

OFFICE OF INTERNAL AUDIT AND ETHICS

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August 21, 2025

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

We conducted an internal control review of the Cherokee Youth Center in accordance with the FY25 annual audit plan.

An internal control review is designed to assess the program's operations and effectiveness of controls to determine if improvement is needed.

There are opportunities for improvement in the Cherokee Youth Center's internal controls. We identified 5 observations. The details can be found in the attached report. Management's action plan is included as an attachment.

The assistance of the Cherokee Youth Center 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, IAP, CFE, LPEC
Chief Audit and Ethics Executive

cc: Lori Lambert, Audit and Ethics Committee Chair
Sky Sampson, Secretary of Community, Education and Recreation Services
Renissa McLaughlin, Director of Youth and Adult Education
Matt Hollifield, Manager of Cherokee Youth Center

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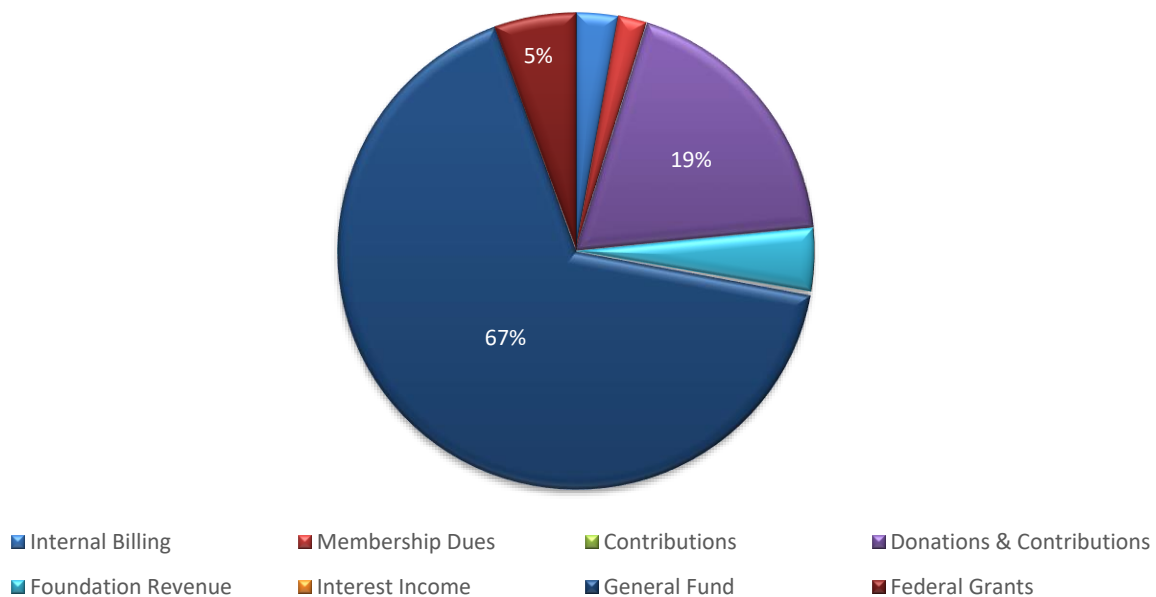
**Cherokee Youth Center
Community, Education, & Recreation Services
Internal Control (25-009)
August 21, 2025**



BACKGROUND

The Cherokee Youth Center is part of the Community, Education and Recreation Services division. Their mission is to enable all young people, especially those who need it the most, to reach their full potential as productive, responsible, and caring citizens. They strive to provide a safe and fun place for kids. The FY25 operating budget for the Cherokee Youth Center is \$2,462,456, with funding from a combination of membership dues, donations and contributions, and general funds. A breakdown is seen below.

FY25 Revenue Budget



OBJECTIVES & SCOPE

The audit objectives were to obtain 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 the financial and operational information for the period October 1, 2023 – May 1, 2025.

CONCLUSION

There are opportunities for improvement with the Cherokee Youth Center's internal controls. The following issues were identified:

1. The corporate charter does not reflect current practices.
 - a. The corporate charter has not been updated.
 - b. The corporation members are not holding annual meetings as required.
2. The Board of Directors is out of compliance with bylaws.
3. Safety measures are not adequate.
4. Deposits are not made timely.
5. There are no written standard operating procedures.

The details of these observations are on the following pages. The cooperation and assistance of the Cherokee Youth Center staff is acknowledged and appreciated.

OBSERVATIONS AND RECOMMENDATIONS

1. The corporate charter does not reflect current practices.

a. The corporate charter has not been updated.

The Cherokee Youth Center was established as a 501(c)(3) through the state of North Carolina. The corporate charter defines the members of the Corporation as the “Principal Chief, the Vice-Chief and each elected representative of the Tribal Council during their respective terms of office.” The corporate charter has not been updated since its creation in October 1997 and does not reflect current practices. The corporate charter should be updated when there are changes to or within the organization. Outdated corporate information could lead to inefficient operations, increased liability, or loss of 501(c)(3) status.

It is recommended the Corporation members update the corporate charter to reflect current information and practices.

b. Corporate members are not holding annual meetings as required.

The members of the corporation are not holding annual meetings as required by the charter. The corporate charter requires the members of the corporation to hold annual meetings to conduct corporate business including nominations for the Board of Directors. Members of the corporation are not in compliance with the corporate charter. Noncompliance with the corporate charter could result in increased liability or loss of 501(c)(3) status.

It is recommended the corporation members hold regular annual meetings as required by the corporate charter.

2. The Board of Directors are out of compliance with the bylaws.

The Cherokee Youth Center Board of Directors does not hold regular quarterly meetings, nor does a quorum attend these meetings. The Bylaws state the Board of Directors shall not have “less than 12 members” who are community and business leaders and will meet “the first Tuesday of January, April, July and October of each year.” The Corporation members are not ensuring the Board of Directors comply with the bylaws. Not upholding the Board Bylaws could result in increased liability or loss of 501(c)(3) status.

It is recommended that the Board of Directors comply with the bylaws, hold regular quarterly meetings, and update bylaws to reflect current practices in compliance with the corporate charter.

3. Safety measures are not adequate.

The Cherokee Youth Center entrance is all glass with full-length glass doors. Interior doors present security concerns, as they do not have locks installed and the exterior doors lack alarm systems to detect unauthorized entry or exit. Additionally, the surveillance system has several deficiencies, including poor camera focus, obstructed views, and suboptimal angles that result in inadequate coverage of certain areas. The Cherokee Youth Center has an obligation to protect the safety of the children in their care, visitors, volunteers, and staff. Inadequate safety measures increase the opportunities of harm to children, visitors, volunteers, and staff.

It is recommended management work with Security and Surveillance to correct deficiencies with the surveillance system. Furthermore, management should work with the Cherokee Indian Police Department to assign a school resource officer when the facility is open for children.

4. Deposits are not made timely.

The Cherokee Youth Center collects payments for membership fees, late pickup, and summer attendance. Most of these payments are made in cash. The largest span of time between deposits is 3 months, the shortest 7 days. The Tribal Fiscal Management Policy Sec. 800 2(b) sets the standard for the handling of cash receipts. Management is not ensuring that all funds collected are being submitted to the Office of Budget and Finance daily for deposit. Not ensuring that cash is submitted daily to the Office of Budget and Finance results in noncompliance with the Fiscal Management Policy and increases the risk of loss of cash revenues.

It is recommended that management make deposits in accordance with the Tribal Fiscal Management Policy.

5. There are no written standard operating procedures.

The Cherokee Youth Center does not have written standard operating procedures. Standard operating procedures are documented instructions for staff to follow when performing their job duties. Management has not ensured that written standard operating procedures are in place. A lack of standard operating procedures can increase the risk of ineffective and inefficient processes and operations.

It is recommended that management develop comprehensive written standard operating procedures.

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MEMORANDUM

TO: Executive
Tribal Council

FROM: Sharon Blankenship, Chief Audit and Ethics Executive

CC: Lori Lambert, Audit and Ethics Committee Chair
Sky Sampson, Secretary of Community, Education, and Recreation Services
Rennisa McLaughlin, Director of Youth and Adult Education
Matt Hollifield, Manager of Cherokee Youth Center

DATE: August 21, 2025

RE: Action plan for 25-009 – Cherokee Youth Center

The 5 observations and recommendations identified in the Cherokee Youth Center audit report 25-009 were sent to the program for an action plan. The action plan as provided is stated below. The original response forms are on file with this office.

- 1. The corporate charter does not reflect current practices.**
 - a. The corporate charter has not been updated.**
 - b. Corporate members are not holding annual meetings as required.**

Response: Agree, Target implementation 12/31/25

Respondent narrative: a. "By August 31st, 2025, the CYC Manager and CYC Board Chairperson will contact the Tribal Legal department to schedule time for them to help us draft an updated corporate charter that reflects current information and practices. Once this draft is completed, we will call a meeting of our corporate members to discuss the draft and vote on its approval and/or any amendments." b. "As soon as the Tribal Legal Department, the CYC Manager and CYC Board Chairperson complete a draft of an updated corporate charter, we will call for a meeting of the corporate members to vote on that draft and/or any amendments. We hope to do this before December 31st, 2025. After the new corporate charter has been approved, we will then set an annual meeting date and time for the next meetings."

2. The Board of Directors are out of compliance with the bylaws.

Response: Agree, Target implementation 12/31/25

Respondent narrative: "Our next board meeting is scheduled for the first Tuesday of October 7th, 2025. Leading up to this meeting the CYC Manager will send out the current CYC Board of Director By-Laws to all current members for them to review and comment on, the CYC manager and the Board Chair will then take that information to the Tribal Legal Department to update the CYC Board of Directors By-Laws, so that they reflect current information and practices. At the October 7th meeting we will review the progress made toward updating the corporate charter and By-Laws, and the other findings from this audit, we will also look to nominate more board members to take the place of the board members who have resigned from the board recently. We will also utilize TEAMS and ZOOM in the future to better ensure that we have a quorum for our board meetings."

3. Safety measures are not adequate.

Response: Agree, Target implementation 10/17/25

Respondent narrative: "By August 31st, 2025 the CYC manager will call for an estimate to have a shatter proof film put over the first-floor windows, and also for a system to lock down all the door in the event of emergency, and to install alarms on the exterior doors, to detect unauthorized entry or exit. We will also put in a work order with the IT department during this timeframe to have them come in to adjust any security cameras that may be out of focus, or obstructed. The CYC Manager will also contact the Cherokee Police Department by August 31st, 2025 to request a school resource officer be assigned to the facility when the children are there."

4. Deposits are not made timely.

Response: Agree, Target implementation 8/19/25

Respondent narrative: "Beginning immediately the CYC administrative and management staff will deposit all cash and/or checks the same day they are taken in, by utilizing the Tribal Finance drop box. The CYC manager will also discuss with finance the possibility of parents making annual and summer fee payments at finance or online in the future."

5. There are no written standard operating procedures.

Response: Agree, Target implementation 9/19/25

Respondent narrative: "By September 19th, 2025 all of the CYC staff will turn in a comprehensive written standard operating procedure for their position to the CYC Manager. These procedures will cover their Daily, Weekly, and Monthly schedule and what is required of them to effectively and efficiently perform their job."