



738 Acquoni Road
PO Box 455
Cherokee, NC 28719

August 4, 2023

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

We conducted a fee collections audit of Cherokee Court in accordance with the FY23 annual audit plan. REDW was engaged to conduct the audit.

A fee collections audit is designed to assess the effectiveness of controls and compliance over fee collections. The review is intended to be used as a tool to determine if improvement is needed.

REDW identified 1 observation and provided a recommendation. The details of this observation along with the recommendation can be found in the attached report prepared by REDW. Management's response is also included as an attachment.

The assistance of the Cherokee Courts 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
Kirk Saunooke, Chief Justice
Amber Shuler, Administrative Officer of the Court





Eastern Band of Cherokee Indians

Cherokee Courts - Fee Collections
Internal Audit

July 27, 2023

redw
Advisors & CPAs

**Eastern Band of Cherokee Indians
Cherokee Courts – Fee Collections
Internal Audit**

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Eastern Band of Cherokee Indians Cherokee Courts – Fee Collections Internal Audit

Report

Introduction

We performed the internal audit services described below solely to assist the Eastern Band of Cherokee Indians (EBCI) in assessing the processes and internal controls over collection and recording of fees, cash collection and account reconciliations, cash controls, and fee usage at the Cherokee Courts. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants and the terms of our Professional Services Contract agreement for internal audit services.

Purpose and Objectives

The EBCI Cherokee Court judges preside over court cases in which they assess judgements for filing fees, fines, restitution, and bond payments. The Clerk of Courts collects these fees and fines and deposits them to the EBCI Office of Budget and Finance. Our internal audit focused on evaluating the controls over collection and recording of these fees to ensure amounts assessed agreed to judgements and fee schedules, were properly recorded, and garnishments had appropriate documentation. In addition, we tested daily cash reconciliations to ensure they agreed to the deposit and proper approval was obtained. We also evaluated cash handling and cash control procedures to ensure they aligned with the EBCI Fiscal Management Policy and sound internal controls were followed. Lastly, we determined if bond, restitution, and estate payments were allowable.

Observations and Recommendations

During the course of our internal audit, we identified areas which appeared to be functioning properly, most noticeably in the areas of collection and recording of fees into the appropriate account and the physical securing of cash once collected. As a result of our test work, we identified the following observation:

1) Cash Deposits

EBCI's Fiscal Management Policy states that deposits are to be prepared by at least two individuals to help reduce the risk of employee theft. The Fiscal Management Policy also requires that tribal programs ensure a receipt is received for all cash turned in to the Office of Budget & Finance. Our testing of 15 deposits determined:

- 5 of 15 deposits were not prepared by two Cherokee Court clerks as required per policy. For all 5, only one clerk prepared the deposit; and
- Receipts were not received by Cherokee Court for any of the 15 deposits.

Further analysis determined the only training conducted over the Fiscal Management policies to ensure employees who had cash handling duties were aware of policy requirements was informal training by supervisors of the Cherokee Court.

Potential Risk – Moderate: If cash handling policies are not followed, there is a higher risk of potential theft and fraudulent activity occurring. Since monthly cash reconciliations were performed by the Office of Budget and Finance and the accounting software has audit trail functionality, we have reduced the risk to moderate.

Recommendation: The Cherokee Court should require each employee with cash handling duties to review and acknowledge the cash handling section of the Fiscal Management Policy to ensure they are aware of and adhere to the requirements including but not limited to having two individuals prepare and sign off on deposits. In addition, the EBCI Office of Budget and Finance should ensure a receipt is issued to the depositor for each deposit received, in accordance with the Fiscal Management Policy. Lastly, the EBCI Office of Budget and Finance should consider developing a formal cash handling training and requiring all relevant employees both within Cherokee Court and Tribe-wide to complete the training on an annual basis to ensure that all individuals with cash handling duties remain up-to-date on cash handling policies and procedures.

Process Improvement Opportunity

2) Cash Reconciliations

Our testing determined the Clerk of Courts was not preparing cash reconciliations to ensure fees collected were posted to the appropriate account (i.e., bond to bond, etc.). While this does not raise concerns for cash missing as there are other cash controls in place, it is an administrative burden when items are not posted to the appropriate accounts as it does result in paperwork having to be prepared to fix the errors resulting in inefficiencies. The Clerk of Courts should consider preparing monthly cash reconciliations to ensure fees collected were posted to the appropriate account.

Scope and Procedures Performed

In order to gain an understanding of the process, we interviewed the following personnel:

- Kirk Saunooke, Chief Justice
- Amber Shuler, Administrative Officer

In order to gain an understanding of the processes and controls in place we read relevant portions of:

- EBCI Fiscal Management Policy updated August 2019
- Draft Court Clerks Manual updated March 2023
- Ordinance #460 – Cherokee Court Bond Forfeitures updated January 2023

We performed the following testwork:

Collection and Recording of Fees: We obtained a listing of court cases and cash bonds ordered from April 1, 2022 to April 30, 2023. From a population of 3,807 court cases and 355 bonds ordered, we selected sample of 30 court cases and 10 bonds ordered and tested to determine:

- The amount assessed by the Clerk of Courts agreed to the judgement or current fee schedule;
- The amount collected from the defendant agreed to the judgement or current fee schedule;
- If the defendant elected to have their fees garnished, a signed form was completed authorizing the garnishment;
- The garnishment occurred on the next per capita distribution; and
- Payment was properly recorded in the correct account and for the correct amount.

Cash Collections and Account Reconciliations: We selected a random sample of 15 days from January 1, 2023 to June 5, 2023, and tested to determine:

- Total cash recorded in Munis for the day agreed to the deposit slip prepared by Clerk of Courts;
- The deposit slip was signed by two separate Clerk of Court's staff;
- The deposit was taken to the Finance Department on the same day or the next day after the cash was collected; and
- A receipt was provided to the Clerk of Courts by the Office of Budget and Finance verifying deposit was submitted.

Cash Controls: In collaboration with the EBCI Office of Internal Audit, we performed a walk through over the collection and securing of the cash at the Clerk of Courts to ensure the cash drawers and safe were locked during the walkthrough and cameras in the cash collection areas were turned on. In addition, we evaluated the Munis accounting system to ensure audit logs were turned on.

Lastly, we tested to determine if all Cherokee Court clerks, magistrates, and contractors with cash handling duties were bonded per the EBCI Fiscal Management Policy and evaluated how cash handlers were trained to ensure they were knowledgeable of cash handling policies.

Usage of Fees: We obtained a listing of payments made from the Cherokee Court bond, restitution, and estate accounts from April 1, 2022 to April 30, 2023. From a population of 266 payments, we selected a sample of 15 tested to determine:

- Proper documentation was completed for payment to be made to the applicable individual, vendor, or estate;
- Payment was made to correct individual, vendor or estate; and
- If the payment was a bond forfeiture, it was deposited to bond forfeiture account.

* * * * *


We discussed and resolved other minor observations with management and received excellent cooperation and assistance from the Eastern Band of Cherokee Indians Cherokee Court personnel during the course of our interviews and testing. We sincerely appreciate the courtesies extended to our personnel.

REDW LLC

Albuquerque, New Mexico
July 27, 2023

MEMORANDUM

TO: Executive
Tribal Council

FROM: Sharon Blankenship, Chief Audit and Ethics Executive 

CC: Lori Lambert, Audit and Ethics Committee Vice Chair
Kirk Saunooke, Chief Justice
Amber Shuler, Administrative Officer of the Court

DATE: August 4, 2023

RE: Responses to Report 23-014 Cherokee Court

The 1 observation and recommendation identified in the Cherokee Courts audit report 23-014 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. Cash Deposits

Response: Agree, Target implementation 8/2/2023

Respondent narrative: "Heather has already discussed this policy with the Clerks and they have signed an acknowledgement that they have read the policy and understand."

