OFFICE OF INTERNAL AUDIT AND ETHICS

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October 22, 2025

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

We reviewed the supply inventory held by Tribal Construction in accordance with the FY25 annual audit plan.

We reviewed the inventory reports and financial transactions for the period ending September 30, 2025, and conducted a test count. Of the 35 items tested, in 27 or 77%, the count was less than the reported inventory on hand. This resulted in a $71,055.58 or 41% difference in the items tested.

The inventory report shows a total cost on hand of $820,942.66, a $381,394.92 (87%) increase over the prior year. The current general ledger shows an inventory balance of $1,108,360.36.

Due to the significant variances, we cannot reasonably assure the program's inventory valuation. The program must reconcile and analyze inventory transactions or complete a 100% inventory count to determine a reasonable value of the inventory on hand for the period ending September 30, 2025.

The following audit issues were identified:

1. Inventory data is not reliable
    a. Inventory counts are not performed
    b. Inventory is not reconciled and billed timely
2. Inventory safeguards are not adequate

Please contact our office with questions regarding this report.

Sincerely,

SBlankenship

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
Tyler Blankenship, Interim Director of Infrastructure & Public Facilities
Jeremy Watkins, Tribal Construction Manager

Observations and Recommendations

1. Inventory data is not reliable

a. Inventory counts are not performed

Physical inventory counts are not effectively performed at the warehouse or the laydown yard. To ensure inventory data is reliable, inventory counts must be done routinely or at least annually. Management did not provide adequate oversight to ensure inventory is managed resulting in unreliable inventory data which can lead to loss, theft, or misappropriation of inventory.

b. Inventory is not reconciled and billed timely

Inventory is released to field employees on a daily basis for various projects. However, there is not an established timeline to return work orders confirming the inventory used. Work orders must be returned and reconciled to ensure timely billing for each project. Management is not enforcing the timely reconciliation of work orders which increases the risk of loss or theft of inventory, inaccurate billing, and unreliable inventory data.

It is recommended that management provide reliable inventory data by conducting a physical count of all inventory items and reconciling all inventory transactions for the period ending September 30, 2025. Going forward, management must require routine inventory counts at each location. The inventory counts must be documented and reviewed by management. Also, management must require field employees to close-out work orders timely so inventory can be properly billed.

2. Inventory safeguards are not adequate

Inventory is stored at two locations the main warehouse and the laydown yard. While there is keyed access at both locations, there are no working security cameras. Management is responsible for safeguarding Tribal assets. Management has not ensured inventory is properly safeguarded with reasonable security measures which can result in loss, theft, or misappropriation of inventory.

It is recommended that management work with Security and Surveillance to add security cameras and key card access to both locations.

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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
Anthony Sequoyah, Secretary of Operations
Tyler Blankenship, Interim Director of Infrastructure & Public Facilities
Jeremy Watkins, Tribal Construction Manager

DATE: October 22, 2025

RE: Action plan for 25-018 – Tribal Construction Inventory

The 2 observations and recommendations identified in the Tribal Construction Inventory audit report 25-018 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. **Inventory data is not reliable**
    a. *Inventory counts are not performed*
    b. *Inventory is not reconciled and billed timely*

    Response: Agree, Target implementation 1/21/26

    Respondent narrative: " We have already started by keeping all non-inventory employees out of inventory. We have stocked the well trucks and will bill out as soon as stocked. We are requiring a "receipt" when checking items out as well as an as built with parts used on it from field employees. We will be starting random inventory counts monthly to ensure counts are correct. I have both inventory employees checking and double checking each other to make certain items are not double entered. We have already started a solution for on-call and after hour inventory but will be holding field employees accountable. No inventory will come out of the building without it being billed to a project." Additionally, "I have the inventory crew looking back for the past 2 year to check all vendor items that we have received and compare it to what is in munis. I am hoping to have this completed by 11/30/25."

2. Inventory safeguards are not adequate

Response: Agree, Target implementation 1/21/26

Respondent narrative: “Will call IT to have card readers installed on all inventory doors and gates for entry as well as cameras inside building and at laydown yard.”