



**Fisheries and Wildlife
Internal Audit Report**

August 2024

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Disclaimer: This report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel will impact these risks and internal controls in ways this report cannot anticipate. This document is intended for management use and should not be relied upon by any third party.

Background

Eastern Band of Cherokee Indians's (EBCI) Fisheries and Wildlife program plays a crucial role in managing and conserving local wildlife populations and aquatic resources. This program oversees various activities including the issuance of fishing and hunting licenses, enforcement of regulations, habitat conservation, and public education on wildlife preservation. Effective management of these responsibilities is essential to ensure ecological balance, compliance with environmental laws, and the provision of recreational opportunities for the community.

The Fisheries and Wildlife program was identified as an audit area on the 2024 annual audit plan. Accordingly, Internal Audit completed a comprehensive operational audit designed to evaluate the efficiency and effectiveness of controls for the program's operations. The primary goal is to help achieve the program's objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of risk management, internal control, and governance processes

Scope & Objectives

The scope of the audit included a review of the Fisheries and Wildlife program for the period ending June 30, 2024. During the scoping process, it was determined that the audit would specifically focus on the fisheries program, which encompasses operations of the tribal fish hatchery, stocking of the rivers and streams throughout the Cherokee community, and the associated cash inflows (primarily through the sale of fishing permits) and cash outflows.

The specific objectives of this audit are to evaluate key controls within the fisheries and wildlife program regarding the following attributes:

- Evaluating controls over cash receipts and vendor management for fishing licenses/permits.
- Assessing controls over cash disbursements, focusing on authorization and limits.
- Verifying controls over the accuracy of inventory counts and the maintenance of non-capital assets.
- Reviewing controls over the allocation of budgetary funds to specific accounts and ensuring accuracy in data recording and reporting.

Scope limitations

Due to the timing of the audit, the testing of inventory control procedures has been postponed. The testing of these controls is essential for maintaining effective inventory management and will be scheduled for a later date when the annual inventory count and related controls take place.

We acknowledge the importance of these tests in verifying the accuracy and efficiency of inventory systems. Therefore, we have planned to conduct comprehensive testing once the activities have been completed. A new schedule will be communicated to applicable parties.

In the interim, internal audit inquired over inventory management and count controls to ensure that any critical issues are identified and addressed promptly.

Summary of Audit Procedures

Internal audit's approach for the in-scope processes (procurement, fishing license sales, inventory management, travel and entertainment expenses, and financial reporting) included:

- Reviewing updated policies and procedures related to the in-scope processes.
- Conducting interviews to walk-through and gain an understanding of the in-scope processes.
- Reviewing past audits performed and understanding any action plans as a result.
- Conducting testing procedures highlighted in the work program to verify the in-scope processes.
- Identifying potential areas for risk mitigation and control design improvement.

High-Level Conclusions & Observations:

The audit identified two findings summarized below. Additional details, including remediation recommendations, can be located within the “Detailed Observations” section of this audit report.

1. **Incomplete or Inaccurate Recording of Permit Sales / Revenue:** During April and May 2024, Internal Audit identified discrepancies in fishing permit sales reports. Specifically, detailed transaction reports did not match the total sales recorded for revenue and commission calculations. At the time of the audit, Fish and Wildlife management was two months post-implementation of the vendor’s new reporting system and was still learning how to fully utilize the system and reports. This limited management and internal audit’s ability to determine the correct sales amount, and the associated amount of the discrepancy currently reported.
2. **Non-compliance with Fiscal Management Policy:** One out of five travel and expense samples did not complete a travel reconciliation form within the period outlined in the Fiscal Management Policy Manual.

Observation Category	Detailed Observation
<p>1. <u>Incomplete or Inaccurate Recording of Permit Sales / Revenue</u></p>	<p>During the review of License Sales Agent’s fishing permit sales for April and May 2024, internal audit noted due to the delay in reconciling the internet sales a formal reconciliation was not completed for April and May at the time of the audit. Additionally, internal audit encountered discrepancies between individual transaction reports and the recorded totals for revenue and commission expenses. Reported revenues were approximately \$106k in April and \$101k in May. However, internal audit noted variances ranging from \$40 to approximately \$2k due to inconsistencies in supporting documentation, specifically surrounding the voids. These discrepancies have complicated the verification process of accurate financial totals, stemming from issues related to both data completeness and accuracy, as well as challenges in interpreting system-generated reports.</p>
<p><u>Recommendation:</u> Internal Audit advises performing a timely reconciliation between the detailed transaction records and the monthly sales summaries to ensure data completeness and accuracy. Once reconciled, proceed with the calculation of the commissions and revenue. Should any discrepancies arise, it is recommended to collaborate with the third-party vendor to determine the cause of these variances.</p>	

Observation Category	Detailed Observation
<p>2. <u>Non-compliance with Fiscal Management Policy</u></p>	<p>According to the Fiscal Management Policy, employees must submit the Travel Reconciliation form with supporting documentation within five days of returning from travel. During the review of travel and entertainment expenses, internal audit found an instance where an employee did not complete the Travel Reconciliation form after returning from travel. The travel request was completed and approved on 11/28/2023 for a cash advancement of \$2,261.04, but as of July 2024, the travel reconciliation form with matching receipts were not available for audit testing.</p>
<p><u>Recommendation:</u> Ensure all employees are aware of and adhere to the process for providing receipts and the Travel Reconciliation Form in accordance with the Fiscal Management Policy.</p>	

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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
Michael LaVoie, Natural Resources Director

DATE: October 8, 2024

RE: Responses to Report 24-009 – Fisheries and Wildlife Management

The 2 observations and recommendations identified in the Fisheries and Wildlife Management audit report 24-009 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. Incomplete or Inaccurate Recording of Permit Sales/Revenue

Response: Disagree, Target implementation 11/18/24

Respondent narrative: Sales, revenue, and commissions are determined by the permit system in use and its generated data collection and output reporting. The current system's technological platform has flaws which create incomplete and/or inaccurate data and totals. NRD runs reports and develops a commission draft invoice for finance and JE which is due by the 10th of each month. Due to data discrepancies in the permit system (new- go live date March 20, 2024) reports downloaded from the system have been delayed due to re-calculations on NRD's part in collaboration with the permit vendor. NRD has had to manually re-calculate totals and report to the permit vendor the discrepancies with requests to fix it. Delays have and will occur until the software developers determine the issue(s) and fix system errors. NRD has been and is working with Sovereign Sportsman/PayIt Solutions to identify issues and assist developers with correcting permit system errors. These actions include: (1) Purging of duplicate accounts (Merge Case 5) is underway and take additional time as there are over 124,000

records from the old permit system where anglers created multiple accounts. (2) Year-to-year reports have at least one issue that the

developers are working on, and they suggest not using that report until a fix is found. (3) The commission line item for our 1-Day license product had the wrong fund item assigned (EBCI General Fund) but has been corrected. (4) The developer is still digging into the Sales-by-Time Period report to determine where discrepancies are occurring.

(5) The ACH Vendor Report for the month of August was running from Aug-1 through Sept-1, whereas it should have been calculating from Aug-1 through Aug-31. This issue should be fixed, and correct reporting completed on or by Sept-1. (6) Sovereign Sportsman/PayIt Solutions are figuring out what other reports are using this logic and will send report to NRD. (7) Longer-term, they will make sure all reports use the same logic, thereby decreasing and/or eliminating discrepancies.

2. Non-compliance with the Fiscal Management Policy

Response: Agree, Target implementation 10/14/24

Respondent narrative: The travel has since been reconciled (see attachment) in coordination with the current Manager and the Division of Finance and a garnishment will occur for the balance owed.

The gap in management oversight over this action will also be remedied through weekly staff meetings and outlook calendar reminders for reconciliation due dates when travel occurs. The Natural Resources Director has also sent a reminder to all department staff to ensure they are aware of the current travel policy and the serious nature of ensuring reconciliation protocols are followed (see attachment).