

October 31, 2023

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

We reviewed the supply inventory held by Qualla Housing Authority in accordance with the FY23 annual audit plan.

We tested the inventory of products on hand for the period ending September 30, 2023. Based on the count the inventory value of \$66,943.00 a decrease of \$7,572.26 (10%) over the prior year, appears reasonable.

The current general ledger shows an inventory balance of \$74,515.26. An adjusting entry of \$7,572.26 is needed to decrease the inventory balance to \$66,943.00 for the period ending September 30, 2023.

The following audit observation was made: (1) Inventory management is ineffective. The detail 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
Edwin Taylor, Secretary of Housing
Robert Welch, Construction Manager



OBSERVATION AND RECOMMENDATION:

1. Inventory management is ineffective.

The inventory reported by the program required a \$18,956.98 (22%) adjustment for items that were on the inventory report that were no longer in inventory. 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 variance may have reasonable explanation, the high percentage (22%) is indicative of inventory not being billed or received properly. Management must ensure the movement of inventory is monitored and controlled at all times. Receipt or issuance of inventory items must be documented properly through an inventory management system upon entry or removal from the inventory area.

Management should develop an effective mechanism for managing inventory. This should include collaboration with the Division of Treasury to utilize the Tribal financial management system for inventory management.