

## **SENECA-CAYUGA NATION**

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### **Seneca-Cayuga Nation Chief Financial Officer Summary of Audit For the Year Ended September 30, 2012**

#### **Opinion Summary:**

The Seneca-Cayuga Nation has received its annual audit for the period ending September 30, 2012, dated March 20, 2014, from the CPA firm Mense, Churchwell & Mense, P.C. Their opinion regarding the financial statements, as a whole, and reflects a qualified audit. This is a departure from an unqualified or "clean" audit. The firm specified two exceptions to our financial statements; both of which were scope limitations. Scope limitations are restrictions on an audit caused by the client, issues beyond the control of the client, or other events that does not allow the auditor to complete all aspects of the audit engagement.

The first reason for the audit downgrade were the lack of adequate records provided by Seneca-Cayuga Commercial Furniture. There were conflicting sets of books provided to the auditors on this company. The second set of books or "new" books provided to the firm in September, 2013, lacked physical documentation to support the adjustments made to its QuickBooks accounting software files and financial statements.

The other reason for the qualified opinion was the lack of available documentation of payments made by the Claims Committee. According to the firm's Letter to Management, the auditors were asked to leave after examining Claims and Business Committee members' files for disbursements to them individually or their dependents.

The auditors named 2<sup>nd</sup> Chief Terry Whitetree, Sallie Leaf, and Lenora Sparks as instrumental in prohibiting their access to the records. The auditors were unable to complete this portion of the audit after repeated attempts to contact the Claims Committee Members asking to be allowed back in the Claims Committee Office to

complete this portion of the audit.

### **Findings Summary:**

There were several findings reported in this audit period; some of which were repeat findings from the previous year or years. Management had not been notified of these findings until well after the time to implement changes; thus, it is expected many will reoccur in the 2013 audit.

2012-01. The Nation's management elected to use outside assistance from the external auditors in preparing the financial statements. Monitoring of internal controls was not performed and this resulted in numerous audit adjustments. There was a deficiency, or shortage, in accounting department resources and inadequate training of staff. The Tribe also lacked formally documented accounting policies and procedures. All these factors affected the Tribe's ability to prepare its own financials and, thus, rely on the external auditors for this service. This finding is a repeat finding from the prior audit; in that, it had not been corrected or resolved. This condition presented a material weakness in internal controls which means that, left uncorrected or resolved, could lead to a material misstatement of the financial statements. This would affect the credibility of the financial statements presented.

The Nation employed a CFO in September, 2013 and another staff member in March, 2014 and has continually promoted training of the existing and new staff in an effort to minimize the reliance on external auditors for their services and to improve internal controls. We currently have an accounting policies and procedures manual, revised in 2007, that is in need of updating and elaboration. The accounting staff and the Secretary-Treasurer have been notified of this and planning for an updated manual is in place.

2012-02. The Nation's Trial Balance at year-end required numerous material adjusting entries from the external auditor to be in compliance with GAGAS (Generally Accepted Governmental Auditing Standards). As noted in the response to 2012-01 with respect to new staff members and training, these adjustments to the Accounting Department should provide better internal controls and less reliance on external auditors.

2012-03. The Nation had not made year-end adjustments from the previous year. The external auditors have been contacted to ensure that the staff has the adjusting journal entries in a timely manner.

2012-04. The schedule for fixed assets was not properly maintained and updated on a

timely basis. This is also a repeat finding. There are currently plans to purchase a fixed asset program that would allow for more accurate monitoring of purchases and disposals of assets. Monthly updating by the accounting staff and an annual fixed asset inventory count are being planned.

2012-05. Amounts on the trial balance for the Tobacco Company did not match with the individual State Escrow Accounts; which is another repeat finding. The Manager of the Tobacco Company, along with its accounting staff, have been notified of this and plans are being made for timely reconciliations of those accounts.

2012-06. The Tobacco Company lacks adequate controls of its Accounts Payable regarding approving disbursements. This is also another repeat finding. The Manager of the Tobacco Company, and its accounting staff, are in the process of developing more secure controls of the disbursement process.

2012-07. The annual audit was not submitted on time. This audit's due date is June 30, 2013 and it was presented to the Nation on May 2, 2014 for review. There are several reasons for this delay in its preparation; however, in my judgment as the Chief Financial Officer, the leading causes were as follows: The auditors did not receive the trial balance until July 1, 2013; the Claims Committee was uncooperative when the auditors requested records and the auditors were asked to leave; and the auditing firm did not adequately schedule it's time to complete the engagement in a more timely manner.

The Accounting Department has added additional staff members to improve accuracy and expedite financial reporting. The Claims Committee needs to be more cooperative with respect to providing necessary records so the external auditors can perform their functions in a timely manner. With respect to our external auditors, I suggest a carrot and stick approach to the next engagement letter that is signed by the Nation. A bonus incentive should be offered for early presentation of the audit and a penalty should be in place for late audits.

2012-08. The Schedule of Expenditures of Federal and State Awards was not filed by the Grantor Agencies on a timely basis. The increased accounting staff and continued training will help expedite the timely reporting. Also, monthly meetings with Program Heads are now being planned in an effort to have more reliable and timely reporting.

2012-09. The Claims Committee needs to be more transparent in their business dealings with the Nation by providing monthly financials. Close coordination with the Accounting Department to produce those, while still maintaining confidentiality of sensitive information, is not beyond the realm of both our respective functions. The

Claims Committee Members have been notified of these requirements.

2012-10. No proper written minutes for the Claims Committee meetings were presented and there were missing minutes for the Business Committee. During fiscal year 2012, the Nation's Secretary-Treasurer was John R. Birkes and Claims Committee Treasurer was Cynthia Donohue. The Secretary-Treasurer of each committee needs to record and keep adequate minutes. The current elected officials in these positions have been notified of these requirements.

2012-11. Inadequate record retention, documentation, and substantiation of payments out of the Claims Committee exists. Proper internal controls within the Claims Committee need to be in place before payments are disbursed. The Claims Committee Members have been notified of this need.

2012-12. Within the audit period ending September 30, 2012 there were unauthorized individuals able to sign checks on behalf of the Tribe or its companies. It is my understanding the current Business Committee has addressed this issue and currently no unauthorized signers are on the Nation's accounts.

2012-13. During this audit the auditors did not have adequate records for the Commercial Furniture Company, Skydancer Convenient Store, and the Claims Committee. With regards to Skydancer Convenience Store and the Commercial Furniture Company records, efforts are being made by the Secretary-Treasurer and myself as the Chief Financial Officer to provide adequate documentation, including bank records and computer files, for the 2013 audit. The Claims Committee has been notified of their need to provide adequate records to the auditors.

2012-14. The auditors encountered the Accounting Department's need to reconcile several accounts and related deficiencies in internal controls. The increase in accounting staff and further training should help to alleviate this problem. The Accounting Department has also adopted a new monthly deadline of the 20<sup>th</sup> of each month to have all accounts reconciled.

### **Overall Summary:**

The Nation's Accounting Department has, for several years now, been inadequate in providing services to its members. There are several reasons for this; however, no or little accountability for this poor performance exists and had been allowed by the previous Business Committee. Recently two new staff members, one being myself as

the Chief Financial Officer and the other being a staff accountant, have been added. This should help in spreading the workload, improving internal controls, and expediting the preparation and presentation of financial records. I also feel that a shortened deadline for presentation to the Business Committee Members of the financial records will force the Accounting Department to complete them in a timelier manner. Monthly meetings with Department Heads will also promote improved reporting for programs.

It is imperative that the Claims Committee become more transparent with its reporting to the Business Committee by providing monthly financial statements and cooperating with the Accounting Department and external auditors for requested information. Unless this occurs, we can expect future audits to be downgraded.

Since the Skydancer Convenience Store and the Commercial Furniture companies are no longer operating, no further record retention for those entities will be required beyond 2013. I strongly urge the Business Committee to maintain the records and accounting of any future companies within its own control.

Respectfully,

William E. Barnett  
Chief Financial Officer, Seneca-Cayuga Nation