

# OFFICE OF INTERNAL AUDIT AND ETHICS

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October 22, 2024

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

We reviewed the supply inventory held by Tribal Construction in accordance with the FY24 annual audit plan.

We reviewed the inventory reports and financial transactions for the period ending September 30, 2024, and conducted a test count. The inventory report shows a total cost on hand of 439,559.77, an increase of \$10,393.58 (2%) over the prior year.

The current general ledger shows an inventory balance of \$372,181.15. An adjusting entry of \$67,378.02 is needed to increase the inventory balance to \$439,559.77 for the period ending September 30, 2024

The following audit issue is updated and remains open: (1) Inventory management is ineffective.

The detail of this observation can be found on the next page.

Please contact our office with questions regarding this report.

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  
Anthony Sequoyah, Secretary of Operations  
Jeremy Watkins, Tribal Construction Manager

**OBSERVATION AND RECOMMENDATION:**

**1. Inventory management is ineffective.**

Inventory counts throughout the fiscal year resulted in adjustments with an absolute value of \$21,540.08. 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 adjustments would be reasonable, adjustments may indicate inventory is not being billed or received properly. Management must ensure the movement of inventory is monitored and controlled at all times. Inventory items must be receipted or issued through the inventory management system upon entry or removal from the inventory area. Management should also adhere to the “Tribal Construction Inventory Reconciliation” plan dated October 18, 2019.