

August 14, 2024

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

We conducted a follow up review on the Cherokee Bottled Water audit report 24-005, dated April 5, 2024.

The purpose of this follow-up review is to determine the status of the findings and recommendations. There were 4 observations reported with recommendations made. The status is reported by management with one of the following categories:

- **Implemented** – adequately addressed by implementing corrective action that is in place and functioning
- **Partially Implemented** – initiated with 50% or more progress
- **Started** – initiated with less than 50% progress
- **Not Implemented** – no action taken or started
- **Withdrawn** – no longer exist because of changes in processes or the risk is accepted by management and approved by the Audit and Ethics Committee

Limited audit work was performed on select findings to verify management's assertion. If it could not be verified, the status was adjusted accordingly. A summary of the reported status of the 4 recommendations is as follows: **2 (50%) Partially Implemented and 2 (50%) Started**. The details of this follow up review can be found in the attached audit report summary.

The assistance of the Cherokee Bottled Water 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
Sean Ross, Secretary of Commerce
Pamela Sneed, Interim Director of Enterprise Development

EASTERN BAND OF CHEROKEE INDIANS
OFFICE OF INTERNAL AUDIT AND ETHICS
AUDIT REPORT SUMMARY

Report Name: Cherokee Bottled Water (24-005)

Audit Type: Internal Control Review

Report Date: April 5, 2024

Follow-up Report Date: August 14, 2024

Background and Scope:

Cherokee Bottled Water sells and delivers bottled water to Tribal programs, the community, and businesses. The program procures bottled water with the Cherokee Bottled Water label from a bottler. The water is then delivered to the program's warehouse for distribution or dropped shipped. Located in the Division of Commerce as part of Economic Development, the program has three employees. With two salespersons and one crew leader they provide services to more than 800 customers across the Qualla Boundary and eight western counties.

The scope of the audit included a review of the financial and operational information for the period of 10/1/22-1/31/24.

Overall Conclusions:

There are opportunities for improvement in Cherokee Bottled Water's internal controls.

Summary of Reportable Observations:

Observation	Recommendation	Management Response	Rating	Implementation Status
There is not a valid contract with the bottler.	Execute a formal written contract or agreement with the bottler. The contract or agreement must be reviewed and amended as needed.	Agree. "We have a rolling contract with the bottler, moving forward we will take the following steps: a. Review and update the contract b. Follow the contract process c. Plan to have updated contract by the next Fiscal Year" Target implementation: 8/30/24	High	Started
Standard operating procedures need to be updated.	Review and update standard operating procedures. Management should consider a framework or industry standards to establish the most effective and efficient processes and operations.	Agree. "a. More detail step-by-step b. More efficient ways to do job c. Create a plan for distribution in supply chain d. We are unique business under the Tribal Govt. have business plan updated to limit Tribal Liability" Target implementation: 8/30/24	High	Partially Implemented
Security measures are not sufficient.	Work with the Security and Surveillance team to identify the areas and access points to establish the proper coverage and security.	Agree. "Have submitted a security camera request with the IT department." Target implementation: 8/30/24	High	Partially Implemented
Procurement practices need improvement.	Ensure the review of procurement steps to ensure compliance with Tribal rules, regulations, and laws.	Agree. "Reviewing the procurement practices as they need to be updated." Target implementation: 8/30/24	Medium	Started