

OFFICE OF INTERNAL AUDIT AND ETHICS

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December 16, 2024

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

We conducted an internal control review of Juvenile Services in accordance with the FY25 annual audit plan.

An internal control review is designed to assess the effectiveness of controls and if improvement is needed.

There are opportunities for improvement in Juvenile Services' internal controls. We identified 2 observations. The details of these observations along with recommendations can be found in the attached report. Management's response is included as an attachment.

The assistance of the Juvenile Services 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
Sonya Wachacha, Secretary of Public Health and Human Services
Anita Lossiah, Human Services Director
Clarence Jackson, Juvenile Services Manager

OFFICE OF INTERNAL AUDIT AND ETHICS

Juvenile Services

Public Health and Human Services

Internal Control Review (25-002)

December 16, 2024



BACKGROUND

The Juvenile Services program is part of the Human Services section of the Public Health and Human Services Division. Established in Section 7a-1 of the Cherokee Code, the Juvenile Code provides purpose for the Juvenile Services program. This purpose is reflected in Juvenile Services mission statement, “to reduce juvenile delinquency by providing services that educate, offer therapeutic interventions, and engage families, all while maintaining public safety.”

A breakdown of Juvenile Services financials is shown in the table below.

	FY23		FY24	
	Budget	Actual	Budget	Actual ¹
Revenue				
Gaming	\$ 442,382.00	\$ 339,998.41	\$ 461,486.00	\$ 366,780.47
Grants	\$ 213,262.00	\$ 75,976.00	\$ 137,286.00	\$ 75,976.00
Total Revenue	\$ 655,644.00	\$ 415,974.41	\$ 598,772.00	\$ 442,756.47
Expenditures				
Salaries & Related	\$ 288,252.00	\$ 246,949.48	\$ 280,532.00	\$ 210,275.82
Operational	\$ 367,392.00	\$ 169,024.93	\$ 318,240.00	\$ 232,480.65
Total Expenditures	\$ 655,644.00	\$ 415,974.41	\$ 598,772.00	\$ 442,756.47
Excess/(Deficit)	\$ -	\$ -	\$ -	\$ -

1 unaudited

OBJECTIVES & SCOPE

The audit objectives were to obtain an understanding of key processes within the program, to evaluate the adequacy of internal controls and to identify opportunities for process improvements.

The scope of the audit included a review of financial and operational information, for the period October 1, 2022, through October 22, 2024.

CONCLUSION

There are opportunities for improvement in Juvenile Services’ internal controls. The following issues were identified:

1. Standard operating procedures could be more comprehensive.
2. Procurement practices need improvement.
 - a. *Payments are not made timely.*
 - b. *A payment was made to the wrong vendor.*

The details of these findings are on the following pages. The cooperation and assistance of the Juvenile Services’ staff is acknowledged and appreciated.

OBSERVATIONS AND RECOMMENDATIONS

1. Standard operating procedures could be more comprehensive.

Juvenile Services does have standard operating procedures that address their operations; however, there are other areas that should be included to further address expectations and staff responsibilities. Standard operating procedures help employees by providing instructions on how to carry out any given process. A lack of comprehensive standard operating procedures can increase the risk of ineffective and inefficient processes and operations.

It is recommended that management review standard operating procedures and update them to include administrative processes for consistency and uniformity.

2. Procurement practice needs improvement.

a. Payments are not made timely.

Of the 20 purchases tested, 9 (45%) were not paid within 30 days of the invoice date. Management is allowing payments to be made late which could increase financial, legal and reputational risk to the Tribe.

It is recommended that management ensure that payments are made timely.

b. A payment was made to the wrong vendor.

Juvenile Services issued a payment of \$478.60 to Cherokee Water and Sewer for a Cherokee Bottled Water statement. The payment posted to the utilities line item. The Tribal Fiscal Management Policy Section 600 dictates the accounts payable process. This payment was processed out of compliance with the Tribal Fiscal Management Policy which can lead to fraud, waste, and abuse.

It is recommended that management ensure the thorough review of information prior to approving payments to prevent errors, ensure accurate financial statements, and to comply with Tribal rules, regulations, and laws.

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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
Sonya Wachacha, Secretary of Public Health and Human Services
Anita Lossiah, Human Services Director
Clarence Jackson, Juvenile Services Manager

DATE: December 16, 2024

RE: Responses to Report 25-002 – Juvenile Services Audit Report

The 2 observation and recommendation identified in the Juvenile Services audit report 25-002 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. **Standard operating procedures could be more comprehensive.**

Response: Agree, Target implementation 2/10/25

Respondent narrative: “We will meet with the Regulatory and Compliance team to create a plan to address concerns and will meet weekly if need be. We will revise and/or update current policies and procedures to include recommendations and objectives from internal audit.”

2. **Procurement practice needs improvement.**

- a. **Payments are not made timely.**
- b. **A payment was made to the wrong vendor.**

Response: Agree, Target implementation 2/10/25

Respondent narrative: “A new budgeting system will be implemented with one day (Monday) specifically dedicated to billing and invoicing.”