



738 Acquoni Road
PO Box 455
Cherokee, NC 28719

June 6, 2023

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

We conducted an internal control review of the tribal wide fleet management function in accordance with the FY23 annual audit plan.

An internal control review is designed to assess the control structure and business risk of the function. The review is intended to be used as a tool to determine effectiveness of controls, compliance, and if improvement is needed.

Overall, the tribes fleet management needs improvement. Our office identified 4 issues and provided recommendations. The details of these observations and recommendations can be found in the attached report. Management's response is included as an attachment as well.

The assistance of the programs 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
Susie Wolfe, Interim Secretary of Treasury
Jeremy Hyatt, Secretary of Operations
James Crowe, Purchasing Manager/Fleet Committee Chair
Calloway Ledford, Manager of Motor Pool





**FLEET MANAGEMENT – TRIBAL WIDE
INTERNAL CONTROL REVIEW (23-010)
FINAL REPORT**

June 6, 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

Fleet management 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 fleet management to determine if improvement is needed.

What We Found and Recommend

Overall, fleet management needs improvement. There were 4 issues identified, and recommendations made to address the control weaknesses as follows:

OBSERVATIONS	RECOMMENDATION
The fleet management policy does not align with current practices.	Evaluate the current policy and current practice to determine what positions are the most efficient and effective process owners and update policies and procedures to align with current practices.
The annual fleet inventory audit is not being conducted.	Follow policies and procedures to ensure that the annual fleet inventory audit is conducted.
Proper fleet documentation is not maintained in tribal vehicles.	Evaluate the need of required documents in tribal vehicles, update policies and procedures if needed and enforce the policy.
Disposition management needs improvement.	Track fleet disposals until they have been properly removed from the financial software.

The details of these findings and recommendations can be found beginning on page 4 of this report. Management's response, in which they concur with the findings and agree to implement the recommendations, is included as an attachment.

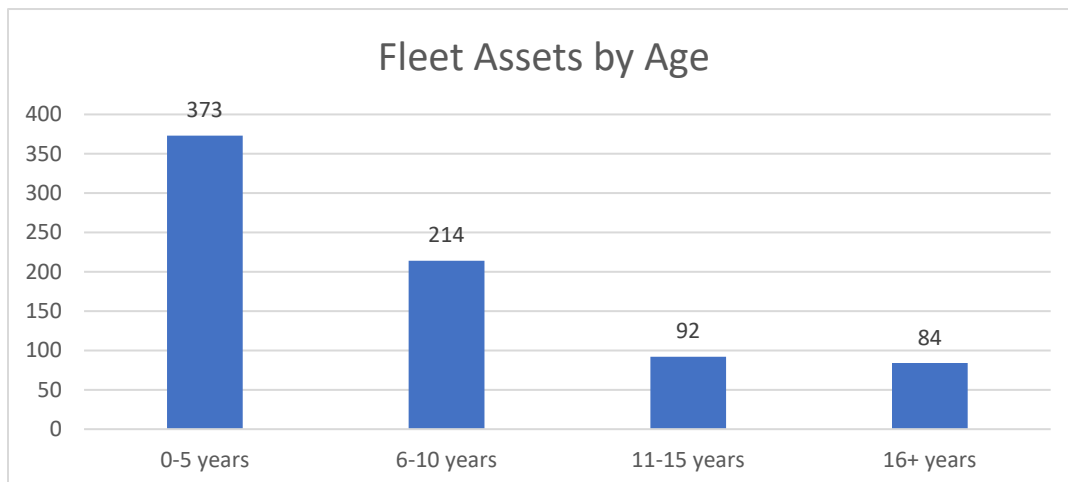
BACKGROUND

The purpose of the Eastern Band of Cherokee Indians (EBCI) fleet management function is to ensure the proper care and control of all tribal fleet. The EBCI has established a fleet management committee to create a fleet of vehicles that maximizes production based on a responsible operating budget and operational need. The committee consists of seven voting members who approve all vehicle acquisitions, transfers, and dispositions.

As of May 15, 2023, the EBCI has 763 fleet assets (Table 1) with a total acquisition cost of \$36,320,096.15.

Category	Count	Acquisition Cost	Current Book Value ¹
Cars/Trucks/Vans	432	\$15,769,191.50	\$3,647,734.13
Emergency Vehicles	96	\$10,794,963.31	\$4,125,875.05
Boats w/Trailers	2	\$52,612.94	\$5,384.01
ATV's	34	\$623,604.76	\$203,095.83
Motorcycles	5	\$49,859.95	\$0.00
Trailers	130	\$1,026,062.54	\$427,680.18
Construction Vehicles	49	\$7,274,751.44	\$1,446,659.90
Busses	12	\$698,494.71	\$177,022.84
Golf Carts	2	\$16,654.00	\$0.00
Campers	1	\$13,901.00	\$0.00

The average age of fleet vehicles is 7 years with the oldest being 25 years old. The graph below shows the age range for fleet vehicles.



¹ Book value is the acquisition cost minus depreciation.

OBJECTIVES & SCOPE

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

The scope of the audit included financial and operational information and key processes, for the period of October 1, 2020 - March 10, 2023.

AUDIT CONCLUSIONS

Fleet management needs improvement and additional management oversight is needed. The following issues were identified:

1. The fleet management policy does not align with current practices.
2. The annual fleet inventory audit is not being conducted.
3. Proper fleet documentation is not maintained in tribal vehicles.
4. Disposition management needs improvement.

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

OBSERVATIONS AND RECOMMENDATIONS

1. The fleet management policy does not align with current practices.

Position titles and responsibilities do not align with fleet management policy and procedures. There are two conflicting tribal positions with fleet management responsibilities, and it is often unclear who is responsible for each step in the process. The fleet management policy and procedures identify positions responsible for carrying out processes. However, current practices do not align which can create ineffective and inefficient processes and increase the risk of fraud, waste, and abuse.

It is recommended that the fleet management committee evaluate the current policy and practices to properly identify the appropriate process owners and corresponding responsibilities. Furthermore, it is recommended that policy and procedures and job descriptions be updated to align with current practices.

2. The annual fleet inventory audit is not being conducted.

The last annual fleet inventory was conducted in 2019. The annual fleet inventory audit is a joint effort between property control, risk management and motor pool. The goal is to account for every tribal fleet asset and conduct assessment for condition, maintenance and to ensure all proper and required documentation is present. The fleet management policy states each year the annual fleet inventory audit must be completed. The fleet management committee is not ensuring the annual fleet audit is coordinated and conducted, and therefore is not in compliance with the policy which increases the risk of unsafe drivers and liability on the tribe.

It is recommended that the fleet management committee follow policies and procedures to ensure that the annual fleet inventory audit is conducted.

3. Proper fleet documentation is not maintained in tribal vehicles.

Of the fleet assets that were tested:

- 20% did not have a registration card.
- 31% did not have an insurance card.

Vehicles are required to have an updated registration card and proof of insurance.² The fleet management policy states that each year the annual fleet inventory audit must be completed partly to ensure all proper and required documentation is present. The fleet management committee is not ensuring proper documentation is maintained in vehicles by conducting an annual inventory audit which results in noncompliance with the policy and could result in the inability to properly identify and locate vehicles.

It is recommended that the fleet management committee evaluate the need of required documents in tribal vehicles, update policies and procedures if needed and enforce the policy.

4. **Disposition management needs improvement.**


During the period under review 12 fleet assets were traded in, sold at auction, or sold to another entity but remain active within the financial software. When a fleet asset is disposed of the property record should be updated in the financial software. There is no tracking mechanism in place for disposals or timely removal which can result in a financial misstatement.

It is recommended that fleet disposals be tracked throughout the disposal process until the property record has been updated in the financial software.

² Cherokee Code Chapter 20 adopts subsection 20 of the North Carolina General Statutes
FLEET MANAGEMENT - TRIBAL WIDE
INTERNAL CONTROL REVIEW (23-010)
FINAL REPORT

MEMORANDUM

TO: Executive
Tribal Council

FROM: Sharon Blankenship, Chief Audit and Ethics Executive 

CC: Lori Lambert, Audit and Ethics Committee Vice Chair
Susie Wolfe, Interim Secretary of Treasury
Jeremy Hyatt, Secretary of Operations
James Crowe, Purchasing Manager/Fleet Committee Chair
Calloway Ledford, Manager of Motor Pool

DATE: June 6, 2023

RE: Responses to Report 23-010 Fleet Management Audit – Tribal Wide

The 4 observations and recommendations identified in the Fleet Management audit report 23-010 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. Observation 1: The fleet management policy does not align with current practices.

Response: Agree, Target implementation 8/17/2023

Respondent narrative: “Update policy, and job descriptions. We are currently compiling a list of several changes to the Fiscal Management Policy which need to be updated. The Fleet section is one of these items.”

2. Observation 2: The annual fleet inventory audit is not being conducted.

Response: Agree, Target implementation 8/17/2023

Respondent narrative: “Currently in process of audit, 25% of inventory, will continue annually.”

3. Observation 3: Proper fleet documentation is not maintained in tribal vehicles.

Response: Agree, Target implementation 8/17/2023

Respondent narrative: “Fleet committee will evaluate the need of required documents in tribal vehicles, update policies and procedures if needed and enforce the policy.”

4. Observation 4: Disposition management needs improvement.

Response: Agree, Target implementation 8/17/2023

Respondent narrative: “Fleet disposals will be tracked throughout the disposal process until the property record has been updated in the financial software. There is a tracking log, currently, for these items. We are waiting on our annual audit to be completed before we remove items from our inventory.”