

OFFICE OF INTERNAL AUDIT AND ETHICS

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June 20, 2025

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

We conducted an internal control review of the Wastewater Management program in accordance with the FY25 annual audit plan.

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

REDW identified 2 observations and offered 1 process improvement. The details can be found in the attached report. Management's action plan is included as an attachment.

The assistance of the Wastewater Management 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, CFE, LPEC
Chief Audit and Ethics Executive

cc: Lori Lambert, Audit and Ethics Committee Chair
Anthony Sequoyah, Secretary of Operations
Richard Myers, Wastewater Program Manager

Eastern Band of Cherokee Indians

Wastewater Management

Internal Audit

June 11, 2025



Eastern Band of Cherokee Indians Wastewater Management Internal Audit

Table of Contents

	<u>Page</u>
Introduction	1
Purpose and Objectives	1
Observations and Recommendations	1
Process Improvement Opportunity	2
Scope and Procedures Performed	3

Eastern Band of Cherokee Indians Wastewater Management Internal Audit

Report

Introduction

We performed the internal audit services described below solely to assist the Eastern Band of Cherokee Indians (EBCI) in assessing the processes and internal controls over key Wastewater Management functions.

Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants and the terms of our Professional Services Contract agreement for internal audit services.

Purpose and Objectives

The EBCI Wastewater Management Program has primary responsibility for managing the wastewater treatment plant located within the Cherokee Tribal boundary. The plant is governed by the United States Environmental Protection Agency (EPA) through the National Pollutant Discharge Elimination System (NPDES) permit which regulates the wastewater into the Oconaluftee River.

Our internal audit focused on assessing various processes and internal controls at the Wastewater Management Program to ensure compliance with applicable sections of the EPA wastewater regulations, North Carolina Environmental Quality standards, and the Cherokee Code. Specific areas tested included EPA Wastewater Treatment Plant NPDES permit compliance, including regular testing and reporting, regular equipment repair and maintenance, and employee training and licensing.

Observations and Recommendations

As a result of our test work, we identified the following observations:

1. *Employee Certification and Training*

The National Pollutant Discharge Elimination System (NPDES) permit requires wastewater plant operators to have an appropriate wastewater treatment plant operator grade-level certification and obtain 6 hours of continuing education annually in order to remain certified. In addition, per North Carolina 15A NCAC 08G .0201(1) regulations, In-Charge Operators must also possess a valid state certificate of the type and grade at least equivalent to the type and grade of the system being operated. Our testing determined there was no monitoring control in place to monitor employee certification statuses and track employee training completed to date to ensure certifications do not lapse. As a result, we identified 1 out of 10 employees tested who did not have a state certification on file.

Potential Risk – Moderate: The absence of certification tracking and training increases the risk that employee coverage over critical wastewater processes may lapse in the event a certificate expires. Since employees who do not have certification cannot perform their tasks and the wastewater treatment plan is experiencing staffing shortages, we have assessed the risk of moderate.

Recommendation: The Wastewater Management Program should ensure that the employee obtains the appropriate state certification as soon as possible. In addition, the Wastewater Management Manager should implement a certification and training tracking mechanisms. This process should include proactive monitoring of certification status, scheduled reminders for license renewals and continuing education deadlines, and verification that all employees always maintain grade-appropriate and active certifications.

2. Maintenance Schedules and Reviews

The NPDES permit (Part IV Section B) requires the EBCI Wastewater Division to properly and regularly operate and maintain all facilities and systems of treating and controlling wastewater. A maintenance logbook is utilized to record all completed maintenance tasks along with the frequency of performance, when it was performed, and which personnel conducted the maintenance. In addition, daily reports are prepared for each major piece of equipment, and each shift is responsible for completing equipment rounds. Our testing determined that although regular maintenance appeared to be performed and documented in the logbook, there was no formalized maintenance schedule in place to guide when and who should perform which regular maintenance tasks, nor did there appear to be indication that a supervisor/manager reviewed the maintenance logs to ensure that the work completed was performed timely and accurately.

Potential Risk – Low: The absence of a formalized maintenance schedule to proactively plan and track maintenance activities could lead to delayed or incomplete maintenance tasks resulting in diminished dependable equipment and system operations. Since maintenance does appear to be occurring timely, we have assessed the risk at low.

Recommendation: The Wastewater Management Program should develop and implement a formal, written maintenance schedule that outlines required maintenance activities, frequency of completion, and who should be performing each task (either internal personnel or external service providers). This schedule should be communicated and integrated into daily operations to help ensure no maintenance tasks are not inadvertently missed. In addition, the Wastewater Management Program should update the maintenance logs to include a section for supervisor/manager review and sign-off, ensuring all maintenance activities are accurately recorded and verified, and to strengthen accountability within the program.

Process Improvement Opportunity

1. NPDES Reporting Review

The NPDES permit requires wastewater plant operators to electronically report on wastewater sampling results at various frequencies to ensure wastewater discharge is in compliance with requirements. Prior to submission, the Wastewater Manager reviews the results for accuracy. Our testing determined that 1 of the 36 measured wastewater parameters was incorrectly reported on the March 2025 DMR submission. Specifically, the TAN max value recorded in the monthly test results summary was 0.13, whereas the value reported was 0.20. While the amount reportable was still within acceptable limits, we

recommend the Wastewater Manager ensure all data points reported agree to the test results to ensure accurate reporting to the EPA.

Scope and Procedures Performed

In order to gain an understanding of the process, we interviewed the following personnel:

- Richard Myers, Manager of Wastewater Facilities
- Mike Harlan, Supervisor Wastewater Treatment Operators
- Leann Flippo, Office Administrator

In order to gain an understanding of the processes and controls in place, we read relevant portions of:

- The Cherokee Wastewater Treatment Plant NPDES Permit, agreement with the EPA.
- Cherokee Code Chapter 130 Public Health, Article IV. Public Health Laws, Part 26. Wastewater System.
- Cherokee Code Chapter 131, Cherokee Water Code.
- North Carolina Environmental Quality – Division Water Quality Permitting.
- United South and Eastern Tribes – Water and Wastewater Utilities Program.

We performed the following test work:

EPA Permit Compliance – Testing and Reporting – We obtained the February and March 2025 Discharge Monitoring Reports (DMR) and weekly supporting test results for the months, the Q1 2025 DMR and supporting test results, and the NPDES Permit renewal documentation and tested to determine:

DMR Tests:

- Tests were performed every week.
- Test results were within allowable parameters as outlined in the NPDES Permit.
- The results on the report matched supporting test result summaries.
- The reports were submitted by the deadline.
- The report was approved and submitted by the Manager of Wastewater Facilities.

NPDES Permit Renewal:

- The permit renewal was submitted 180 days prior to the active permit's expiration date (January 3, 2024).
- The renewal was submitted by the Manager of Wastewater Facilities.

Additionally, we determined if any additional reporting requirements occurred as a result of noncompliance, additional toxicity, etc. and ensured reports were submitted in accordance with permit requirements. Finally, we evaluated monitoring controls in place to ensure potentially or actual delinquent reports are flagged timely and can be submitted.

EPA Permit Compliance – Regular Facility Maintenance – We obtained the daily/shift, general, and monthly maintenance logs for all maintenance completed in March and April 2025, along with the annual outside service provider invoices from February and March 2025, and reviewed all documentation provided to determine:

- Maintenance was performed at the required frequencies (daily/monthly/annually) as evidenced by the log.
- If issues were identified, they were reported to the EPA in accordance with permit requirements.

Furthermore, we evaluated oversight controls over the maintenance logs to ensure the manager/supervisor is performing reviews of the logs to ensure maintenance is occurring as intended.

Employee Training and Licensing – We obtained a current listing of all Wastewater Treatment plant employees as of April 2025. For all 10 active employees, we tested to determine:

- Employee certifications were active.
- Grade-level of certification is appropriate based on employee position (i.e. managers have grade level 4, employees with less than two years of experience are not required to have a certification, etc.).

In addition, we utilized the North Carolina Department of Environmental Quality website and the employee state certification license numbers to search and evaluate the amount of continuing education hours each employee has obtained versus when their license expires to determine if they are on track for compliance with renewal requirements.

* * * * *

We discussed and resolved minor observations with management and received cooperation and assistance from the EBCI Wastewater Management during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW_{LLC}

Albuquerque, New Mexico
June 11, 2025

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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
Richard Myers, Wastewater Program Manager

DATE: June 20, 2025

RE: Action plan for 25-008 – Wastewater Management Audit

The 2 observations and recommendations identified in the Wastewater Management audit report 25-008 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. Employee Certification and Training

Response: Agree, Target implementation 8/15/25

Respondent narrative: "We already have an employee file for each employee that contains their certification status, and all training certificates received to date. We will take this information and set up an Excel spreadsheet that contains each employee's certification status and training. This will be set within the system to notify the administrative assistant when an employee needs certification renewals or training requirements are due. They will then reach out to the employee through appropriate supervision or in-house memo or the employees' email if available."

2. Maintenance Schedules and Reviews

Response: Disagree, Target implementation 6/17/25

"Wastewater Management Program already has an existing maintenance schedule plan in place. All maintenance activities that are required is in the Maintenance Schedule which outlines

required maintenance activities. This binder has been a part of maintenance since the upgrade of the Treatment Facility. Frequency of completion and who performed the task are tracked by work orders which are signed by employees performing the task and inspected by their supervisor. Also, that maintenance supervisor keeps his own equipment maintenance log. The work orders that are prepared have to be signed by employee performing the work which they are accountable for completion. External service providers are utilized only on maintenance issues that are deemed beyond the scope and ability of our current maintenance operations. These are looked at by the management team before utilization of an external provider.” What will be done to implement this recommendation: “We think that this is already in place, but we do see room for some improvement., such as, but not limited to, better tracking of work orders and logs for maintenance. But again, we are so short staffed and limited in ability.”