

January 30, 2024

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

We conducted a follow up review on the Housing Division audit report 23-007, dated September 8, 2023.

This follow-up review determines the status of the observations and recommendations. There were 5 observations reported with recommendations made. The status is reported by management with one of the following categories:

- **Implemented** – adequately addressed by implementing corrective action that is in place and functioning
- **Partially Implemented** – initiated with 50% or more progress
- **Started** – initiated with less than 50% progress
- **Not Implemented** – no action taken or started
- **Withdrawn** – no longer exist because of changes in processes or the risk is accepted by management and approved by the Audit and Ethics Committee

When necessary, limited audit work was performed on select findings to verify management's assertion. If it could not be verified, the status was adjusted accordingly. A summary of the reported status of the is as follows: **3 (60%) Implemented, 1 (20%) Partially Implemented, and 1 (20%) Started**. The details of this follow-up review can be found in the attached audit report summary.

The help of the Housing Division staff is appreciated. Please contact our office with questions.

Sincerely,



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

cc: Lori Lambert, Audit and Ethics Committee Chair
Edwin Taylor, Secretary of Housing
Jonathan Rattler, Executive Director

Report Name: Housing Division
Audit Type: Operational
Report Date: September 8, 2023

Follow up report date: January 30, 2024

Background and Scope:

The Cherokee Indian Housing Division is comprised of the Qualla Housing Authority (QHA) which offers rental, lease-to-own, and low-income homeownership programs as well as the Tribal Housing section which assists enrolled members in obtaining mortgage loans, both on- and off-Boundary, to purchase or construct a home, and down payment assistance. The goal of each is to provide EBCI enrolled members with safe and affordable housing through a variety of methods. The programs are funded through a combination of tribal revenue and grants awarded by the U.S Department of Housing and Urban Development (HUD).

Overall Conclusions:

There were 5 observations to improve the Housing Division's internal controls.

Summary of Reportable Findings:

Finding	Recommendation	Management Response	Rating	Implementation Status
1. Document Retention - HUD (24 CFR § 1000.552) requires all financial and programmatic records, supporting documents, and statistical records to be maintained by recipients of the IHBG (Indian Housing Block Grant) for 3 years from the end of the tribal program year during which the funds were expended. Our testing over the various housing assistance programs determined:	The Cherokee Indian Housing Division should ensure compliance with the requirements of 24 CFR § 1000.552 by developing and applying record retention schedules as well as a developing a uniform and standardized filing classification process. A review of the physical files for new admissions as well as annual requirements should be performed by someone other than the preparer to ensure accuracy and completeness of the file prior to scanning the documents into electronic format. It may be beneficial to implement quality control procedures for each program via a standardized checklist to be filled out once a participant is admitted into a program as well as over annual activities, such as recertifications and home inspections, to ensure all required documentation is maintained to support various activities and determinations. The checklist should be filled out completely and consistently and maintained with all documentation to ensure accountability over performance. Lastly, documentation should be maintained in a chronological and consistent manner within each program for each participant.	Management accepts and will implement recommendation. Target date: 1/1/2024	High	Implemented
2. Quality Control Procedures - HUD Housing Choice Voucher Program Guidebook Chapter 22 (Program Integrity) rules provide various methods housing service providers should consider implementing to mitigate the risk of potential fraud and errors when administering housing programs. Our testing determined quality control activities within the Cherokee Indian Housing Division were not documented therefore, we were unable to determine if procedures were in place and performed to address program related risks.	The Cherokee Indian Housing Division should implement quality control procedures that are in alignment with HUD Program Integrity best practices to ensure procedures performed align with the current risk environment and to ensure errors can be detected quickly. HUD encourages the cost-benefit relationship of each method when deciding to what degree each method should be implemented. At minimum, the Cherokee Indian Housing Division should consistently utilize standardized checklists to ensure program administrators have a reference tool of what steps and documentation are required for each milestone or activity, while sufficiently considering overall HUD and The Native American Housing Assistance and Self Determination Act of 1996 (NAHASDA) plan administration requirements and best practices. These checklists should be periodically reviewed by a supervisor to ensure they are being utilized correctly and trends in errors can be flagged and addressed.	Management accepts and will implement recommendation. Target date: 1/1/2024	High	Implemented
3. Data Integrity - The Cherokee Indian Housing Division utilizes two different systems to keep track of tenant and owner information. The first system is an offline legacy system while the second is a more modern property management system. Our testing determined discrepancies between the total number of tenants within each system. As a result, we were unable to determine if the listings we received properly reflected the total number of tenants that were active in the housing programs.	The Cherokee Indian Housing Division should seek to consolidate tracking of program information into one property management system to ensure tenant and owner listing are complete. Once the property management system has been identified, a reconciliation should be performed to ensure all information has been transferred correctly.	Management accepts and will implement recommendation. Target date: 1/1/2024	High	Partially Implemented

EASTERN BAND OF CHEROKEE INDIANS
OFFICE OF INTERNAL AUDIT AND ETHICS
AUDIT REPORT SUMMARY

Summary of Reportable Findings:

Finding	Recommendation	Management Response	Rating	Implementation Status
<p>4. Inconsistent Application of Housing Policies - The NAHASDA Essentials Participant Notebook and the NAHASDA Indian Housing Block Grant Recipient Self-Monitoring Guidebook both state that the Cherokee Indian Housing Division must have policies and procedures in place over each program offered and that all policies must be implemented thoughtfully, conscientiously, fairly, and consistently. Our testing of 10 participants determined that policies over the down payment assistance program (5 samples), and portfolio loan program (5 samples) were not being applied consistently to all participants. Areas of inconsistency included:</p> <p>The Down Payment Assistance Program Policy states that all assistance shall be made in the form of a loan and will be amortized over an 8-year period at a fixed interest rate which will be established at 2%. For 1 recipient tested, documentation provided indicated this loan was amortized over a 30-year period.</p> <p>1 portfolio loan recipient did not meet the eligibility requirement of being continuously employed for 12 months prior to receiving assistance as required by policy. Documentation provided showed the recipient had been employed for 7 months at the time the loan was approved.</p>	<p>The Cherokee Indian Housing Division should implement a monitoring program over program managers to ensure consistent application and compliance with policies, rules, and regulations, as well as to ensure documentation is properly maintained to support events and actions performed. It may be necessary to implement the consistent use of standardized checklists and tracking spreadsheets to ensure that required activities are taking place and that relevant information is being maintained. In addition, internal training should be provided on each program regarding program administration at least on an annual basis with an emphasis on applying policies fairly and consistently and to ensure that any updates are communicated. Regular spot audits should be performed over participant files to ensure that the files are complete and recertifications and inspections are occurring at the required frequency per policy.</p>	<p>Management accepts and will implement recommendation. Target date: 1/1/2024</p>	Med	Implemented
<p>5. Delinquent Accounts - The Cherokee Indian Housing Division Collections Policy requires delinquency notices to be sent by the 5th day of the month if payments are not received, with additional notices being sent at 30-days of non-payment. If payment is not received, payment plans are established or eviction procedures commence. While the Cherokee Indian Housing Division is performing a recoupment of past-due accounts on an annual basis, our testing determined for 15 of 16 samples tested within the rental, lease to own, and homeownership, documentation was not provided to support notifications being sent or of procedures performed for delinquency/collections, evictions, or foreclosure as required by various policies, nor were we able to determine if participants were part of a payment plan agreement despite the 15 being in delinquent status.</p>	<p>The Cherokee Indian Housing Division should establish and maintain consistent collections processes, which may include clear payment and delinquency schedules, increased frequency and proactive communication with tenants/owners, effective tracking systems, and when necessary, following appropriate legal action to recover outstanding debts. Although the APR and IHP are only required to be submitted once per year, it is recommended to engage in self-monitoring activities more frequently, for example, assessing the aging of accounts receivable on a more frequent basis, such as quarterly, and seeking ways to improve the frequency of communication with tenants and homeowners. The Cherokee Indian Housing Division should ensure that late payment, collections, and evictions policies are adhered to and applied fairly and consistently across all programs. Collections and Legal Liaisons should receive training on an annual basis over collections, evictions, and foreclosure policies and procedures, as well as EBCI conflict of interest policy.</p>	<p>Management accepts and will implement recommendation. Target date: 1/1/2024</p>	Med	Started