OFFICE OF INTERNAL AUDIT AND ETHICS

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August 4, 2026

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

We conducted an internal control review of Project Management in accordance with the FY26 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 5 observations. The details can be found in the attached report. Management's action plan is included as an attachment.

The assistance of the Project Management staff is appreciated. Please do not hesitate to contact our office with questions.

Sincerely,

Sharon Blankenship, CIA, CGAP, IAP, CFE, LPEC
Chief Audit and Ethics Executive

cc: Monique Taylor, Audit and Ethics Committee Chair
Anthony Sequoyah, Secretary of Operations
Zach Hicks, Director of Support Services
Rebecca Bowe, Manager – Project Management

Eastern Band of Cherokee Indians

Project Management
Internal Audit
July 22, 2026

redw
Advisors & CPAs

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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 Project 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 Project Management Office (PMO) is responsible for the planning, coordination, and oversight of capital projects across EBCI. In carrying out these responsibilities, the PMO works with Tribal departments, leadership, contractors, vendors, and other stakeholders to support project execution. As of FY 2026, PMO had 41 projects in various stages of progress with budgets ranging from $150,000 - $10,000,000.

Our internal audit focused on assessing the planning and execution of capital projects, PMO policies and procedures, and expenditure approvals. Specific areas tested included project planning and procurement, project monitoring, and project closeout procedures including Punchlist completion and retainage release.

Observations and Recommendations

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

1) Project Monitoring

25 CFR § 170.472 requires Tribal oversight of contractor performance and agreed upon project contract compliance. PMO is responsible for monitoring project timelines, documenting delays, and retaining support for required contract objectives. Our testing determined that Project Management did not have a global project tracking mechanism or formalized contract monitoring policies and procedures to ensure projects were monitored consistently against contract requirements. As a result, for all 5 projects sampled, project files contained limited

documentation supporting compliance with contract timelines and performance requirements, and we could not determine compliance with contractual requirements. Discussions with management indicated the current process appears to rely heavily on project monitors/inspectors to track progress and maintain project-level support rather than a global tracking system.

Potential Risk – *Moderate:* If project documentation is not maintained in a way that supports compliance with contract terms and conditions, non-compliance with construction project requirements may not be identified. Since the current process relies heavily on project monitors/inspectors and there were no policies and procedures in place over required monitoring activities to ensure contract compliance, we have assessed the risk at moderate.

Recommendation: EBCI PMO should establish and implement formal contract monitoring processes to ensure projects are managed and documented in accordance with contractual, regulatory, and reporting requirements. At a minimum, PMO should:

- Develop and maintain a centralized project tracking mechanism to monitor project milestones, deliverables, reporting deadlines, contract modifications, and project status across all active projects.
- Establish and document contract monitoring policies and procedures that define responsibilities, monitoring activities, and documentation requirements.
- Maintain sufficient supporting documentation within project files to demonstrate compliance with contractual requirements, including evidence of monitoring activities, status updates, delays, corrective actions, required reports, and communications with funding agencies or contractors.
- Conduct supervisory reviews to verify that contract monitoring activities are performed consistently and that supporting documentation is complete and retained in accordance with applicable requirements.

2) Pay Application Support and Approval

EBCI Fiscal Management Policy Manual, Section 600 – Accounts Payable Policy, requires disbursements to be properly authorized and supported. To accomplish this, PMO reviews contractor pay applications and uses daily logs, project photos, contractor meeting minutes, and the Pay Application Approval Form to document project progress, review, and approval before payment. Our testing of 8 pay applications determined:

- For all 8 pay applications, supporting documentation did not clearly support the construction progress billed as daily logs were often limited in detail or other supporting documentation did not provide enough detail to support amounts billed therefore, we could not confirm that the billed amounts were aligned with project progress.
- For 2 pay applications, the Pay Application Approval Form review date was after the payment date; therefore, we could not confirm that the pay applications were reviewed and approved before payment.
- For 2 pay applications, the Pay Application Approval Form was signed by the PMO Manager rather than the Project Monitor/Inspector; therefore, we could not confirm that the required review was completed by the appropriate party.

- For 1 pay application, the approved payment amount did not clearly reconcile to a documented $20,000 credit noted by the inspector. Although supplemental support later showed the credit was tracked at the project level, the timing and application of the credit were not clearly documented in the pay application support.

Potential Risk – *Moderate:* If pay applications are not properly supported and approved before payment, inaccurate or unsupported payments may be processed. Since the issues identified affected both documentation support and approval controls, we assessed the risk at moderate.

Recommendation: EBCI PMO should strengthen controls over the review, approval, and documentation of contractor pay applications. Specifically, EBCI PMO should ensure Project Monitors/Inspectors document their review of completed work and verify that pay application amounts are supported by observed project progress before approval is granted. In addition, pay application review should be performed prior to payments being disbursed and credits or other adjustments should be clearly documented so approved payment amounts can be readily reconciled.

3) Project Closeout Documentation and Punchlist Signoff

When a construction project is complete, EBCI PMO utilizes a Punchlist and Retainage Release Form, with various required approval signatures, to document project closeout and support final payment. These forms are intended to show that remaining work was identified, completed, and approved before retainage was released. Our testing over 2 completed projects determined for both projects:

- The Punchlist documentation did not support that the Vendor/Contractor, Architect, and PMO representative independently signed and dated the form. Discussions with management indicated the walkthrough and closeout process was completed on an accelerated timeline to support project deadlines, and the form was completed by PMO during that process. As a result, we could not confirm that the contractor and architect independently agreed the work was complete prior to closeout and retainage release.
- The Punchlist sign-off date was before the documented "all work completed" date. Management stated remaining Punchlist items were addressed after the walkthrough, but those items were not documented on the form; therefore, we could not confirm that all work and related closeout steps were completed before final payment.

Potential Risk – *Moderate:* If project closeout and Punchlist completion are not properly documented before final payment, EBCI may pay for work that has not been fully completed or approved, increasing the risk of non-resolution of final items.

Recommendation: EBCI PMO should ensure Punchlist forms are completed, signed, and dated by the Vendor/Contractor, Architect, and PMO representative to document agreement that project work is complete and acceptable. In addition, PMO should ensure all outstanding Punchlist items are documented, completed, and supported before retainage is released and final payment is authorized.

4) Procurement Support and Documentation

EBCI Fiscal Management Policy Manual, Section 400 – Procurement Policy, requires procurement transactions to provide full and open competition and that sufficient records be maintained to document the procurement method used. Our testing of 4 project procurements determined:

- For 3 projects, the original project request and solicitation documentation (e.g., RFP/RFQ) were not maintained. Additional discussion with management indicated that due to limited vendor response and challenges related to the project locations, PMO utilized alternative approaches such as combining projects with other ongoing projects to encourage vendor participation. While this is not unreasonable, documentation supporting this decision was not maintained in the procurement file to document compliance with the Procurement policy.
- For 2 of 4 projects, vendor evaluation support showed that the highest-scored vendor was not selected however, no documentation was in place justifying why. Additional discussion with management indicated one project had occurred before current PMO leadership therefore they were not aware of why the highest scoring vendor was not selected however, the other vendor went out of business and the work moved to another responder on the RFP.

Despite documentation issues, all projects tested received proper approvals by the Planning Board and Tribal Council prior to contract execution.

Potential Risk – *Low:* If procurement records are incomplete and exceptions are not documented, EBCI may be unable to show that projects were procured in accordance with policy. Since both projects tested received proper approvals throughout the procurement process, we assessed the risk at low.

Recommendation: EBCI PMO, in collaboration with EBCI Procurement personnel, should maintain complete procurement files for each project to support the procurement method used and vendor selection decision. In situations where procurement decisions deviate from policies and procedures (such as not selecting the highest scoring vendor or opting to sole source), justification should be maintained.

5) Planning Board Monthly Reporting

On a monthly basis, project reports are provided to the EBCI Planning Board regarding the status of various projects. Discussions with management indicated that these reports are not a complete listing of all active projects, but instead the projects included in these updates vary based on Board requests, project importance, or current issues, and are in place to provide general information on progress. Our testing determined that while monthly project reports were occurring, for 7 of the projects that were included, statuses often remained unchanged without explanation and project phases reported to the Planning Board did not align with internal PMO records.

Potential Risk – *Low:* If monthly reporting updates do not align with actual project status, delays or issues may not be communicated effectively to the Planning Board. Since discussions do appear to be occurring and this instead relates to documentation issues, we have assessed the risk at low.

Recommendation: EBCI PMO should establish a standardized process for monthly project status reporting that ensures project phases and status updates provided to the Planning Board are in agreement with PMO records prior to submission. When a project's status remains unchanged from the prior reporting period, the update should include a brief explanation of ongoing activities, challenges, or reasons for the lack of progress to improve transparency and Board oversight.

Scope and Procedures Performed

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

- Rebecca "Becky" Bowe, Manager – Project Management
- Kristina Queen, Office Administrator
- Zach Hicks, Director of Support Services

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

- EBCI Fiscal Management Policy (August 2019)
- 25 CFR § 170.472

We performed the following test work:

Project Planning/Procurement – We obtained the PMO's Current Project Listing as of January 29, 2026, the Tribal Council Capital Plans, and project related documentation. From a population of 32 "in-progress" projects and 9 "complete" projects, we selected 2 "in-progress" and 2 "complete" projects and tested to determine:

- The purchasing method used aligned with procurement policy requirements based on contracted dollar amount.
- The vendor contract was competitively procured or an allowable exception was documented.
- The contract was approved by the appropriate level of authority based on policy dollar amount thresholds.
- The project was approved by Tribal Council through Capital Project Plan.
- The selected project vendor contract did not exceed the approved project budget.

Project Monitoring – Utilizing the sample selected above, we selected 2 Pay Applications from each project (for a total of 8 Pay Applications) and obtained the project contracts to identify clauses related to project timelines and any contract required reporting, change orders that had been issued on the project, and other supporting documents as needed, and tested to determine:

- The Pay Application was supported accurately by completed Daily Logs and construction progress details.
- The Pay Application Approval Form was signed and dated by the Project Monitor/Inspector and the payment request was reviewed and approved by the PMO Manager.

- The Pay Application approval dates preceded the payment date.
- The amount paid agreed to the approved Pay Application Approval Form and transaction details.
- The project adhered to required timelines per the contract.
- If delays occurred, they were documented and were for justifiable reasons.
- Reporting to applicable project stakeholders occurred in accordance with contract requirements.

Finally, we reperformed payment calculations on the selected pay applications to ensure mathematical accuracy. We also evaluated any change orders that had been issued on the selected projects to ensure the change order was for justified reasons and properly approved.

Monthly Board Reporting – We obtained the monthly Planning Board Project Summary reports from November 2025 through February 2026, the associated Board minutes, and the Project Report excel and tested to determine:

- Monthly Board minutes reflected that the monthly Project Summary report was presented by the PMO Manager.
- There was evidence that project statuses changed from month to month. If not, there was documentation justifying the absence of changes.
- All projects reported to the Board in the February 2026 report tied to the phase reported in the 1.29.26 Project Management excel file.

Project Closeout – Punchlist Completion and Retainage Release – We utilized the sample of 2 "completed" projects from above and obtained the Punchlist and Retainage Release Forms and tested to determine:

- The Punchlist Form was signed and dated by the Vendor/Contractor, Architect, and a PMO representative.
- The Retainage Release Form was signed and dated by the Project Monitor/Inspector and PMO Manager.
- The Retainage payment was processed after all approvals were completed.
- The Retainage amount paid agreed to the release documentation and transaction details.

* * * * *

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

REDW LLC

Albuquerque, New Mexico
July 22, 2026

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MEMORANDUM

TO: Executive
Tribal Council

FROM: Sharon Blankenship, Chief Audit and Ethics Executive

CC: Monique Taylor, Audit and Ethics Committee Chair
Anthony Sequoyah, Secretary of Operations
Zach Hicks, Director of Support Services
Rebecca Bowe, Manager – Project Management

DATE: August 4, 2026

RE: Action plan for 26-006 – Project Management

The 5 observations and recommendations identified in the Project Management audit report 26-006 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. **Project Monitoring**

   Response: Observation – Disagree, Recommendation - Agree, Target implementation 10/30/26

   Respondent narrative: Observation: “The requirements in place and recommended by the previous PMO do not align with how PMO functions and operates currently. Adjustments and clear expectations have been made to employees. The PMO Policies and Procedures have not been updated to align with current functionalities.” Recommendation: “Once the policy and procedure(s) are updated, the PMO will hold a team meeting and training to review and discuss the new/updated functions of the Project Monitor(s) role.”

2. **Pay Application Support and Approval**

   Response: Agree, Target implementation 10/30/26

Respondent narrative: “The Office Administrator is the responsible party for entering and overseeing invoices, pay apps, etc. and will review the pay submittal to ensure all parties have reviewed and signed off prior to entering into munis for payment.”

3. **Project Closeout Documentation and Punchlist Signoff**

   Response: Agree, Target implementation 10/30/26

   Respondent narrative: “The PMO manager will review all closeout documents, scheduled a final walk-thru after the punch list work has been completed and all parties are satisfied. The manager will then send out the form to be signed by all responsible parties prior to releasing the retainage and final close-out of the project.”

4. **Procurement Support and Documentation**

   Response: Agree, Target implementation 10/30/26

   Respondent narrative: “The Manager and Office Administrator oversee and control all project financials and already follow all tribal fiscal management policies while using common industry standard practices and for projects.”

5. **Planning Board Monthly Reporting**

   Response: Observation – Disagree, Recommendation – Agree, Target implementation 10/30/26

   Respondent narrative: Observation: “The projects sampled were reported as accurately as possible and statuses do not change significantly on a monthly basis, especially on large projects.” Recommendation: “The monthly report has been re-formatted to closely align with the Capital Plan that is adopted at the beginning of each fiscal year. The report is updated to the best of PMOs ability and presented as such in the required meetings.”