along with a policy and procedure to review the strategic plan annually and update as needed.
Stipend administration needs a formal procedure	Evaluate the current practice, eliminate redundancies, and document as a new process in the policy and procedures for the Mother Town Program.
File maintenance needs improvement	Reevaluate what documents are needed and implement a file management practice to avoid unnecessary documents, keep files organized, and retire files that are no longer needed.

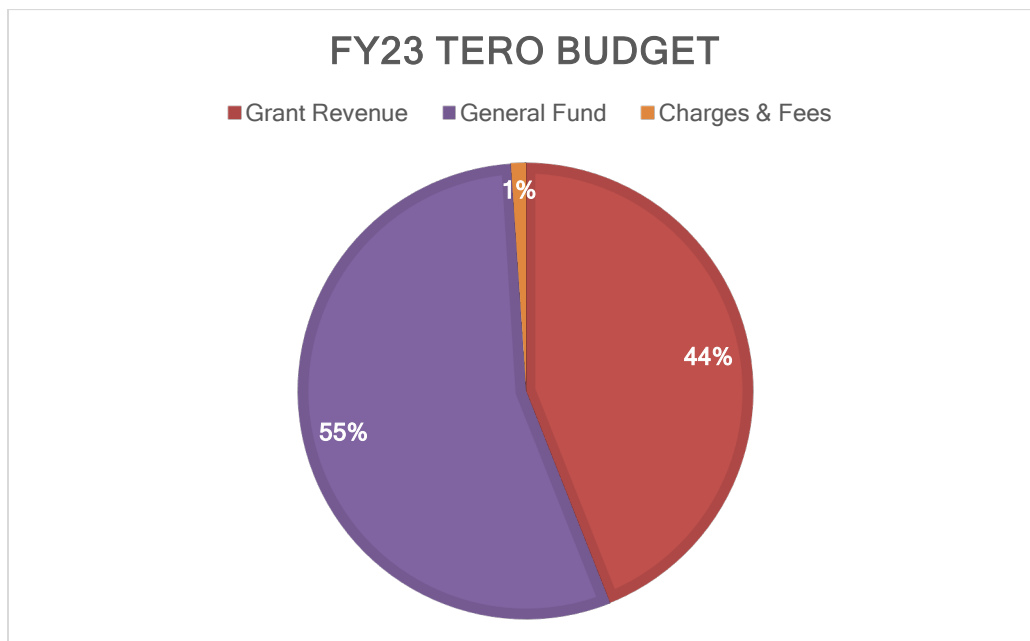
The details of these observations and recommendations can be found beginning on page 5 of this report. Management's response, in which they concur with the findings and agree to implement the recommendations, is included as an attachment.

BACKGROUND

The Tribal Employment Rights Office (TERO) was established to conduct the day-to-day business of the TERO commission and to administer the rules, regulations, procedures, guidelines and orders adopted by the Commission in accordance with Cherokee Code chapters 92 and 95.

It is the mission of TERO to ensure that Native Americans receive a preference in hiring and that Native-owned businesses receive a preference in the award of tribal contracts. TERO is a politically independent organization funded through the Tribal General fund and supplemented by annual certification administrative fees and compliance fines, and Equal Employment Opportunity Commission (EEOC) grant funds.

In FY22, Tribal education and Training transferred two federal grant funding streams from the U.S. Department of Labor and U.S. Department of Health and Human Services to TERO to support their new workforce development initiatives, TERO also received \$1 million of the Tribes American Rescue Plan Act funding to support the development of TERO's Technical Training Institute. For FY23 TERO is operating on a revised budget of \$2.947 million made up of grant revenues, General Fund and Charges & Fees, as shown in the chart below.



OBJECTIVES & SCOPE

The audit objectives were to obtain an understanding of key processes within the program, to evaluate the adequacy of internal controls and to identify opportunities for process improvements.

The scope of the audit included a review of financial and operational information for the period of 10/1/2020 - 1/10/2023.

AUDIT CONCLUSIONS

The following observations were identified:

1. The TERO strategic plan needs to be updated.
2. Stipend administration needs a formal procedure.
3. File maintenance needs improvement.

The details of these observations are on the following pages. The cooperation and assistance of the TERO staff is acknowledged and appreciated.

OBSERVATIONS AND RECOMMENDATIONS

1. The TERO strategic plan needs to be updated.

In 2017 TERO developed a strategic plan for 2018 through 2022. Subsequently, grant funding streams have been transferred to TERO in order to assist with new initiatives. A strategic plan enables the program to set goals and track the progress towards those goals. Currently there is no policy or process requiring the program to update the strategic plan as goals are met and new goals identified, which can increase the opportunity for program ineffectiveness and inefficiency.

It is recommended that the program develop a new strategic plan along with a policy and procedure to review the strategic plan annually and update as needed. This process should be documented within the internal policy and procedures.

2. Stipend administration needs a formal procedure.

The Mother Town Healing Program participants receive a stipend for hours worked based on a set rate, however the timekeeping process for that stipend is not efficient. The process for timekeeping should be efficient to ensure payment for hours worked is paid out timely. There is no documented process to administer the timekeeping for the Mother Town Healing Program participants. This can create a lag in processing or inaccurate stipend payment.

It is recommended that the program evaluate the current practice, eliminate redundancies, and document as a new process in the policy and procedures for the Mother Town Program.

3. File maintenance needs improvement

The program currently files paper documents and uses an electronic filing system to store files with annual costs of \$18,000. It is best practice to keep files organized and accessible to improve efficiency. Currently there is no file maintenance practice for TERO vendor files or essential administrative documents. This can cause files to be misplaced or lost and possibly the inability to verify eligibility of TERO vendors.

It is recommended that the program reevaluate what documents are needed and implement a file management practice to avoid unnecessary documents, keep files organized, and retire files that are no longer needed. This process should be documented within the internal policy and procedures.

MEMORANDUM

TO: Executive
Tribal Council

FROM: Sharon Blankenship, Chief Audit and Ethics Executive

CC: Lori Lambert, Audit and Ethics Committee Vice Chair
Terri Henry, Director of TERO

DATE: March 15, 2023

RE: Responses to Report 23-005 – TERO

The 3 observations and recommendations identified in the audit report (23-005) were distributed to the program and responses prepared. The responses as provided are stated below. The original response forms are on file with this office.

1. Finding 1: The TERO strategic plan needs to be updated.

Response: Agree, Target implementation 5/15/2023

Respondent narrative: "The target date is a soft date as we have many initiatives that are currently in process. This has been on the radar of the Commission and staff since last year in anticipation of the expiring plan. We have been searching for a provider who can do the strategic plan for us and will need to identify funds to pay a consultant."

2. Observation 2: Stipend administration needs a formal procedure.

Response: Agree, Target implementation 10/2/2023

Respondent narrative: "TERO will work with Internal Audit on recommendations from exit meeting regarding new master time workbook and training for implementation, along with communication to finance on the new process."

3. Observation 3: File maintenance needs improvement

Response: Agree, Target implementation 10/2/2023

Respondent narrative: "TERO will work with Internal Audit for consulting services for guidance on compliance record procedures and administrative file management."