

June 12, 2024

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

We conducted an internal control review of Solid Waste Management in accordance with the FY24 annual audit plan.

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

We identified 4 observations. The details of these findings along with recommendations can be found in the attached report. Management's response is included as an attachment.

The assistance of the Solid Waste Management 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
Anthony Sequoyah, Secretary of Operations
T Trejo, Manager of Solid Waste Operations





**SOLID WASTE MANAGEMENT
OPERATIONS DIVISION
INTERNAL CONTROL REVIEW (24-006)
FINAL REPORT
June 12, 2024**

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

Solid Waste Management was identified for audit on the FY24 annual audit plan. The overall objective of this audit was to assess the control structure and business risk of the program to determine if improvement is needed.

What We Found and Recommend

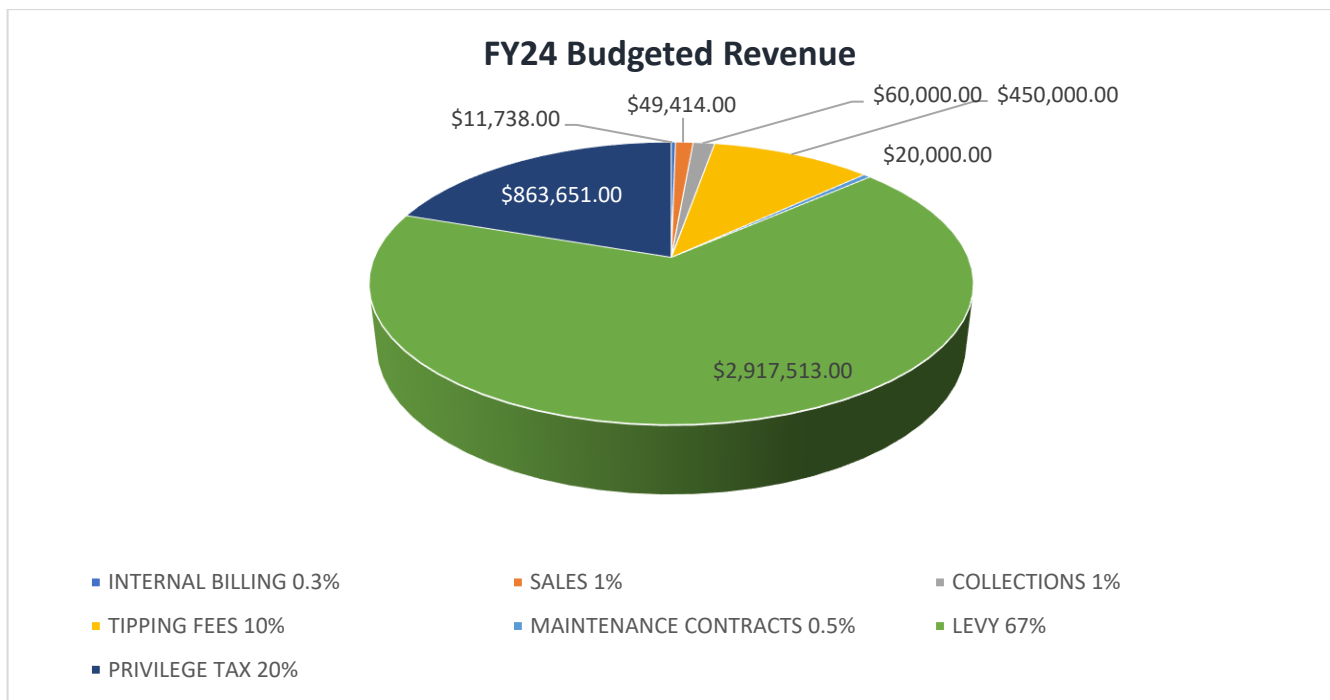
Solid Waste Management's internal controls need improvement and additional management oversight is needed. There were 4 observations identified and recommendations made as follows:

OBSERVATIONS	RECOMMENDATION
Standard operating procedures are not developed.	Develop comprehensive written standard operating procedures. Consider a framework or industry standards to establish the most effective and efficient processes and operations.
The Tribal Waste Management Plan has not been implemented.	Complete the Tribal Waste Management Plan in accordance with Cherokee Code. Implement, monitor, and update as needed.
Payroll practices need improvement.	Educate employees and supervisors on the payroll procedure and their roles and responsibilities in the payroll process and monitor timesheets to ensure that policy is being followed.
Procurement practices need improvement. <ul style="list-style-type: none"> <i>a. There are purchases that appear contractual in nature.</i> <i>b. Payments are not made timely.</i> 	<ul style="list-style-type: none"> a. Execute a formal written contract or agreement with the landfill company. The contract or agreement must be reviewed and amended as needed. b. Pay their invoices on time to prevent late fees.

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

Solid Waste Management provides collection, handling, processing, and disposal of all solid waste generated on the Qualla Boundary. Solid Waste Management is part of the Operations Division. It includes recycling, composting, operation of the transfer station, and waste collection. Most of the program funding comes from Tribal levy and privilege tax. This can be seen in the chart below along with other budgeted sources of funding for FY24.



OBJECTIVES & SCOPE

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

The scope of the audit included a review program financial and operational information, and a prior audit report, for the period 10/1/22-3/25/24.

AUDIT CONCLUSIONS

There are opportunities for improvement in Solid Waste Management's internal controls. The following observations were identified:

1. Standard operating procedures are not developed.
2. The Tribal Waste Management Plan has not been implemented.
3. Payroll practices need improvement.
4. Procurement practices need improvement.
 - a. *There are purchases that appear contractual in nature.*
 - b. *Payments are not made timely.*

The details of these findings are on the following pages. The cooperation and assistance of the Solid Waste Management staff is acknowledged and appreciated.

OBSERVATIONS AND RECOMMENDATIONS

1. Standard operating procedures are not developed.

Solid Waste Management does not have written standard operating procedures. Standard operating procedures are written guidelines that set expectations and staff responsibilities. Program management has not ensured that written standard operating procedures are in place. A lack of comprehensive standard operating procedures can increase the risk of ineffective and inefficient processes and operations.

It is recommended that management develop comprehensive written standard operating procedures. Management should consider a framework or industry standards to establish the most effective and efficient processes and operations.

2. The Tribal Waste Management Plan has not been implemented.

The Tribal Waste Management Plan is not complete. Cherokee Code Section 130-1607 requires a Tribal Waste Management Plan to provide public education about recycling, encourage partnerships between stakeholders, and establish a method for monitoring plan effectiveness. Management is out of compliance with Cherokee Code by not ensuring that the Tribal Waste Management Plan is complete and implemented. A lack of a management plan can increase the risk of ineffective and inefficient processes and operations and the inability to monitor plan effectiveness through the collection of data.

It is recommended management complete the Tribal Waste Management Plan in accordance with Cherokee Code. When the plan is complete it must be implemented, monitored, and updated as needed.

3. Payroll practices need improvement.

Timesheets are being completed and submitted without having accurate clock in and clock out times, and the proper signatures. Timesheets are to be completed daily and must be signed by the employee and supervisor. Management is not ensuring that timesheets are completed daily and signed by a supervisor prior to being submitted to payroll. Missing information on time sheets could lead to payroll errors and employees not receiving pay timely.

It is recommended management educate employees and supervisors on the payroll procedures and their roles and responsibilities in the payroll process. Management must also monitor timesheets to ensure that policy is being followed.

4. Procurement practices needs improvement.

a. There are purchases that appear contractual in nature.

The open purchase order process is being used for tipping fees incurred at the Georgia landfill, which in FY23 totaled \$435,728.72. Based on the nature of these services a formal contract may be appropriate. Management has not ensured there is a valid contract in place which could increase financial, legal, and reputational risk to the Tribe.

It is recommended that management execute a formal written contract or agreement with the landfill company. The contract or agreement must be reviewed and amended as needed.

b. Payments are not made timely.

The program has paid \$11,550.46 in late fees assessed by one vendor. Invoices from this vendor have an expectation that they will receive payment within 30 days, otherwise a late fee is assessed. Late fees were assessed 25 times, based on the information reviewed. Management is allowing payments to be made late which could increase financial, legal and reputational risk to the Tribe.

It is recommended that the program pay their invoices on time to prevent late fees.

MEMORANDUM

TO: Executive
Tribal Council

FROM: Sharon Blankenship, Chief Audit and Ethics Executive 

CC: Lori Lambert, Audit and Ethics Committee Vice Chair
Anthony Sequoyah, Secretary of Operations
T Trejo, Solid Waste Manager

DATE: June 12, 2024

RE: Responses to Report 24-006 – Solid Waste Management Audit Report

The 4 observations and recommendations identified in the Solid Waste Management audit report 24-006 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. Standard operating procedures are not developed.

Response: Agree, Target implementation 9/30/24

Respondent narrative: "Development of procedures has already begun and should be completed by the target date."

2. The Tribal Waste Management Plan has not been implemented.

Response: Agree, Target implementation 6/30/25

Respondent narrative: "Integrated Solid Waste Management plan will be developed in accordance with The US EPA standards using the 5 elements of an Integrated Solid Waste Management Plan"

3. Payroll practices need improvement.

Response: Agree, Target implementation 6/11/24

Respondent narrative: "Changes have already been made in our process that corrects these issues."

4. Procurement practices need improvement.

Response: Agree, Target implementation 6/11/24

Respondent narrative: "Changes were made as of January of 2024 that placed the responsibility of paying these invoices directly out of the main solid waste office and no invoices have been paid late to this vendor."