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August 23, 1978

Board of Directors
Oneida Tribal Development Corporation
Oneida, Wisconsin

Gentlemen:

You will find transmitted herewith the report on my examination of the financial statements of your Corporation as of December 31, 1977. During the course of my examination, certain items came to my attention which, while not properly included in the audit report, you should be made aware of. The purpose of this letter is not to level criticism at anyone connected with the Corporation, but to improve operations, and should be read in that spirit.

Article VII of the By-Laws of the Corporation provides that the fiscal year of the Corporation shall begin on July 1st and end on June 30th of each year. At this time annually the books of the Corporation should be closed and a new year started. This has not been done since the Corporation was chartered, and I recommend that this procedure be begun effective with June 30, 1978.

As a result of the failure to close the books in prior years, it was not possible to determine the financial position of the Corporation at any time prior to December 31, 1977 without a great deal of additional effort and expense. In addition, we were informed that the records of the Post Office project were in no condition to be examined, and therefore an arbitrary beginning cut-off point - the completion of the Post Office project - was assumed. The audit report is based on that assumption.

At present, each project undertaken by the Corporation has a separate set of books. While this facilitates maintaining cost records on each job, it makes the construction of an overall financial statement difficult and time-consuming. I recommend that the records of all projects be consolidated into one set of books, and that subsidiary job cost records be maintained to keep track of individual project costs.

During the course of the projects which have been undertaken by the Corporation, various items of equipment were acquired, and originally charged as a cost of the project for which they were first purchased. These have been reclassified to a separate asset account, since items of equipment have a useful life which usually long outlasts the construction time of the project - and they are useful on future projects as well. I recommend that this policy be continued in the future.

In addition, the cost of these equipment items is now being written off as a general administrative expense over the useful life of the equipment concerned, and I recommend that this policy be continued as well.

Certain administrative costs have been charged in the past directly to various construction projects in process, although it is not possible to justify this practice on the basis of direct benefit to any particular job. I recommend that a group of separate administrative overhead accounts be set up, to which these expenses should be charged, and that the total overhead then be allocated to the various construction projects on a basis more consistent with the benefits received. It was not possible for these statements to make a determination of these benefits, or to make a reclassification of the administrative expenses. Certain rules of thumb are prevalent in the construction industry, however, for future allocations.

We do note a significant improvement in the accounting procedures since we were last involved in the operations of your Corporation in late 1976, and I would expect that continuing improvement would be shown in the years to come. Because the construction industry is a high-risk business, the practice of submitting monthly reports to the Board is a good one, and should be continued. In this way the Board can monitor the profits and losses on all projects currently.

While this report has been long-delayed, it should be pointed out that there were a number of factors which contributed to the delay, some of which were beyond our control; however, first audits generally do take longer, and subsequent reports are usually presented on a more timely basis.

I will be happy to discuss any part of our examination with you at your convenience.

Sincerely,


Harry T. Merriman, C.P.A.