

April 25, 2023

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

The Office of Internal Audit and Ethics conducted a follow up review on the Cherokee Fitness Complex audit report 23-001, dated January 3, 2023.

The purpose of this follow up review is to determine the status of the findings and recommendations. There were 4 issues reported with recommendations made. The status is reported by management with one of the following categories:

- Implemented – adequately addressed by implementing corrective action
- Partially Implemented – initiated but is not complete
- Not Implemented – no action taken
- Withdrawn – no longer exist because of changes in processes or acceptance of risk

Limited audit work was performed on select findings to verify management's assertion. If it could not be verified, the status was adjusted accordingly. A summary of the reported status of the 4 recommendations is as follows: **2 (50%) Implemented and 2 (50%) Partially Implemented**. The detail of this follow up review can be found in the attached audit report summary.

The assistance of the Cherokee Fitness Complex 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
Yona Wade, Secretary of Education
Damian Solis, Program Manager

EASTERN BAND OF CHEROKEE INDIANS
OFFICE OF INTERNAL AUDIT AND ETHICS
AUDIT REPORT SUMMARY

Report Name: Cherokee Fitness Complex
Audit Type: Internal Control Review (ICR)
Report Date: January 3, 2023

Follow Up Report Date: April 25, 2023

Background and Scope:

The Cherokee Fitness Complex (CFC) promotes health and fitness opportunities to all ages. They strive to increase attendance and revenue for the CFC through community relations and by offering a well-rounded facility to meet health and fitness goals. The CFC is organizationally located within the Education Division. The program employ's 14 positions; a Program Manager, Supervisor of Business Operations, Exercise Physiologist, Parisi Speed School Coordinator, Aquatics Coordinator, Administrative Assistant, 4 Fitness Coordinators, and 4 Member Services Representatives. The program earns revenues through gym membership packages and store sales. For FY 23 the program is operating on a \$1.185 million budget which includes \$1.106 million (93%) from the general fund and \$79 thousand (7%) from sales, membership dues, and miscellaneous. Since the inception of the 24-hour access membership, CFC has serviced 599 clients with 24-hour access to utilize the gym, which increased membership revenues by \$76,467 within its first year, as reflected in the chart below. The scope of the audit included a review of financial and operational information, prior audit reports and industry best practices. The period under review was 10/1/2020 – 09/30/2022.

Overall Conclusions:

The Cherokee Fitness Complex's internal controls need improvement.

Summary of Reportable Findings:

Finding	Recommendation	Management Response	Rating	Implementation Status
1. Cash handling procedures are not followed.	Reevaluate the current cash handling procedure and policy, make any necessary updates, and ensure staff follow the cash handling process. Any deviations must be addressed and documented by management.	We are in the process of reviewing the current policies and procedures in place and making the necessary changes that were recommended. Changes that will be implemented per this recommendation will include cash drawer counts for open & close will be conducted in the safe room with a staff member or supervisor present during the count to sign off on the count sheet as a witness, deposits will be reviewed and made by the business program supervisor or a designated person in their absence. All daily deposit information copies will be maintained in the safe room. The camera in the safe room has been adjusted by IT so the safe can be monitored. I will provide finalized copies of the updated policies and procedures upon completion. Target date: 1/27/2022	High	Implemented
2. Additional security measures are needed.	Work with security and surveillance to increase coverage of the cash safe and to implement other security measures for the proper safeguarding of revenue.	The security camera has been reset by IT Security to cover the safe room area, we will be rearranging the safe room and relocating the safe to allow the camera to be located directly above the safe and for cash counts below the camera. The key will be stored in the safe room also. The door will remain locked at all times with only authorized staff accessing this room by key card access only. IT Security has notified me the key card reader is operational and staff have been granted access to the door. Additional policies and procedures will be developed and implemented regarding the security of the safe room area. Once the room is rearranged, I will notify internal audit the safe room area has been updated and completed. Target: 1/27/2023.	High	Implemented

EASTERN BAND OF CHEROKEE INDIANS
OFFICE OF INTERNAL AUDIT AND ETHICS
AUDIT REPORT SUMMARY

Summary of Reportable Findings:

Finding	Recommendation	Management Response	Rating	Implementation Status
<p>3. File maintenance needs improvement.</p>	<p>Reevaluate the current membership policy, make any necessary updates, and ensure staff follow the membership policy. All required documents must be filled out completely prior to filing. Any deviations must be addressed and documented by management.</p>	<p>We will be updating the membership application process and filing processes. We are currently working together on updating the process and Michelle will be working on updating and storing the old files. She will be providing a list of items missing from current membership files. She will work with Rae and myself to review and make sure the filing system is updated. Once we finalize this updated process, we will provide the updated policies and procedures for the files. Rae will relay the information to staff regarding the updated process and files will be maintained in a logbook for each staff member that collects membership files. We will review files monthly to make sure all relevant information is being collected and staff are following the established processes. Rae will be responsible for ensuring business staff follow the updated process. We plan to implement this plan in January to monitor and make necessary changes as needed. Target date: 3/15/2023.</p>	<p>Med</p>	<p>Partially Implemented</p>
<p>4. 24-hour membership needs improvement.</p>	<p>Evaluate the system for 24- hour membership and the feasibility to implement a gym management software to efficiently operate the growing fitness complex and allow for better tracking of gym memberships.</p>	<p>I have reached out to IT Security and Finance regarding the system. IT Security notified me they are in the process of potentially identifying a new company that can merge the systems. This has been an ongoing process; I will provide updates as we progress with this recommendation. IGo360 has a 24-hour system, however it will be at IT Security discretion to which system we utilize in the near future. I emailed Finance Accounting Director Susie Wolfe regarding the previous discussions we had regarding the 3rd party billing processes; I am awaiting a response. My request was to determine the feasibility of allowing us to utilize the IGo360 Forte Billing System or another possible gym membership software 3rd party billing system. IT was in agreement to use Forte for billing, I have not received final approval from Finance to move forward with this request. I will provide updates as we move forward with the 24-hour system and IT's recommendations. Should we receive approval to utilize billing online or through a mobile app, this would be a major opportunity for membership and financial growth for the program as we continue to find ways to progress the program. Target date: 3/15/2023</p>	<p>Med</p>	<p>Partially Implemented</p>