

# OFFICE OF INTERNAL AUDIT AND ETHICS

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July 31, 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 Water and Sewer audit report 25-004, dated May 13, 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- **Withdrawn** – no longer exist because of changes in processes or the risk is accepted by management and approved by the Audit and Ethics Committee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 **8** recommendations is as follows: **3 (38%) Partially Implemented, 3 (38%) Started, and 2 (25%) Not Implemented**. The details of this follow up review can be found in the attached audit report summary.

The assistance of the Water and Sewer 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, IAP, CFE, LPEC  
Chief Audit and Ethics Executive

cc: Lori Lambert, Audit and Ethics Committee Chair  
Anthony Sequoyah, Secretary of Operations  
Chris Ledford, Interim Water and Sewer Manager



Water and Sewer (25-004)  
Internal Control Review  
May 13, 2025      Follow Up Date: 7/31/25

Background and Scope:

The EBCI Water and Sewer Department has primary responsibility for proving water and sewer services to enrolled members within a five-county service area. As of March 2024, EBCI had approximately 2,700 water service account holders. The department is responsible for ensuring timely and accurate billing for water utility services as well as various commercial inspections to ensure health and human safety.

This review focused on assessing various processes and internal controls at the Water and Sewer Department to ensure compliance with applicable sections of the Cherokee Code and the EBCI’s Fiscal Management Policies.

The period under review was January 1, 2024 through January 27, 2025.

Overall Conclusion:

There were **8** observations of opportunities for improvement in internal controls.

Initial Follow Up:

		<i>Implemented</i>
3	38%	<i>Partially Implemented</i>
3	38%	<i>Started</i>
2	25%	<i>Not Implemented</i>
		<i>Withdrawn</i>

**8      100%      Open Observations**



Observation	Recommendation	Management Response	Risk	Implementation Status	Percent (%) Complete	Explanation
<b>Commercial Inspections</b> - not completed since July 2024.	Implement a systematic approach for inspections to ensure they are completed timely. This should include a more robust tracking mechanism to ensure due dates for inspections (including any required follow up inspections) can be tracked easier. In the event of non-compliance, the department should establish procedures for how notification and penalties will be handled.	<b>Agree.</b> Response narrative: "We would like to have a work session with the Office of Attorney General to assess fees and penalties. Since the audit was initiated, we have been utilizing an app, FOGBMP. We need to make modifications to the Cherokee Code and the Article * section 145-48 through 58 and ordinance 129 exhibit A." <b>Target Implementation date 8/4/25</b>	High	Partially Implemented	>50%	"Since the audit was initiated, we have been utilizing an app, FOGBMP, a Fats, Oils, and Grease Cloud Based Management Platform. We have been doing monthly inspections as they are due." Next steps: "Increase efforts to establish procedures for how notification and penalties will be handled." <b>Target date 12/31/25</b>
<b>Inventory Management Internal Controls</b> - periodic inventory reconciliations are not performed.	Establish a periodic inventory reconciliation protocol with regular spot audits for warehouse and truck inventories. In addition, technicians should be trained on the importance of ensuring inventory is properly signed out and documented on the work orders to help facilitate complete and accurate reconciliations	<b>Agree.</b> Response narrative: "Purchase or create inventory software to track and reconcile material used. It also needs to be integrated with our work order management. We are going to reprimand field workers if they do not sign out inventory. The inventory specialist will reconcile with field workers each day and after weekends. He will also perform monthly random inventory counts." <b>Target Implementation date 8/4/25</b>	Medium	Partially Implemented	>50%	"We have been doing random spot counts. We follow up daily with employees to reconcile used inventory. The department has been working with the IT Department to develop an inventory system." Next steps: "We will continue to work with IT to develop an inventory management system. The Operations Division is also trying to combine all inventory with the Tribal Construction, Cherokee DOT, and Water & Sewer into one centralized department." <b>Target date 12/31/25</b>
<b>Billing Review Processes</b> - no policies and procedures in place to ensure timely and consistent billing reviews,	Expand policies and procedures to include more specific steps on how the billing review process will be performed. Areas to include should ensure how billing dates will be validated to ensure they are accurately captured from the end of the previous period to the next.	<b>Agree.</b> Response narrative: "Create a step-by-step SOP on monthly billing process. Changing the Bill dates to align with the monthly reading dates will be implemented. Policies and procedures will be evaluated bi-annually and amended if changes should be needed." <b>Target Implementation date 8/1/25</b>	Medium	Started	<50%	"We've been working on putting policies and procedures in place. We've also been working on SOP's for reference of documentation." Next steps: "Finish department SOP's and have on hand to generate a policy and procedures manual for the department." <b>Target date 12/31/25</b>
<b>Past Due Accounts</b> - unable to determine if shut-offs and late fees are properly applied.	Reiterate the importance of timely water service disconnections and instruct technicians to resolve report, and document any on-site issues preventing them from completing their duties to appropriate Tribal management to ensure timely resolution. In addition, the Fiscal Management Policy should be updated to include who is authorized to waive or delay required fees or penalties. When this occurs, documentation should be maintained supporting the approval.	<b>Agree.</b> Response narrative: "The Office of the Water & Sewer will double, and triple check delinquent accounts for any repeated or frequent overdue fees/accounts. The Water & Sewer field personnel will make sure all outstanding accounts are off and locked out. After the shutoff accounts have been turned off and paid, we (Water & Sewer) will perform follow up verification to make sure the accounts do not have any usage (the unpaid delinquent accounts). Changes need to be made in the Fiscal Management Policy that address authorization to waive the late fees." <b>Target Implementation date 5/27/25</b>	Medium	Started	<50%	"The Water & Sewer office and field personnel have been communicating diligently to resolve any miscommunication issues. All delinquent accounts are verified daily for accuracy and making all accounts are off and locked out." Next steps: "Develop and implement a policy and procedures manual for utility billing and collections." <b>Target date 12/31/25</b>

EASTERN BAND OF CHEROKEE INDIANS  
OFFICE OF INTERNAL AUDIT AND ETHICS  
AUDIT REPORT SUMMARY

Observation	Recommendation	Management Response	Risk	Implementation Status	Percent (%) Complete	Explanation
<b>Refundable Deposits</b> - not consistently refunded or applied in accordance with policy.	Standardize procedures to guarantee consistency in refundable deposit fund processing and handling upon termination of utility services. The department should evaluate recent utility service terminations and ensure any refundable deposits are returned to the customer in accordance with policy.	<p><b>Agree.</b> Response narrative: "The Water &amp; Sewer will apply greater effort towards refunds in a timely manner. A working session between the Finance and Water &amp; Sewer departments demands attention to address such issues.</p> <p>To create a timely and accurate refunding policy, we will consider the following best practices:</p> <ul style="list-style-type: none"> <li>• Have a clear refund policy in place to prevent confusion and misunderstandings.</li> <li>• Automate the refund process to save time and reduce errors.</li> <li>• Train administrative representatives to handle refund requests effectively.</li> <li>• Provide multiple refund options to accommodate different situations.</li> <li>• Monitor refund processing times to ensure efficiency and transparency." <b>Target Implementation date 8/4/25</b></li> </ul>	Medium	<b>Not Implemented</b>	<b>0%</b>	"The refund process we have in place currently has too many approvals and processes to go through. We would need to eliminate or reduce the approval process." Next steps: "A working session between the Finance and Water & Sewer departments demands attention to address such issues." <b>Target date 12/31/25</b>
<b>Repair and Maintenance Work Orders</b> - no policies and procedures over the work order process	Establish policies and procedures over the work order process to ensure processes are performed consistently. Areas to cover include how work orders are submitted and assigned, what documentation is required and by whom on the work order to ensure the work order is properly completed, and the importance of ensuring that the appropriate individual is completing relevant sections of the work order.	<p><b>Agree.</b> Response narrative: "To improve work order management, the Water &amp; Sewer department will consider the following strategies and best practices:</p> <ul style="list-style-type: none"> <li>• Create and communicate clear work order policies and procedures.</li> <li>• Provide comprehensive training and support to employees during the transition.</li> <li>• Regularly review and update work order management processes to address inefficiencies.</li> <li>• Encourage employee engagement and involvement in improving work order management practices.</li> <li>• Prioritize work orders based on urgency. Keep detailed records.</li> <li>• Regularly train employees. Leverage technology.</li> </ul> <p>We have been reaching out to the IT department for guidance and approval for any available software or programming that could be advantages to the department. We are searching for a proprietary utility asset management software to help us maintain every asset, increase efficiency, reduce costs, and meet regulatory compliance. Until we are able to acquire such asset, we have been utilizing the Microsoft list as a work order tracking and reporting platform. ." <b>Target Implementation date 8/4/25</b></p>	Low	<b>Partially Implemented</b>	<b>&gt;50%</b>	"We have been utilizing the Microsoft list as a work order tracking and reporting platform and manage each work order on a daily basis." Next steps: "We have been working with the IT department and where promised priority for the development of a work order management system." <b>Target date 12/31/25</b>
<b>Utility Billing Exception Clearing</b> - no policies and procedures governing the exception clearing process	Implement policies and procedures for documenting how various exceptions will be cleared to ensure consistent processing. Additionally, the Department should identify and train additional staff to provide a reliable backup, thereby reducing dependency on one individual.	<p><b>Agree.</b> Response narrative: "The Water &amp; Sewer Department will pursue program administrative cross training for the purpose of identifying the major tasks and skills in a specific area of the organization and then training each employee on these skills so that they can step in for support when needed. Together, policies and procedures provide a roadmap for day-to-day operations and following proper policies and procedures in this area means that employees can provide regular support to clients, enhance the quality of proper billing services." <b>Target Implementation date 8/4/25</b></p>	Low	<b>Not Implemented</b>	<b>0%</b>	"The department has not set aside a time for development of policies and procedures." Next steps: "Make it a priority to establish SOP's." <b>Target date 12/31/25</b>
<b>New Water Utility Accounts</b> - no policies and procedures in place over new account activations	Establish policies and procedures over new utility accounts to ensure consistent processes are followed. The policies and procedures should address the application process, how applicable connection fees and deposits will be obtained, and processes to ensure timely turn on services. Finally, the department should evaluate the document retention processes to ensure all required documents, including fees that were assessed and why, are maintained for new customers.	<p><b>Agree.</b> Response narrative: "The Water &amp; Sewer will pursue writing a policy for the application process. We do follow a process now that isn't written down and fees depend on whether it's in district or out of district or if it's a new tap or existing. Our application does already outline the fee process. See attached Water &amp; Sewer application." <b>Target Implementation date 8/4/25</b></p>	Low	<b>Started</b>	<b>&lt;50%</b>	"We do follow a process now that isn't written down and fees depend on whether it's in district or out of district or if it's a new tap or existing. Our application does already outline the fee process." Next steps: "The Water & Sewer will pursue writing a policy for the application process and include it in a policy and procedures manual for utility billing and collections." <b>Target date 12/31/25</b>