

TABLED

CHEROKEE COUNCIL HOUSE
CHEROKEE, NORTH CAROLINA

Date: NOV 07 2024

ORDINANCE NO.: 332 (2024)

An ordinance amending Chapter 117, Article V., Division 1, Office of Internal Audit and Ethics

WHEREAS, Cherokee Code Chapter 117, Article V., Division 1 established the Office of Internal Audit and Ethics and the Audit and Ethics Committee; and

WHEREAS, the Audit and Ethics Committee is proposing changes to Chapter 117, Article V., Division 1 to align with the new Global Internal Auditing Standards published by the Institute of Internal Auditors.

NOW THEREFORE BE IT ORDAINED, by the Tribal Council of the Eastern Band of Cherokee Indians, in Council assembled at which a quorum is present, that Cherokee Code Chapter 117, Article V., Division 1 shall be amended as follows:

Sec. 117-100. Introduction.

This article establishes the role and responsibilities of the Office of Internal Audit and Ethics within the Eastern Band of Cherokee Indians.

Sec. 117-101. Objectives Purpose.

The Eastern Band of Cherokee Indians (Tribe) supports the Office of Internal Audit and Ethics as an independent appraisal function to examine and evaluate Tribal activities as a service to executive management and the Audit and Ethics Committee including:

- (1) Internal Auditing Services - to provide independent, objective assurance and consulting services designed to add value and improve the Tribe's operations. Helps the Tribe accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. to strengthen the Tribe's ability to create, protect, and sustain value by providing the Audit and Ethics Committee, leadership, and management with independent, risk-based, and objective assurance, advice, insight, and foresight. Internal auditing enhances the organization's: successful achievement of its objectives; governance, risk management, and control processes; decision-making and oversight; reputation and credibility with its stakeholders; and ability to serve the public interest.

- 1 (2) Ethics Compliance - to establish, promote, regulate and enforce minimal standards of
2 ethical conduct binding upon all Tribal Officials. Helps to instill public confidence and
3 trust by maintaining and ensuring the highest ethical standards of conduct are practiced
4 by Tribal Officials; and promoting greater awareness of the purpose and function of
5 ethical guidelines in Tribal governance among both Tribal Officials and the Tribe as a
6 whole.
7

8 To this end, the Office of Internal Audit and Ethics will furnish analyses, recommendations,
9 advisories, and information concerning activities examined.
10

11 **Sec. 117-102. Authorization and independence.**
12

- 13 (a) The Office of Internal Audit and Ethics has the authority to audit all parts of the Tribal
14 government and may with the approval of the Audit Committee, audit component units and
15 enterprises of the Tribe. The Office of Internal Audit and Ethics, with strict accountability for
16 confidentiality and safeguarding records and information, shall have full, free, and
17 unrestricted access to any and all records, physical properties, and personnel relevant to the
18 performance of an audit or investigation. Documents and information given to internal
19 auditors and ethics officers will be handled in the same prudent manner as by those
20 employees normally accountable for them. All employees and Tribal Officials are required to
21 assist the Office of Internal Audit and Ethics in fulfilling its roles and responsibilities.
- 22 (b) The Office of Internal Audit and Ethics will remain free from interference by any element in
23 the Tribe, including matters of audit or investigation selection, scope, procedures, frequency,
24 timing or report content to permit maintenance of a necessary independent and objective
25 mental attitude. The Office of Internal Audit and Ethics will have no direct responsibility or
26 authority for any of the activities or operations they review. They should not develop and
27 install procedures, prepare records, or engage in activities that would normally be reviewed
28 by Office of Internal Audit. Internal auditors and ethics officers will exhibit the highest level of
29 professional objectivity in gathering, evaluating, and communicating information about the
30 activity or process being examined.

31
32 **Sec. 117-103. Scope of work.**
33

- 34 (a) The Office of Internal Audit and Ethics shall perform examinations and evaluations of the
35 adequacy and effectiveness of the Tribe's governance, risk management, and internal
36 controls as well as the quality of performance in carrying out assigned responsibilities.
37 Examinations and evaluations may include, but are not limited to, internal control reviews,
38 operational audits, financial audits, inventory audits, cash counts, and compliance audits,
39 and ethics violations. The Office of Internal Audit and Ethics may also perform consulting
40 advisory services including but not limited to facilitation, process design, and training and
41 advisory services. The Office of Internal Audit and Ethics shall also oversee the compliance

1 hotline. The Office of Internal Audit and Ethics' authority shall extend to all entities under the
2 infrastructure of the Tribe.

3 ~~(b) The primary objectives of internal control are to ensure:~~

4 ~~(1) The reliability and integrity of information.~~

5 ~~(2) Compliance with policies, plans, procedures, laws and regulations.~~

6 ~~(3) The safeguarding of assets.~~

7 ~~(4) The economical and efficient use of resources.~~

8 ~~(5) The accomplishment of established objectives and goals for operations and programs.~~

9 (e**b**) Involvement of the Office of Internal Audit and Ethics in activities such as:

10 (1) Fraud investigations;

11 (2) Corruption evaluation; and

12 (3) Ethics investigations;

13 is subject to consultation with, and approval by, the Audit and Ethics Committee or designated
14 subcommittee, in each case. If circumstances warrant, the Audit and Ethics Committee may grant
15 the Office of Internal Audit and Ethics authority to perform the activities described in this
16 subsection. If appropriate the Executive Committee will be notified before an investigation
17 commences.

18
19 **Sec. 117-104. Organization.**

20
21 (a) The Chief Audit and Ethics Executive reports administratively to the Executive Committee
22 (Principal Chief and Vice Chief) and functionally to the Audit and Ethics Committee. The Audit
23 and Ethics Committee must concur in the appointment or removal of the Chief Audit and
24 Ethics Executive.

25 (b) Annually, the Chief Audit and Ethics Executive will submit to the Executive Committee and
26 Audit and Ethics Committee, a written report on the internal audit function and ethics
27 compliance activity during the preceding fiscal year, including confirmation of organizational
28 independence and conformance with applicable standards. The Chief Audit and Ethics
29 Executive shall also make an oral report to the Audit and Ethics Committee quarterly.

30 (c) The Chief Audit and Ethics Executive will communicate and interact directly with the Audit
31 and Ethics Committee, including in executive sessions and between meetings as appropriate.
32 In addition, if the circumstances ever warrant action against the Executive Committee, the
33 Chief Audit and Ethics Executive may communicate exclusively with the Audit and Ethics
34 Committee.

35
36 **Sec. 117-105. Responsibility of Chief Audit and Ethics Executive.**

37
38 The Chief Audit and Ethics Executive is responsible for properly managing the Office so that:

- 1 (1) Activities fulfill the purposes and responsibilities approved by the Audit and Ethics
2 Committee.
- 3 (2) Resources of the Office of Internal Audit and Ethics are efficiently and effectively
4 employed.
- 5 (3) The internal audit function ~~Audit work~~ conforms to ~~with~~ The Institute of Internal
6 Auditors' mandatory guidance including the Core Principles, the Definition of Internal
7 Auditing, the Code of Ethics, and the International Standards for the Professional
8 Practice of Internal Auditing the Institute of Internal Auditors' International Practices
9 Framework, which are the Global Internal Audit Standards and Topical Requirements.
10 This mandatory guidance constitutes the fundamental requirements for the
11 professional practice of internal auditing and the principles against which to evaluate
12 the effectiveness of the internal audit activity's performance.
- 13 (4) Staff understand, respect, meet and contribute to the legitimate and ethical
14 expectations of the Tribe and are able to recognize conduct that is contrary to those
15 expectations; encourage and promote an ethics-based culture; and report behavior that
16 is inconsistent with the Tribe's ethical expectations, as described in applicable policies
17 and procedures.
- 18 (5) The Office remains free from all conditions that threaten the ability of staff to carry out
19 responsibilities in an unbiased manner and will disclose any impairment to appropriate
20 parties.
- 21 (4)(6) A quality assurance and improvement program is ~~maintained~~ developed,
22 implemented, and maintained in conformance with the Global Internal Audit Standards.

23 **Sec. 117-106. Assessments and annual audit plan.**

- 24 (a) *Identifying risk.* Annually, the Office of Internal Audit and Ethics shall identify areas of
25 potential risk to the Tribe by performing assessments of its auditable divisions, programs,
26 entities and organizations. Areas of potential risk may arise from fraud, federal regulatory
27 changes and follow-up reviews. It is the policy of the Office of Internal Audit and Ethics to
28 address these risks by allocating its audit resources to all Tribal divisions, programs, entities
29 and organizations, as deemed appropriate by the Audit and Ethics Committee and the Chief
30 Audit and Ethics Executive.
- 31 (b) *Audit plan and requests.* On or before June 30 of each year, the Office of Internal Audit and
32 Ethics shall develop a written Annual Audit Plan. The plan shall be based on careful
33 consideration of risks and needs identified pursuant to subsection (a). The plan shall include
34 a schedule of audits and other actions to be performed during the next succeeding 12-month
35 period. The plan shall be presented to the Audit and Ethics Committee and executive
36 management for discussion, ~~and~~ Upon approval by the Audit and Ethics Committee, the plan
37 shall serve as the official schedule of actions for the Office of Internal Audit and Ethics for the
38 subject year. Special requests for additional audits, investigations and actions may be
39 presented by the Executive Committee, Tribal Council, and Tribal divisions, programs,

1 entities, organizations and individual persons. However, special requests shall not become
2 assignments of the Office of Internal Audit and Ethics requiring deviation from the Annual
3 Audit Plan except upon approval by the Chief Audit and Ethics Executive and concurrence of
4 the Audit and Ethics Committee. Any significant deviation from the approved internal audit
5 plan will be communicated to the Audit and Ethics Committee through periodic activity
6 reports.

- 7 (c) *Hotline reporting.* Any party wishing to report fraud, waste, abuse, or ethics violations against
8 the Tribe may use a dedicated hotline established for this purpose. Requests for audits or
9 investigations may be communicated from any interested party via this hotline. Projects
10 involving potential fraud and those considered to be of "high risk" will receive priority. This
11 hotline will be operated by a third-party administrator and funded by the Office of Internal
12 Audit and Ethics.

13
14 **Sec. 117-107. Reports.**

15
16 (a) *Audit reports.*

- 17 (1) A written report shall be prepared and issued by the Chief Audit and Ethics Executive or
18 designee following the conclusion of each audit. The report will be addressed to
19 appropriate management. Copies of the report will be distributed to the Principal Chief,
20 Vice Chief, Tribal Council, and appropriate management. The appropriate director
21 and/or manager of the division, program or entity receiving the report shall respond to
22 the Office of Internal Audit and Ethics indicating within ~~30~~ 15 days what actions were
23 taken or will be taken in response to specific report findings and recommendations.
- 24 (2) The director and/or manager receiving the report shall monitor to determine whether
25 progress is made toward correcting any unsatisfactory conditions. When requested the
26 director and/or manager shall provide to the Office of Internal Audit and Ethics a report
27 on the status of corrective actions. The Office of Internal Audit and Ethics shall
28 determine whether the action taken is adequate to resolve audit findings.
- 29 (3) If the action is not adequate, the Office of Internal Audit and Ethics will inform the
30 Executive Committee of the potential risk and exposure in allowing the unsatisfactory
31 conditions to continue. The Audit and Ethics Committee will be informed if the Executive
32 Committee is the audited party. If appropriate action is not taken within an acceptable
33 timeframe, the Audit and Ethics Committee will be informed and allowed to exercise
34 their authority as stated in section 117-109(13).

35 (b) *Investigative reports.*

- 36 (1) A written report shall be prepared and issued by the Chief Audit and Ethics Executive or
37 designee following the conclusion of each investigation.

38 (c) *Public records.*

- 39 (1) Completed and final audit reports and investigative reports issued by the Office of
40 Internal Audit and Ethics as provided in subsections (a) and (b) shall be considered

1 public records as defined in C.C. § 132-4(d) and shall be subject to disclosure following
2 this procedure:

- 3 (i) The reports described in paragraph (1) shall be provided to the Attorney General or his
4 designee and to the office of Tribal Prosecutor within three business days following the
5 date issued by the Office of Internal Audit and Ethics.
- 6 (ii) Within five business days after receiving such a report, the Attorney General or his
7 designee, and the lead Tribal prosecutor or his designee, shall advise the Office of
8 Internal Audit and Ethics as to whether any information in the report should be
9 redacted pursuant to Chapter 132-11 or to protect a potential investigation by those
10 offices.
- 11 (iii) Within three business days after the expiration of the review and redaction period
12 described in subparagraph (ii), the Office of Internal Audit and Ethics shall make the
13 redacted report (if redactions were deemed necessary by that office) available to the
14 public by providing a copy of the redacted report to the Cherokee One Feather.

15
16 **Sec. 117-108. Liaison with external auditors.**

17
18 The Chief Audit and Ethics Executive shall, as necessary, communicate with the independent
19 CPA firm hired by the Tribe as external auditors to:

- 20 (1) Foster a cooperative working relationship;
21 (2) Reduce the incidence of duplication of effort;
22 (3) Ensure appropriate sharing of information; and
23 (4) Ensure optimal audit coverage.

24 The Chief Audit and Ethics Executive shall make available to the external auditors all working
25 papers, programs, and reports, as requested.

26
27 **Sec. 117-109. Audit and Ethics Committee.**

28
29 The Audit and Ethics Committee is established to assist with the oversight responsibilities for
30 the financial reporting process, the system of internal control, the audit process and the Tribe's
31 process for monitoring compliance with laws and regulations and the code of ethics. The duties
32 and functions of the Audit and Ethics Committee shall be as follows:

- 33 (1) The Audit and Ethics Committee shall meet as a Committee at least quarterly;
34 (2) The Committee shall meet with Tribal Council at least one time annually to present the
35 Internal Audit and Ethics-activity report and Audit and Ethics Committee actions for the
36 preceding fiscal year;
37 (3) The Audit and Ethics Committee shall ensure on behalf of the Eastern Band of Cherokee
38 Indians that:

- 39 a. Adequate systems of internal control operate within the Tribal Government;

1 b. Adequate attention is paid by internal audit to analysis of efficiency of Tribal
2 operations.

3 (4) In particular that includes, but is not restricted to:

4 a. Internal Audit and Ethics.

- 5 1. Review the Internal Audit and Ethics reports of audits and reviews that are
6 undertaken.
- 7 2. Review the extent to which Internal Audit and Ethics recommendations are
8 implemented and the timeliness of responses received.
- 9 3. Approve the Annual Audit Plan and all major changes presented by the Chief Audit
10 and Ethics Executive.
- 11 4. Based on the Annual Audit Plan, review the Tribe's internal audit and ethics staffing
12 level and ~~other audit and ethics~~ resources required.
- 13 5. Review internal audit and ethics performance and effectiveness to ensure
14 consistency with the approved plans, this division, and relevant professional
15 standards.
- 16 6. Review the performance of the Chief Audit and Ethics Executive and concur with the
17 annual compensation and salary adjustment.

18 b. Reporting.

- 19 1. Review the annual financial statements, receiving explanations for significant
20 variations from the prior year and from budget and refer issues to Tribal Council as
21 necessary.
- 22 2. Review management's corrective action plans submitted to the Executive
23 Committee and the Office of Internal Audit and Ethics as a result of audit findings.
- 24 3. Review the Management Representation Letter and seek guidance on any unusual
25 representations in the current year and changes in representations from the
26 previous year.
- 27 4. Review compliance with statutory requirements for financial reporting.

28 c. Other.

- 29 1. In closed session, review as necessary any legal matters arising from the Tribe's
30 financial operations.
- 31 2. Recommend such investigations or reviews relevant to its role as it sees fit.

32 (5) The Audit and Ethics Committee shall be comprised of:

33 a. Five voting members.

- 34 1. One member of an independent CPA firm selected by the Tribal Council.

- 1 2. One community member not employed by the Tribe or its component units or its
2 enterprises, selected by the Tribal Council;
- 3 3. Two additional persons selected by the Executive Committee from nominations
4 sent by all component units or enterprises of the Tribe.
- 5 4. One industry expert not employed by the Tribe or its component units or its
6 enterprises selected by the other members of the Audit and Ethics Committee.
- 7 b. Non-voting participants.
- 8 1. Representative of the independent CPA firm contracted by the Tribe and its entities
9 for their respective annual audits (by invitation of the Executive Committee);
- 10 2. Tribal Attorney General or his/her nominee;
- 11 3. Secretary of Treasury or his/her nominee;
- 12 4. The Internal Audit and Ethics Administrative Assistant shall serve as Committee
13 Secretary and Treasurer;
- 14 5. Legislative Council/TOP Director or their nominee;
- 15 6. The Internal Audit and Ethics Administrative Assistant shall serve as Committee
16 Secretary and Treasurer.
- 17 (6) Voting participants shall serve staggered terms, as follows: the independent CPA
18 member appointed by the Tribal Council shall serve an initial term of one year; the
19 community member selected by Tribal Council shall serve an initial term of two years;
20 and the two additional persons selected by the Executive Committee and approved by
21 Tribal Council from component units or enterprises of the Tribe shall serve initial terms
22 of three years. The industry expert selected by the other members of the Audit and
23 Ethics Committee shall serve an initial term of four years. After initial term, the
24 respective participants shall serve terms of four years.
- 25 (7) Audit and Ethics Committee members shall be identified in a resolution and those
26 requiring approval shall be approved by resolution presented to Tribal Council by the
27 chief audit executive.
- 28 (8) Three voting members of the Audit and Ethics Committee shall constitute a quorum,
- 29 (9) The Chairperson shall be selected by majority vote of Audit and Ethics Committee
30 members, as the first order of business if no Chair is in place,
- 31 (10) The Audit and Ethics Committee Chairman shall not vote, unless there is a tie.
- 32 (11) Each member not currently receiving wages reported on a W-2 by the Tribe or its
33 component units or enterprises shall be paid a per diem at a rate annually proposed by
34 the Chief Audit and Ethics Executive and approved by the Audit and Ethics Committee.
- 35 (12) Each member of the Audit and Ethics Committee shall pledge, via oath or affirmation,
36 his/her commitment to the principles in subsection (3) of this section; to keep
37 information learned through committee membership in strict confidentiality; to disclose
38 all material conflicts of interest he/she may have with respect to issues that arise in

1 committee discussion and work; to abstain from voting on any question in which he/she
2 has a conflict of interest.

3 (13) The Committee shall have the authority and obligation to notify the governing agency or
4 body with jurisdiction over any audited program that does not take corrective action
5 during the time specified in its action plan. Specifically these agencies/bodies include:

- 6 a. Tribal Council and Executive Committee, Eastern Band of Cherokee Indians;
- 7 b. Office of the Inspector General, U.S. Department of the Interior;
- 8 c. Office of Audit and Evaluation, U.S. Bureau of Indian Affairs;
- 9 d. Office of the Comptroller General, U.S. General Accounting Office; and
- 10 e. Federal Bureau of Investigation, U.S. Department of Justice.

11
12 **Sec. 117-110. Policies and procedures.**
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- 14 (a) Policies and procedures shall be established by the Chief Audit and Ethics Executive and
15 approved by the Audit and Ethics Committee as to matters beyond the scope of this division.
- 16 (b) The Audit and Ethics Committee may adopt by-laws, provided that such by-laws shall not
17 contain provisions inconsistent with or in violation of Code Sections 117-100—117-112 and
18 applicable law.

19
20 **Sec. 117-111. Amendment.**
21

22 Proposed amendments to this part 1 of article V shall be submitted to the Audit and Ethics
23 Committee for review before being presented to Tribal Council.
24

25 **Sec. 117-112. Access to Confidential Information**

26 The Office of Internal Audit and Ethics shall have access to and may use confidential
27 information if the information is necessary for the performance of its official duties, regardless of
28 restrictions on access and use of confidential information imposed elsewhere in the Cherokee
29 Code or in the rules, procedures, guidelines or other directives written by the Tribe or its
30 component units and enterprises. When exercising its right to access and use confidential
31 information the Office of Internal Audit and Ethics shall take all steps reasonable and necessary to
32 maintain the confidentiality of the information and protect it from unauthorized access or
33 disclosure.
34

35 **BE IT FINALLY ORDAINED** that all ordinances that are inconsistent with this ordinance are
36 rescinded, and that this ordinance shall become effective when ratified by the Principal Chief.
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40 *Submitted by Sharon Blankenship, Office of Internal Audit and Ethics, on behalf of the Audit and*
41 *Ethics Committee.*