

OFFICE OF INTERNAL AUDIT AND ETHICS

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October 16, 2024

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

We conducted an internal control review of the Governmental Affairs Office in accordance with the FY24 annual audit plan. REDW was engaged to conduct the audit.

This review was designed to assess the effectiveness of controls and compliance, and if improvement is needed.

REDW identified 1 observation. The details of this observation with the recommendation can be found in the attached report. Management's response is included as an attachment.

The assistance of the Governmental Affairs Office staff is appreciated. Please do not hesitate to contact our office with questions.

Sincerely,

A handwritten signature in blue ink that reads "SBlankenship".

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

cc: Lori Lambert, Audit and Ethics Committee Chair
Paxton Myers, Chief of Staff
Bill Taylor, Governmental Affairs Liaison

Eastern Band of Cherokee Indians

Governmental Affairs

Internal Audit

September 30, 2024



**Eastern Band of Cherokee Indians
Governmental Affairs
Internal Audit**

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Eastern Band of Cherokee Indians Governmental Affairs Internal Audit

Report

Introduction

We performed the internal audit services described below solely to assist the Eastern Band of Cherokee Indians (EBCI) in assessing the processes and internal controls over the Governmental Affairs Office, with a specific focus on disbursement transactions, reporting, and compliance. Additionally, we evaluated the Tribe's Governmental Affairs policies and procedures, as well as the recordkeeping of documents involved in the Governmental Affairs transaction process.

Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants and the terms of our Professional Services Contract agreement for internal audit services.

Purpose and Objectives

EBCI makes political contributions to supportive state and federal officials, candidates, and causes, collectively termed "political contributions." The Governmental Affairs Office manages these contributions.

Our internal audit focused on assessing the processes and internal controls over the Tribe's Governmental Affairs Office, particularly regarding disbursement transactions, reporting, and compliance, and evaluating the Tribe's Governmental Affairs policies and procedures and the recordkeeping of documents involved in the transaction process.

Observations and Recommendations

As a result of our test work, we identified the following observation:

1. *Policies and Procedures*

Policies and procedures are crucial for ensuring that employees understand department processes and key requirements are performed consistently. While the Governmental Affairs Office had draft versions of its policies and procedures in place, our testing determined that these drafts have not been formalized. Additionally, key items were missing which should be included to ensure transactions are consistently approved, processed, and documented.

Potential Risk – Low: The absence of policies and procedures increases the risk that processes may not be performed consistently. Since the Governmental Affairs Office currently has draft versions of its policies and procedures in place, we have assessed this risk at low.

Recommendation: The Governmental Affairs Office should consider expanding the following areas within the draft policies and procedures:

- roles and responsibilities;
- approval process;
- non-monetary contributions;
- conflict of interest management;
- penalties and consequences for non-compliance; and
- procedures for emergency contributions.

After the updates are complete, the policies and procedures should be formalized through the appropriate approval process and an annual review process should be implemented to identify any process changes that may require updates.

Scope and Procedures Performed

In order to gain an understanding of the process, we interviewed the following personnel:

- Paxton Myers, Chief of Staff
- Bill Taylor, Governmental Affairs Liaison

In order to gain an understanding of the processes and controls in place we read relevant portions of:

- North Carolina General Statutes: Chapter § 120C – Lobbying
- 2 U.S.C. § 1601: Disclosure of Lobbying Activities ('LDA')
- 2 U.S.C. § 1604: Reports by registered lobbyists
- 45 CFR Part 1612 – Restrictions on Lobbying and Certain other Activities
- Strategic Plan: FY2024 – FY2028, E. Tribal Sovereignty/Government
- Governmental Affairs Policies & Procedures Draft Form

We performed the following test work:

Disbursements – We obtained a population of transactions for October 1, 2022 through September 30, 2024. The total number of transactions for fiscal year 2023 was 114, and REDW sampled 5 of these. For fiscal year 2024, there were 177 transactions, and REDW sampled 15, for a total of 20 samples from the population. We tested to determine:

- Whether the expense aligns with and/or is included in the approved EBCI strategic plan;
- The payment was properly supported by an invoice, purchase order, flyer, etc.;
- Amount paid agreed to supporting documents and canceled check;
- Payment was properly reviewed and approved by Chief of Staff or designee; and
- Payment was allowed under the Lobbying Disclosure Act (LDA) and/or North Carolina General Statutes.

Reporting – We obtained three state quarterly reports submitted by lobbyists and two federal quarterly reports submitted by lobbyists, and tested to determine:

- Federal Requirements:
 - Report was submitted within 20 business days after the end of each calendar quarter according to 2 U.S.C. § 1604(a);
 - The contents appeared complete (e.g., all signatures, all required content is filled out on the reports); and
 - The contents included names of lobbyists engaged on behalf of EBCI.
- State Requirements:
 - Report was submitted within 15 business days after the end of each calendar quarter according to NC General Statutes § 120C-401(a);
 - The contents appeared complete (e.g., all signatures, all required content is filled out on the reports); and
 - The contents included names of lobbyists engaged on behalf of EBCI.

Policies and Procedures – We obtained the draft policies and procedures for the Governmental Affairs Office. We reviewed the policies and procedures to determine:

- The policy and procedures were complete and included all relevant areas.
- The policy included applicable Cherokee code, regulations, and standards.

* * * * *

We discussed and resolved minor observations with management and received cooperation and assistance from the EBCI Governmental Affairs Office during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
September 30, 2024

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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
Paxton Myers, Chief of Staff
Bill Taylor, Governmental Affairs Liaison

DATE: October 16, 2024

RE: Responses to Report 24-014 – Governmental Affairs Audit Report

The 1 observation and recommendation identified in the Governmental Affairs audit report 24-014 were distributed to and responses prepared. The responses as provided are stated below. The original response forms are on file with this office.

1. Policies and Procedures

Response: Agree, Target implementation 11/29/24

Respondent narrative: “Will work directly with our Attorney General to get policies drafted and approved.”