

COMMONWEALTH DEVELOPMENT AUTHORITY

INDEPENDENT AUDITORS' REPORTS ON  
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2003



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED  
UPON THE AUDIT PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Commonwealth Development Authority:

We have audited the financial statements of the Commonwealth Development Authority (CDA), as of and for the year ended September 30, 2003, and have issued our report thereon dated November 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether CDA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CDA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect CDA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs (pages 9 through 13) as items 2003-1 through 2003-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2003-3 to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated November 21, 2003.

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche*

November 21, 2003



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
INTERNAL CONTROL OVER COMPLIANCE APPLICABLE  
TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON  
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Directors  
Commonwealth Development Authority:

Compliance

We have audited the compliance of the Commonwealth Development Authority (CDA) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. CDA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (pages 9 through 13). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of CDA's management. Our responsibility is to express an opinion on CDA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CDA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on CDA's compliance with those requirements.

As described in item 2003-4 in the accompanying Schedule of Findings and Questioned Costs, CDA did not comply with requirements regarding reporting related to U.S. Department Housing and Urban Development programs, that are applicable to its major programs. Compliance with such requirements is necessary, in our opinion, for CDA to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, CDA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

## Internal Control Over Compliance

The management of CDA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered CDA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted one matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect CDA's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2003-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions described above to be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness.

## Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of CDA as of and for the year ended September 30, 2003, and have issued our report thereon dated November 21, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (page 5) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of CDA. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of the management, the Board of Directors, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche*

November 21, 2003

COMMONWEALTH DEVELOPMENT AUTHORITY

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2003

Federal Grantor/ Program Title	Federal CFDA Number	Federal Cumulative Amount of Grant Award	Federal Funds Received in Fiscal Year 2003	Federal Funds Expended in Fiscal Year 2003 (see note 2a)
<b>Direct Programs:</b>				
U.S. Department of the Interior /Covenant Capital Development Fund	15.875	\$ 3,036,935	\$ 3,036,935	\$ 3,036,935
U.S. Department of Housing and Urban Development /Section 8 Housing Choice Voucher Program	14.871	1,887,348	1,887,348	1,887,348
U.S. Department of Housing and Urban Development /Lower Income Housing Assistance Program	14.856	461,085	461,085	461,085
	14.856	255,292	255,292	255,292
	14.856	265,179	265,179	265,179
	14.856	179,323	179,323	179,323
Subtotal CFDA #14.856		1,160,879	1,160,879	1,160,879
U.S. Department of Housing and Urban Development /Community Development Block Grant	14.225	100,000	33,248	33,248
	14.225	152,190	108,604	78,807
	14.225	107,272	4,522	4,522
	14.225	155,247	74,740	74,740
	14.225	25,000	25,000	25,000
	14.225	91,345	39,768	39,768
	14.225	57,848	7,407	7,321
	14.225	40,000	2,577	2,577
	14.225	128,753	128,753	128,753
Subtotal CFDA #14.225		857,655	424,619	394,736
U.S. Department of Housing and Urban Development /Emergency Shelter	14.231	40,000	10,068	10,068
U.S. Department of Housing and Urban Development /HOME Investment Partnerships Program	14.239	61,950	187	-
	14.239	351,050	131,883	131,883
Subtotal CFDA #14.239		413,000	132,070	131,883
U.S. Department of Agriculture /Rural Development/ Home Preservation Grant	10.417	39,500	-	-
		<u>\$ 7,435,317</u>	<u>\$ 6,651,919</u>	<u>\$ 6,621,849</u>
<b>Reconciliation of expenditures to Statement of Revenues, Expenses and Changes in Net Assets:</b>				
Federal award expenditures per above:				
U.S. Department of the Interior/Covenant Capital Development Fund				\$ 3,036,935
U.S. Department of Housing and Urban Development/Emergency Shelter				10,068
U.S. Department of Housing and Urban Development/HOME Investment Partnerships Program				131,883
				<u>\$ 3,178,886</u>
Federal award expenditures per Statement of Revenues, Expenses and Changes in Net Assets:				
Transfers out for capital development grants				\$ 4,795,111
U.S. Department of Housing and Urban Development/Emergency Shelter				9,014
U.S. Department of Housing and Urban Development/HOME Investment Partnerships Program				113,466
Total federal award expenditures per Statement of Revenues, Expenses and Changes in Net Assets				4,917,591
Reconciling items:				
Transfer out for capital development grant, not funded by Covenant Funds				(2,000,000)
Administrative expenditures funded by Covenant Funds				241,824
Unidentified difference				19,471
				<u>\$ 3,178,886</u>

See accompanying notes to schedule of expenditures of federal awards.

# COMMONWEALTH DEVELOPMENT AUTHORITY

## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2003

### (1) Scope of Review

The Commonwealth Development Authority (CDA) was created as an autonomous public agency of the Commonwealth of the Northern Mariana Islands (CNMI) pursuant to Public Law 4-49 as amended by Public Law 4-63 and 5-27. CDA's existence is to be perpetual and it shall have all the rights and privileges of a corporation. The purpose of CDA is to stimulate the economic development of the CNMI. The Northern Marianas Housing Corporation (NMHC), a component unit and subsidiary corporation of CDA, was established under Public Law 5-37 as amended by Public Law 5-67. The purpose of NMHC is to develop and administer low cost residential housing in the CNMI. All significant operations of CDA and NMHC are included in the scope of the OMB Circular A-133 audit (the "Single Audit"). The U.S. Department of the Interior has been designated as CDA's cognizant agency for the Single Audit.

### (2) Summary of Significant Accounting Policies

#### a. Basis of Accounting

For purposes of this report, certain accounting procedures were followed, which help illustrate the authorizations and expenditures of the individual programs. The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. All authorizations represent the total allotment or grant award received. Disbursements made to subrecipients related to grant agreements are reported as expenditures. Disbursements made to subrecipients related to loan agreements are reported within applicable loan portfolios, and are subject to the Single Audit.

#### b. Subgrantees

Certain program funds are passed through CDA to subgrantee organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subgrantees outside of CDA's control utilized the funds.

#### c. Funds Received

*United States Department of the Interior, Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (the Covenant)*

- *Covenant Capital Development Funds obtained pursuant to the Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands (the Agreement).*

COMMONWEALTH DEVELOPMENT AUTHORITY

Notes to Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2003

(2) Summary of Significant Accounting Policies, Continued

c. Funds Received, Continued

CDA is a subrecipient of funding obtained in Part II, Section 3 of the Agreement, from the Government of the CNMI. These funds are to be disbursed in accordance with a seven-year strategic plan for capital improvement projects of which a minimum of eighty percent (80%) shall be obligated and expended in accordance with such plan for essential infrastructure and no more than twenty percent (20%) shall be obligated and expended in accordance with such plan to provide for economic development activities. Additionally, CDA is required to establish a revolving fund, into which repayments of principal and interest from revenue producing projects shall be deposited for financing of additional revenue producing capital development projects.

- Covenant Funds Obtained Pursuant to Article VII, Section 702(c) of the Covenant.

CDA accounts for all funds received by the former Northern Mariana Islands Economic Development Loan Fund pursuant to Article VII Section 702(c) of the Covenant from February 15, 1975 through September 30, 1985. In addition, CDA has been designated as the administrative agency for economic development loans transferred from the Trust Territory of the Pacific Islands government to the CNMI. In total, these funds are accounted for in a revolving fund for economic development loans which are made to qualified private sector enterprises.

*U.S. Department of HUD - CDBG Grants/HOME Investment Partnerships Program/Emergency Shelter Grants Program/Affordable Housing Program - NMHC received these funds in a direct capacity in fiscal year 2003 and administers the funds and is responsible for ensuring compliance with laws and regulations.*

*U.S. Department of the Interior - NMHC records federal funds received from Covenant appropriations. Program income is interest income earned on notes receivable and time certificates of deposit. Federal funds disbursed are recorded as notes receivable, cash and time certificates of deposit, and operating transfers.*

*U.S. Department of HUD - Lower Income Housing Assistance Program/Section 8 Rental Voucher Program/Section 8 Rental Certificate Program - NMHC records federal rental assistance as Section 8 income. Program requirements do not entail the reporting of expenditures except for project No. TQ10-0016-004, Koblerville.*

*U.S. Department of Agriculture - Rural Development - NMHC received these funds in a direct capacity in fiscal year 2003 and administers the funds and is responsible for ensuring compliance with laws and regulations.*

d. Indirect Cost Allocation

CDA does not receive an indirect cost allocation.



COMMONWEALTH DEVELOPMENT AUTHORITY

Notes to Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2003

(3) Loan Funds

a. Development Banking Division

The Development Banking Division of CDA represents the revolving fund required under the *Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands* into which repayments of principal and interest from revenue-producing projects funded under Section 702(c) of the Covenant shall be deposited. These funds will be used for financing additional revenue-producing capital development projects. During the year ended September 30, 2003, such funds amounting to \$2,795,111 were transferred out as capital development grants to CNMI Office of the Governor for matching funds for grants from the U.S. Department of the Interior. As of September 30, 2003, \$4,147,032 (net of the allowance for doubtful accounts of \$66,159,100) of loans made out of this revolving fund were outstanding.

b. Development Corporation Division

The Development Corporation Division (DCD) of CDA represents the revolving fund established to account for funds received by the former Northern Mariana Islands Economic Development Loan Fund pursuant to Section 702(c) of the Covenant from February 15, 1975 through September 30, 1985. In addition to the aforementioned financial resources, DCD has been designated as the administrative agency for economic development loans transferred from the Trust Territory of the Pacific Islands government to the CNMI. DCD also served as an intermediary lender for part of the year, for the SBA Microloan Program and obtained loans from SBA and used the loan funds to issue short-term microloans to qualified newly-established and growing small business concerns in the CNMI. As of September 30, 2003, \$17,549,758 (net of the allowance for doubtful accounts of \$17,548,481) of loans made out of this revolving fund were outstanding.

c. Northern Marianas Housing Corporation

The Northern Marianas Housing Corporation (formerly the Mariana Islands Housing Authority (MIHA)) received economic development loan funds from the former Northern Mariana Islands Economic Development Loan Fund pursuant to a Memorandum of Understanding transferring funds received under Section 702(c) of the Covenant to MIHA. These funds are used for a revolving fund for a special program of low interest housing loans for low income families. As of September 30, 2003, \$4,350,141 (net of the related allowance for doubtful accounts of \$289,317 and out of total NMHC net loans receivable of \$14,313,391) of loans made out of this revolving fund were outstanding.

COMMONWEALTH DEVELOPMENT AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2003

**Section I - Summary of Auditor's Results**

1. The Independent Auditors' Report on the financial statements expressed an unqualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, one of which is considered to be a material weakness.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. One reportable condition in internal control over compliance with requirements applicable to major federal awards programs was identified, which is not considered to be a material weakness.
5. The Independent Auditors' Report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. CDA's major programs were as follows:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U.S. Department of Housing and Urban Development:	
Lower Income Housing Assistance Program	14.856
Community Development Block Grant	14.225
U.S. Department of the Interior:	
Capital Development Program	15.875
Economic Development Loan Fund	15.875

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. CDA did not qualify as a low-risk audit as that term is defined in OMB Circular A-133.

**Section II - Financial Statement Findings**

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Refer Page #</u>
2003-1	Cash Receipts	\$ -	10
2003-2	Cash Disbursements	\$ -	11
2003-3	Receivables	\$ -	12

**Section III - Federal Award Findings and Questioned Costs**

<u>Reference Number</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Refer Page #</u>
2003-4	Reporting	\$ -	13

COMMONWEALTH DEVELOPMENT AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2003

**Section II - Financial Statement Findings**

Cash Receipts

Finding No. 2003-1

Criteria: An effective internal control system should include adequate segregation of duties, batch control numbers, and independent review of transactions and recording.

Condition: During the year ended September 30, 2003, the following weaknesses existed within the cash receipt business cycle of the Loan Base System utilized by NMHC to record, summarize and report daily collections:

- a. Receipt numbers generated by the system were susceptible to manual alterations and manual assignment. As such, a break in the sequential numbering of receipts could be forced manually.
- b. A summary of the day's collections by receipt number was not an available option, thereby eliminating the possibility of independent review for completeness of collections.
- c. An option existed that permitted cash receipts to be posted to loan accounts at a later date.
- d. Segregation of duties between cash custody and recording was sometimes compromised due to staff absence.
- e. Monthly loan statements were not circulated.

Cause: The cause of the above condition is deficiencies within the Loan Base System and lack of clearly established policies regulating internal control procedures.

Effect: The effect of the above condition is an increase in the risk of errors and/or irregularities occurring and not being detected in a timely manner.

Recommendation: Shortly after fiscal year end, NMHC implemented the following procedures which address or mitigate the above weaknesses:

- a. Daily collections are now being processed by a different cash receipt system, which is linked with the general ledger. This system prevents manual alterations to the receipt numbering process and provides a summary of day's receipts. Postings to loan accounts are required to reconcile to the summary report.
- b. A monthly statement is now being circulated to borrowers, which serves as a reminder notice for payment and provides the borrower an opportunity to reconcile their accounts with NMHC.

We commend management for their prompt action in addressing the above weaknesses. We also recommend that management define clear internal control policies, which regulate custody and recording of assets.

COMMONWEALTH DEVELOPMENT AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2003

Cash Disbursement

Finding No. 2003-2

Criteria: A basic element of internal control is independent review of transactions and their recording.

Condition: Our review of the Section 8 Housing Choice Voucher Program noted that disbursements issued under the program are not being reviewed by management. This is because management presumes reliance on the eligibility review process. However, this review process is primarily performed on manual documents and does not include a review of the electronic database, which is the basis for initializing checks. Subsequent alterations to the electronic database after the review of manual documents may not be detected.

Cause: The cause of the above condition is documented above.

Effect: The effect of the above condition is a risk that potential irregularities may not be detected in a timely manner.

Recommendation: We recommend that a review of the check initialization run (a preliminary printout of checks to be printed) be performed by independent, knowledgeable personnel (specifically, the Housing Manager) whose scan of the printout can detect possible unauthorized payments on the list.

COMMONWEALTH DEVELOPMENT AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2003

Receivables

Finding No. 2003-3

Criteria: An effective system of internal control includes procedures to ensure that loan payments are received on a timely basis.

Condition: Our audit included an analysis of the Development Corporation Division's past due loans to determine the propriety of the allowance for doubtful loans as of September 30, 2003. This analysis revealed that as of September 30, 2003, one hundred twenty-seven loans (57% of the two hundred twenty-three total loans outstanding) were six months or more in arrears. At September 30, 2002, one hundred twenty-seven (55%) of two hundred fourteen loans outstanding were six months or more in arrears. Accrued interest on loans has also increased from \$6,728,186 at September 30, 2002 to \$8,969,125 as of September 30, 2003. As such, the collateral for these loans is becoming smaller as a percentage of the loan and interest.

Cause: The cause of the above condition is the increase in past due loans.

Effect: The effect of the above condition is an increased possibility of loan losses due to non-payment by borrowers.

Recommendation: We recommend that follow-up procedures on past due loans be adhered to. We recommend that evaluations be performed on these loans and a corrective plan be developed and documented. Future results may be compared against this plan and actions taken by management as deemed necessary. Legal action should be considered for those loans which are considered unlikely to be serviceable by the borrower.

Prior Year Status: Past due loans was reported as a finding in the Single Audits of CDA for fiscal years 1994 through 2002.

COMMONWEALTH DEVELOPMENT AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2003

Reporting - Community Development Block Grant  
CFDA #14.225

Finding No. 2003-4

Criteria: HUD requires that CDBG expenditures be reported on SF-272, Federal Cash Transactions Report.

Condition: NMHC draws funds for use in CDBG expenditures and reports these expenditures on the SF-272. We noted that funds drawn were reprogrammed to other HUD approved projects resulting in variances between project expenditures reported on the SF-272 and the general ledger by individual projects. In addition, a prior year expenditure was reported on the SF-272 as a fiscal year 2003 expenditure creating a variance between SF-272 summaries and the general ledger of \$29,797.

Cause: The cause of the above condition is the failure of management to report the proper amount of expenditures to HUD.

Effect: The effect of the above condition is the improper reporting of CDBG expenditures and possible use of funds for unallowable costs.

Recommendation: We recommend that management ensure proper reporting of expenditures on SF-272's to HUD.

Prior Year Status: Incorrect reporting of expenditures on the SF-272 was reported as a finding in the Single Audit of CDA for fiscal year 2002.

COMMONWEALTH DEVELOPMENT AUTHORITY

Unresolved Prior Year Findings and Questioned Costs  
Year Ended September 30, 2003

The status of unresolved prior year findings is discussed within the Schedule of Findings and Questioned Costs section of this report (pages 9 through 13). There are no unresolved questioned costs from prior year audits of CDA.



# COMMONWEALTH DEVELOPMENT AUTHORITY

P.O. BOX 502149, SAIPAN MP 96950  
Tel.: (670) 234-6245/6293/7145/7146 • Fax: (670) 234-7144 or 235-7147  
Email: cda@itecnmi.com • Website: www.cda.gov.mp



Corrective Action Plans to Questioned Costs and Findings included in the Independent Auditors' Report on Internal Control and Compliance for the Year Ended September 30, 2003

## **Financial Statements Findings**

### Cash Receipts

#### Finding No. 2003-1

Daily collections are now being processed by a different cash receipt system, which is linked with the general ledger. This system prevents manual alterations to the receipt numbering process, and provides a summary of day's receipts. Postings to loan accounts are required to the summary. A monthly statement is now being circulated to borrowers, which serves as a reminder notice for payment and provides the borrower opportunity to reconcile their accounts with NMHC.

### Cash Disbursement

#### Finding No. 2003-2

Action was taken to avoid risk of potential errors on the Housing Choice Voucher disbursement of checks. Prior to printing of checks, the amount from the initialization was reviewed and checked against the Housing Choice Voucher and Utility Reimbursement payment list for the month to ensure no overpayment or cash disbursement is made. The Manager, Program & Housing Division, will be responsible to verify initial check prior to disbursement.

### Receivables

#### Finding No. 2003-3

With the new Loan Manager on board, the Loan Department of CDA has a plan of action to contact all delinquent clients and arrange a Workout on their loans. With these Workouts, they will eventually decrease the delinquency rate. Emphasis was also made to increase collection. Furthermore, emphasis was made in following protocols of legal proceedings. CDA will adhere to its Rules & Regulations and follow-up procedures on past due loans.

## **Federal Award Findings and Questioned Costs**

### Reporting - Community Development Block Grant

#### Finding No. 2003-4

Any reporting to HUD on SF-272s may be only a cut-off difference. Drawdowns made on the Integrated Disbursement & Information System (IDIS) is tied to the SF-272 reports by HUD, Honolulu. We double check the drawdowns compared from the drawdowns report and this would be tied up with disbursement made when we received funds from IDIS. We are very aware of the rules and regulations and in compliance of SF-272s for proper expenditure reporting on the cash transactions.





# COMMONWEALTH DEVELOPMENT AUTHORITY

P.O. BOX 502149, SAIPAN MP 96950  
Tel.: (670) 234-6245/6293/7145/7146 • Fax: (670) 234-7144 or 235-7147  
Email: cda@itecnmi.com • Website: www.cda.gov.mp



## Summary of Schedule of Prior Audit Findings

Status of audit findings included in the schedule of findings and questioned costs for the year ended September 30, 2002:

### **Financial Statement Findings**

Finding No. 2002-1 - Not corrected. See corrective action plan to Finding No. 2003-3.

### **Federal Award Findings and Questioned Costs**

Finding No. 2002-2 - Corrective action has been taken.

Finding No. 2002-3 - Corrective action has been taken.

Finding No. 2002-4 - Not corrected. See corrective action plan to Finding No. 2003-4.