

OFFICE OF INTERNAL AUDIT AND ETHICS

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September 21, 2026

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

We conducted a compliance audit of the housing loans administered by the Housing Division at the request of management.

This review was designed to determine if housing loans were complete, accurate, and in compliance with policies, rules, and regulations.

We did not identify any major discrepancies in loan information transferred to the new system, however, loan management needs improvement. We identified 4 observations. The details can be found in the attached report. Management did not provide an action plan to address the observations.

The assistance of the Housing Division 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, IAP, CFE, LPEC
Chief Audit and Ethics Executive

cc: Monique Taylor, Audit and Ethics Committee Chair
Edwin Taylor, Secretary of Housing
Jonathan Ratter, Director of Qualla Housing

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**Housing Loans
Housing Division
Compliance (26-011)
September 21, 2026**



BACKGROUND

The Housing Division of the Eastern Band of Cherokee Indians strives “to create a centralized and productive housing delivery system to address the diverse housing needs of enrolled members...” Comprised of the Qualla Housing Authority (QHA) and Tribal Housing, the division provides loans to enrolled members to purchase homes. The QHA loans are for low-income while Tribal Housing loans are for over-income. Enrolled members can also apply for home renovation loans or down payment assistance. Down payment assistance is a secondary loan that is deferred until the home loan is paid off.

The division is transitioning to new loan management system to manage loan accounts. The table below reflects the active loan accounts in the new loan management system as of June 22, 2026.¹

STATUS	DOWN PAYMENT ASSISTANCE			MORGATAGES			TOTAL		
In Service	14	\$	171,338.12	324	\$	26,923,236.80	338	\$	27,094,574.92
Paid Off	7	\$	0.21	19	\$	775.91	26	\$	776.12
Pending	161	\$	3,177,155.67	1	\$	7,667.98	162	\$	3,184,823.65
Totals	182	\$	3,348,494.00	344	\$	26,931,680.69	526	\$	30,280,174.69

The table above does not represent the complete loan portfolio of the Housing Division as it does not include all Tribal Housing down payment assistance. The Housing Division provided an excel spreadsheet with the outstanding Tribal Housing down payment assistance loans which showed a total of \$13,201,519 and an additional \$1,042,200 paid for rate buy downs.

OBJECTIVES & SCOPE

The audit objective was to review housing loans to determine if they were complete, accurate, and in compliance with policies, rules, or regulations.

The scope of the audit included a review of active loans as of June 22, 2026, financial information, policies and procedures, and prior audit reports.

CONCLUSION

There were no major discrepancies identified in individual loan information transferred. However, loan management needs improvement with heightened financial stewardship. The following issues were identified:

¹ Information exported from Bryt Software with the status of In Service, Paid off, or Pending.

1. All loans were not recorded in the loan management system.
2. A loan account was improperly recreated.
3. Loan files were not organized.
4. The loan delinquency rate was high.

The details of these observations are on the following pages. The cooperation and assistance of the Housing Division staff is acknowledged and appreciated.

OBSERVATIONS AND RECOMMENDATIONS

1. All loans were not recorded in the loan management system.

The loan management system does not reflect the complete loan portfolio of the Housing Division because all loans are not recorded. A complete loan portfolio provides a full, accurate picture of lending activities which enables effective risk management, performance monitoring, and strategic decision-making. Management has not required all loans to be recorded in the loan management system which can increase exposure to operational, compliance, regulatory, and financial risk.

Management must require that all loans are recorded in the loan management system to reflect a complete loan portfolio and to provide more effective loan management.

2. A loan account was improperly recreated.

There was one loan account that was “recreated” to remove from delinquency status. Management re-entered the account applying additional payments based on assumption. Any need for a loan adjustment must be clearly communicated and documented. Management did not thoroughly research the loan account to provide justification before recreating the loan which resulted in reduced loan payments due to the Tribe.

Management should not “recreate” loan accounts. Further, management must reconcile all adjustments made to loan accounts to ensure they were proper and the principal balance due is correct. Management must also develop a policy for loan adjustments including who can initiate the adjustment, justification requirements, documentation, and approvals. Staff must be trained and the policy enforced.

3. Loan files were not organized.

Loan files were in and stacked on various file cabinets in the hallways as well as individual offices. It was less than efficient to locate an individual’s loan file and in some cases the name in the loan management system did not match the name on the loan file. Effective file management is essential to protect data and ensure compliance. Management has not established effective file management which can lead to operational inefficiencies and errors, data security and information loss, compliance and legal risks, and financial costs.

Management must improve loan file management by using structured folder hierarchies, consistent naming conventions, version control, and centralized storage. Also, management must require regular maintenance and quality control checks.

4. The loan delinquency rate was high.

The principal balance in the loan management system was compared to an amortization schedule inputting the loan amount, interest rate, and loan term. Of 50 loans reviewed, 20 or 40% showed a principal balance over \$1,000 more than the calculated principal balance, indicating delinquency. The highest delinquency amount of loans reviewed was \$24,076. The delinquency rate in the industry varies by loan type but is typically less than 12%. Management is not ensuring timely payments from homeowners and is not effectively managing loan delinquency which results in higher delinquency rates and uncollectable debt.

Management must define an acceptable delinquency rate by which to monitor loan portfolio performance and enforce collection processes.