

OFFICE OF INTERNAL AUDIT AND ETHICS

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June 4, 2025

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

The Office of Internal Audit and Ethics conducted a follow up review on the Fixed and Sensitive Assets audit report 25-003, dated February 18, 2025. The purpose of the follow up is to determine the status of the recommendations. The status is reported by management with one of the following categories:

- **Implemented** – adequately addressed by implementing corrective action that is in place and functioning
- **Partially Implemented** – initiated with 50% or more progress
- **Started** – initiated with less than 50% progress
- **Not Implemented** – no action taken or started
- **Withdrawn** – no longer exist because of changes in processes or the risk is accepted by management and approved by the Audit and Ethics Committee

Limited audit work was performed on select findings to verify management's assertion. If it could not be verified, the status was adjusted accordingly. The reported status of the **3** recommendations is as follows: **2 (67%) Partially Implemented and 1 (33%) Started**. The details of this follow up review can be found in the attached audit report summary.

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

Sincerely,

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

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

cc: Lori Lambert, Audit and Ethics Committee Chair
Brandi Claxton, Interim Secretary of Treasury
Leigh-Ann Jackson, Financial Analysis Manager



Fixed Assets and Sensitive Assets (25-003)
Compliance
February 18, 2025 Follow Up Date: June 4, 2025

Background and Scope:

The EBCI Office of Budget & Finance has primary responsibility for ensuring EBCI assets are properly managed and controlled, as well as efficiently used and protected from loss and damage via the Fixed Assets team. As of October 2024, EBCI had approximately 3,000 tagged capital assets, including facilities, with an approximate value of \$402 million as of October 2024.

This audit focused on assessing the processes and internal controls over fixed assets, particularly regarding capital requests, annual capital asset inventory, transfers, disposals, and non-capitalized/sensitive assets. Additionally, we evaluated the Tribe's fiscal management policies and procedures over these areas. The review included the period ending September 30, 2024.

Overall Conclusion:

REDW made 3 observations and offered 2 process improvements regarding internal controls for fixed assets and sensitive assets.

Initial Follow Up:

			<i>Implemented</i>
2	67%		<i>Partially Implemented</i>
1	33%		<i>Started</i>
			<i>Not Implemented</i>
			<i>Withdrawn</i>
3	100%		Open Observations

Number by Risk	1	2	0
Risk Rating	High	Medium	Low

Observation	Recommendation	Management Response	Risk	Implementation Status	Percent (%) Complete	Explanation
Non-Capitalized and Sensitive Assets - oversight needs improvement to ensure assets are properly safeguarded.	Assign and document responsibility to one or more specific individuals in each Program over non-capitalized and sensitive assets and periodically review the list to ensure any necessary changes to assignments are captured. Policy requirements should be disseminated at least annually to those assigned responsibility over non-capitalized/sensitive assets to ensure they are aware of the requirements.	Agree. "More information regarding non-capitalized/sensitive assets will be shared with programs as well as requirements to create a non-capital/sensitive asset listing. This list will also be required to be submitted to the Office of Budget & Finance at least annually. A list of appropriate personnel will be created to ensure lists are maintained at the program level." Target implementation 6/1/25	High	Started	<50%	"Personnel for programs are being selected and information on requirements is being determined. Currently removing assets that no longer need to be capitalized due to the capitalization threshold being increased in previous years to determine if any of the assets being removed may need to be deemed sensitive prior to proceeding. Doing so will provide programs with a good starting point for their noncapital sensitive asset lists." Next steps: "Complete personnel selection, provide requirements to programs and set submission deadlines." Target implementation 7/31/25
Capital Asset Inventory - while EBCI policy establishes that capital asset inventory must occur once annually, it does not establish when annual inventory procedures are to occur at the department level or when the Office of Budget & Finance performs their procedures	Evaluate the capital asset inventory policy and procedure to identify areas to enhance clarity and effectiveness. Inventory listings should be sent to the programs prior to or at the close of the fiscal year to initiate the annual inventory and physical count process earlier. Initiating this process sooner can help ensure that subsequent activities, such as the annual inventory reconciliation, can be performed more timely.	Agree. "Capital asset inventory policy and procedure will be evaluated and updated as needed to provide clarify and improve effectiveness." Target implementation 6/1/25	Medium	Partially Implemented	>50%	"In the process of reviewing capital asset policy for needed updates. Updating submission deadlines for annual inventory to provide more time to clear up issues prior to year end." Next steps: "Complete policy updates and ensure annual inventory lists are submitted and all follow up completed prior to year end." Target implementation 9/30/25
Fixed Asset Listings - the manual is silent on when fixed assets should be added/removed from the fixed asset listing to ensure asset listings and records are accurate and updated in a timely manner, as well as who is responsible for updating the listings. In addition, our testing determined assets are not being recorded or updated in Munis in a timely manner.	Develop standardized procedures for timely recording of asset acquisitions, disposals, and transfers to ensure fixed asset listings are updated timely throughout the fiscal year. Such procedures should be integrated into the EBCI Fiscal Management Policy Manual. Specific personnel to be responsible for entering asset data at the time of acquisition, disposal, or transfer should be identified, and roles and responsibilities should be documented in policy to ensure accountability within the asset management processes	Agree. "Current procedures will be evaluated and updated as needed to provide clear deadlines for asset acquisitions, disposals, and transfers to ensure timely recording in Munis." Target implementation 6/1/25	Medium	Partially Implemented	>50%	"Procedures are being reviewed and update to ensure more timely recording of asset transactions. Changes in audit reporting have also helped alleviate the issues we previously had with timely updating of asset records." Next steps: "Complete procedure updates as needed." Target implementation 9/30/25