

October 31, 2023

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

We reviewed the supply inventory held by Tribal Construction in accordance with the FY23 annual audit plan.

We reviewed inventory reports and financial transactions for the period ending September 30, 2023, and conducted a test count. The program staff conducted an inventory count the week of September 18.

The inventory report shows a total cost on hand of \$429,166.19 an increase of \$56,160.72 (15%) over the prior year is reasonable. The current general ledger shows an inventory balance of \$399,801.30. An adjusting entry of \$29,364.89 is needed to increase the inventory balance to \$429,166.19 for the period ending September 30, 2023.

The following audit issue is updated and remains open: (1) Inventory management is ineffective.

The detail of this observation can be found on the next page.

Please contact our office with any questions regarding this report.

Sincerely,



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

cc: Lori Lambert, Audit and Ethics Committee Chair
Paxton Myers, Chief of Staff
Manuel Maples, Director of Public Facilities and Infrastructure
Uriah Maney, Tribal Construction Manager

OBSERVATION AND RECOMMENDATION:

1. Inventory management is ineffective.

According to the program's inventory line item (802.1300), 166 of 610 (27%) inventory items required adjustment after the inventory count. Inventory on hand must be properly managed to accurately reflect the value for financial statement reporting. Management did not ensure effective inventory management which can result in unreliable inventory valuation and can lead to loss of revenue and loss or theft of Tribal assets.

While some of the adjustments may have reasonable explanation, the high percentage (27%) indicates inventory is not being billed or received properly. Management must ensure the movement of inventory is monitored and controlled at all times. Inventory items must be receipted or issued through the inventory management system upon entry or removal from the inventory area. Management should also adhere to the "Tribal Construction Inventory Reconciliation" plan dated October 18, 2019.