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NORTHERN MARIANAS HOUSING CORPORATION  
(A DIVISION OF THE  
COMMONWEALTH DEVELOPMENT AUTHORITY)

INDEPENDENT AUDITORS' REPORTS ON  
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2009

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Northern Marianas Housing Corporation:

We have audited the financial statements of the Northern Marianas Housing Corporation (NMHC), as of and for the year ended September 30, 2009, and have issued our report thereon dated October 18, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NMHC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NMHC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NMHC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs (pages 9 through 100) to be significant deficiencies in internal control over financial reporting as items 2009-1 through 2009-3.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether NMHC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of NMHC in a separate letter dated October 18, 2010.

NMHC's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit NMHC's responses and, accordingly, we express no opinion on it.

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 LLC*

October 18, 2010

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON  
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Directors  
Northern Marianas Housing Corporation:

Compliance

We have audited the compliance of the Northern Marianas Housing Corporation (NMHC) 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, 2009. NMHC'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 100). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of NMHC's management. Our responsibility is to express an opinion on NMHC'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 NMHC'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 NMHC's compliance with those requirements.

As described in items 2009-4 through 2009-40 in the accompanying Schedule of Findings and Questioned Costs, NMHC did not comply with requirements regarding allowable costs/cost principles, Davis-Bacon Act, eligibility, equipment and real property management, procurement and suspension and debarment, reporting, subrecipient monitoring and special tests and provisions that are applicable to its CFDA 14.182 Section 8 New Construction and Substantial Rehabilitation, CFDA 14.225 Community Development Block Grants/Special Purpose Grants/Insular Areas and CFDA 14.871 Section 8 Housing Choice Vouchers programs. Compliance with such requirements is necessary, in our opinion, for NMHC to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, NMHC 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, 2009.

#### Internal Control Over Compliance

The management of NMHC 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 NMHC's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NMHC's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in NMHC's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in the entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2009-4 through 2009-40 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected in the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2009-15, 2009-20 and 2009-34 to be material weaknesses.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of NMHC as of and for the year ended September 30, 2009, and have issued our report thereon dated October 18, 2010. Our audit was performed for the purpose of forming our opinion on NMHC's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (page 6) 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. 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.

NMHC's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit NMHC's responses and, accordingly, we express no opinion on it.

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 LLC*

October 18, 2010

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2009

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
<b>Direct Programs:</b>		
<b>U.S. Department of Housing and Urban Development:</b>		
<b>Section 8 New Construction and Substantial Rehabilitation:</b>		
TQ10-0011-005 Mihaville	14.182	\$ 533,749
TQ10-0016-004 Koblerville	14.182	303,708
TQ10-0006-004 Rota	14.182	108,635
TQ10-0011-001 Tinian	14.182	<u>208,942</u>
Subtotal CFDA #14.182		<u>1,155,034</u>
<b>Community Development Block Grants/Special Purpose Grants/Insular Areas:</b>		
Tinian Shelter/Tinian Public Library Public Service	14.225	2,271
Garapan Central Market/Susupe Sports Complex	14.225	36,304
Tinian Amphitheater Phase I	14.225	137,000
Rota Walkway	14.225	60,175
Paupau MRR/NMI Japan Cultural Center	14.225	87,673
Tinian Amphitheater Phase II	14.225	738,393
Susupe Sports Complex	14.225	36,987
Marianas High School Building J	14.225	153,475
Capitol Hill 1.0 MG Reservoir Rehabilitation	14.225	96,854
Administrative Fee	14.225	<u>178,960</u>
Subtotal CFDA #14.225		<u>1,528,092</u>
Emergency Shelter Grants Program	14.231	<u>52,874</u>
Section 8 Housing Choice Vouchers	14.871	<u>3,809,854</u>
		<u>\$ 6,545,854</u>
<b>Reconciliation of expenditures to Statement of Revenues, Expenses and Changes in Net Assets:</b>		
<b>Federal award expenditures per above:</b>		
<b>U.S. Department of Housing and Urban Development:</b>		
Section 8 Housing Choice Vouchers		\$ 3,809,854
Section 8 New Construction and Substantial Rehabilitation		<u>1,155,034</u>
		<u>\$ 4,964,888</u>
<b>Federal award expenditures per Statement of Revenues, Expenses and Changes in Net Assets:</b>		
<b>U.S. Department of Housing and Urban Development:</b>		
<b>Section 8 Housing Choice Vouchers:</b>		
Section 8 rental		\$ 3,406,966
Utilities		179,376
Salaries and wages		150,299
Employee benefits		50,210
Travel		6,553
Professional fees		4,000
Other		<u>12,450</u>
		<u>3,809,854</u>
<b>Section 8 New Construction and Substantial Rehabilitation:</b>		
Repairs and maintenance		825,214
Salaries and wages		107,666
Professional fees		96,599
Utilities		73,348
Employee benefits		36,452
Office rent		4,239
Other		<u>11,516</u>
		<u>1,155,034</u>
		<u>\$ 4,964,888</u>

See accompanying notes to schedule of expenditures of federal awards.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2009

(1) Scope of Review

The Northern Marianas Housing Corporation (NMHC), a division of the Commonwealth Development Authority (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 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 NMHC'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 NMHC to subgrantee organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subgrantees outside of NMHC's control utilized the funds.

c. Funds Received

*U.S. Department of Housing and Urban Development - Community Development Block Grants/Special Purpose Grants/Insular Areas/Emergency Shelter Grants Program - NMHC received these funds in a direct capacity in fiscal year 2009 and administers the funds and is responsible for ensuring compliance with laws and regulations.*

*U.S. Department of Housing and Urban Development - Section 8 New Construction and Substantial Rehabilitation /Section 8 Housing Choice Vouchers - NMHC records federal rental assistance as Section 8 income.*

d. Indirect Cost Allocation

NMHC does not receive an indirect cost allocation.



NORTHERN MARIANAS HOUSING CORPORATION

Notes to Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2009

(3) Loan Funds

NMHC (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, 2009, \$1,229,753 (net of the related allowance for doubtful accounts of \$2,933,266 and out of total NMHC net loans receivable of \$2,207,595) of loans originating from this revolving fund were outstanding.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2009

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditors' report issued:   | Unqualified   |
|    | Internal control over financial reporting:   |               |
| 2. | Material weakness(es) identified?  | Yes           |
| 3. | Significant deficiency(ies) identified that is not considered to be a material weakness? | Yes           |
| 4. | Noncompliance material to the financial statements noted?                                | None reported |

*Federal Awards*

- |     |  |           |
|-----|--|-----------|
|     | Internal control over major programs:  |           |
| 5.  | Material weakness(es) identified?  | Yes       |
| 6.  | Significant deficiency(ies) identified that is not considered to be a material weakness?                                   | Yes       |
| 7.  | Type of auditors' report issued on compliance for major programs:  | Qualified |
| 8.  | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?     | Yes       |
| 9.  | NMHC's major programs were as follows:   |           |
|     | CFDA   |           |
|     | <u>Number</u> <u>Federal Program</u>   |           |
|     | 14.182    Section 8 New Construction and Substantial Rehabilitation  |           |
|     | 14.225    Community Development Block Grants/Special Purpose   |           |
|     | Grants/Insular Areas   |           |
|     | 14.871    Section 8 Housing Choice Vouchers  |           |
| 10. | Dollar threshold used to distinguish between Type A and Type B Programs, as those terms are defined in OMB Circular A-133: | \$300,000 |
| 11. | NMHC qualified as a low-risk auditee, as that term is defined in OMB Circular A-133?                                       | No        |

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

**B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

<u>Reference Number</u>	<u>Findings</u>	<u>Refer Page #</u>
2009-1	Loans Receivable	11
2009-2	Land	12
2009-3	Loan Guarantee Agreements	13

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Refer Page #</u>
2009-4 - 11	14.182	Eligibility	\$ 40,603	14 - 34
2009-12 - 14	14.182	Reporting	\$ -	35 - 40
2009-15 - 17	14.182	Special Tests and Provisions	\$ 131,450	41 - 46
2009-18	14.225	Davis-Bacon Act	\$ -	47 - 48
2009-19	14.225	Equipment and Real Property Management	\$ -	49 - 50
2009-20	14.225	Procurement and Suspension and Debarment	\$ 204,830	51 - 53
2009-21	14.225	Subrecipient Monitoring	\$ -	54 - 55
2009-22	14.225	Special Tests and Provisions	\$ -	56
2009-23 - 24	14.871	Allowable Costs/Cost Principles	\$ 51,936	57 - 58
2009-25 - 31	14.871	Eligibility	\$ 48,212	59 - 78
2009-32	14.871	Procurement and Suspension and Debarment	\$ 5,738	79 - 80
2009-33	14.871	Reporting	\$ 5,650	81 - 84
2009-34 - 38	14.871	Special Tests and Provisions	\$ 136,757	85 - 98
2009-39 - 40	Nonmajor Programs	Special Tests and Provisions	\$ -	99 - 100

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

**B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Loans Receivable

Finding No. 2009-1

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

Condition: An analysis of NMHC's past due loans was performed to determine the propriety of the allowance for loan losses as of September 30, 2009. This analysis revealed that loans, including interest, which are over one hundred twenty days past due amounted to \$5,470,625 or 54.92% of total loans and interest receivable outstanding of \$9,961,865 as of September 30, 2009.

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

Effect: The effect of the above condition is the increased possibility of loan losses due to borrower nonpayment.

Recommendation: We recommend that follow-up procedures be adhered to. We recommend that evaluations be performed for these loans and a corrective action 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 considered unlikely to be serviceable by the borrower.

Prior Year Status: NMHC's significant past due loans was reported as a finding in the Single Audits of CDA for fiscal years 2006 through 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Roger Dris, Chief Accountant and Jesse Palacios, Manager, Mortgage & Credit Division

**Corrective Action:** NMHC will perform a detailed review of the adequacy of its reserve for seriously defaulted loans and guaranteed loans for these financial institutions and assess the need to provide additional reserves for defaulted loans based on the appraisal value of the property and establish a policy that supports reasonable allowance calculations.

**Proposed Completion Date:** Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Land

Finding No. 2009-2

**Criteria:** Long lived assets should be reported at the lower of carrying amount or fair value. A review of valuations of real property should be periodically performed by management and adjustments should be made to reflect the lower of the carrying amount or fair market value.

**Condition:** As of September 30, 2009, NMHC has eleven parcels of land with recorded values aggregating \$9,747,313. The last appraisal of the eleven parcels occurred during fiscal year 2003. However, a November 2008 appraisal of two lots which a carrying value of \$256,000 resulted in an \$84,000 decrease in recorded values. Management did not perform an evaluation of the carrying values of the remaining lots. This matter was corrected through a proposed audit adjustment in fiscal year 2008.

**Cause:** The cause of the above condition is the lack of established policies and procedures to periodically review the recorded values of real property and the high cost of obtaining appraisal services.

**Effect:** The effect of the above condition is a potential misstatement of land.

**Recommendation:** We recommend that NMHC ensure that long-lived assets are reported at the lower of carrying amount or fair value. Additionally, we recommend that NMHC establish policies and procedures to periodically evaluate the carrying values of long-lived assets.

**Prior Year Status:** The lack of established policies and procedures of periodic review of recorded values of real property and the high cost of obtaining appraisal services was reported as a finding in the Single Audits of CDA for fiscal years 2006 through 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Roger Dris, Chief Accountant and Jesse Palacios, Manager, Mortgage & Credit Division

**Corrective Action:** NMHC will establish policies and procedures for the periodic review of recorded values of real property and obtain an appraisal once every two years.

**Proposed Completion Date:** Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Loan Guarantee Agreements

Finding No. 2009-3

Criteria: An effective system of internal control includes procedures to ensure that contingent liabilities are assessed and reviewed for probable losses.

Condition: NMHC has existing loan guarantee and purchase agreements with certain financial institutions. As of September 30, 2009, NMHC's related loan guarantees amounted to \$18,345,312. Of the total, approximately \$5,893,782 is delinquent and past due. NMHC has received demand notices for and has recorded a related reserve of \$1,260,205. However, NMHC is unable to determine if an additional reserve should be established due to limited information provided by the financial institutions. NMHC is currently working with the institutions to obtain sufficient information to determine a better estimate of the reserve for loan guarantees.

Cause: The cause of the above condition is the lack of established policies and procedures in assessing the adequacy of the reserve for guaranteed loans and the lack of relevant and sufficient information from financial institutions to estimate probable losses.

Effect: The effect of the above condition is the possible misstatement of the reserve for loan guaranty and related accounts.

Recommendation: We recommend that NMHC ensure that the reserve for guaranteed loans is assessed and reviewed for adequacy. Further, we recommend that NMHC establish policies and procedures to assess the adequacy of the reserve for guaranteed loans, both past due and current. Additionally, we recommend that NMHC continue to obtain sufficient information from financial institutions about the status of defaulted loans and determine which of the defaulted loans will likely result in payment or settlement.

Prior Year Status: The lack of established policies and procedures to assess and review the adequacy of the reserve for guaranteed loans and the lack of relevant and sufficient information from financial institutions to estimate probable losses was reported as a finding in the Single Audits of CDA for fiscal years 2006 through 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Roger Dris, Chief Accountant and Jesse Palacios, Manager, Mortgage & Credit Division

**Corrective Action:** NMHC will ensure that the reserve for guaranteed loans is assessed and reviewed for adequacy. NMHC will also establish internal policies and procedures to assess the value of its properties using either comparables of properties sold or leased, or obtaining information from the CNMI Recorder's Office. These assessments and conclusions shall be documented and made readily available. The Accounting Division will work closely with the Loan Division in obtaining appraisals once every two years per management's recommendation.

**Proposed Completion Date:** Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

Finding No.: 2009-4  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Eligibility  
 Questioned Costs: \$8,130

Criteria: The amount of federal assistance paid on behalf of a family is calculated using the family's annual income less allowable deductions. Owners must verify all deductions claimed by the tenant/applicant to determine the level of federal assistance.

Condition: During examination of the files of fifty-seven tenants receiving housing assistance, the following were noted:

1. Deductions claimed include allowances for dependents that are not the legal children of the household head/co-head. Either the household head and/or co-head are in a guardian/caretaker capacity based on a General/Special Power of Attorney (GPA/SPA) executed by the legal/biological parents of the dependent or the relationship of the household head/co-head to the dependent is not evident. We were unable to determine if NMHC performed further verification in addition to obtaining a GPA/SPA to ensure that such are valid dependents. Details are as follows:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Dependents Claimed that are not Legal Children (Household Member Ref. #)</u>	<u>Allowance Claimed</u>	<u>Housing Assistance Payment (HAP) Amount</u>
M01	12/01/08	10/01/08	4, 5, 6, 7, 8, 9	\$ 2,880	\$ 1,108
M24	09/01/09	06/01/09	4	\$ 480	991
M34	11/01/08	09/01/08	3	\$ 480	1,014
M47	02/01/09	11/01/08	8	\$ 480	1,108
K06	11/01/08	08/01/08	4	\$ 480	847
K16	10/01/08	08/01/08	5, 6, 7, 8	\$ 1,920	700
K20	06/01/09	11/01/08	5	\$ 480	914
K22A	07/01/09	04/01/09	4	\$ 480	775
K23	12/01/08	08/01/08	5, 6	\$ 960	673
					<u>\$ 8,130</u>

2. Deductions claimed include an allowance for a full-time student. There was no third party verification in file evidencing the dependent is a full time student. Details are as follows:

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-4, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Eligibility  
 Questioned Costs: \$8,130

Condition, Continued:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Dependents Claimed that are not Legal Children (Household Member Ref. #)</u>	<u>Allowance Claimed</u>	<u>HAP Amount</u>
M01	12/01/08	10/01/08	3	\$ 480	\$ 1,108
K06	11/01/08	08/01/08	4	\$ 480	<u>847</u>
Total					1,955
Less amount already questioned in previous condition					<u>(1,955)</u>
Questioned costs this condition					\$ _____

3. Deductions claimed include a medical allowance. We were unable to agree the medical allowance claimed to support in the tenant file. Details are as follows:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Dependents Claimed that are not Legal Children (Household Member Ref. #)</u>	<u>Allowance Claimed</u>	<u>HAP Amount</u>
K06	11/01/08	08/01/08	4	\$ 480	\$ 847
Less amount already questioned in previous condition					<u>(847)</u>
Questioned costs this condition					\$ _____

Cause: The cause of the above condition is the lack of adequate policies and procedures to ensure that deductions claimed by the tenant/applicant are verified.

Effect: The effect of the above condition is noncompliance with eligibility requirements and questioned costs of \$8,130.

Recommendation: We recommend that NMHC ensure that deductions claimed are verified and agreed to relevant supporting documentation.

Prior Year Status: The lack of adequate policies and procedures to ensure deductions claimed by tenants are verified and agreed to relevant supporting documentation was reported as a finding in the Single Audit of CDA for fiscal year 2008.



NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-4, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
Area: Eligibility  
Questioned Costs: \$8,130

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will ensure that only general Powers of Attorney from the Superior Court are accepted. We will no longer accept signed/notarized verifications from the biological parent or household member. In addition, NMHC will ensure that all deductions claimed are verified by a third party.

**Proposed Completion Date:** Immediately

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-5  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Eligibility  
 Questioned Costs: \$8,879

Criteria: Owners must use verification methods that are acceptable to HUD. The owner is responsible for determining if the verification documentation is adequate and credible. HUD accepts three methods of verification. These are, in order of acceptability, third party verification, review of documents, and family certification. When third party verification is not available, owners must document, in the file, efforts made to obtain the required verification and the reason if the verification was not obtained. The owner must include the following documents in the applicant's or tenant's file:

1. A written note to file explaining why third party verification is not possible; or
2. A copy of the date-stamped original request that was sent to the third party;
3. Written notes or documentation indicating follow-up efforts to reach the third party to obtain verification; and
4. A written note to the file indicating that the request has been outstanding without a response from the third party.

Condition: During examination of fifty-seven tenant files, the following were noted:

1. The following tenant/applicant reported other income. No third party verification documentation was in file. However, we did note the presence of affidavit/notarized statements signed by the tenant/applicant. Further, documentation as to why a third party verification is not possible or documentation indicating that efforts were made to obtain third party verifications was not evident in file. Details are as follows:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Household Member #</u>	<u>Other Income Reported (Monthly Income)</u>	<u>HAP Amount</u>
M01	12/01/08	10/01/08	Head	\$ 50	\$ 1,108
M22	07/01/09	05/01/09	Head	\$ 20	1,108
M36	12/01/08	09/01/08	Head	\$ 50	1,014
M40	04/01/09	09/01/08	Head	\$ 20	1,014
K08	06/01/09	06/01/09	Head	\$ 50	914
T06	03/01/09	08/01/08	Head	\$ 50	875
T10	04/01/09	08/01/08	Head	\$ 60	1,069
T16	07/01/09	04/01/09	Head	\$ 50	984
Total					8,086
Less amount already questioned in previous condition					(1,108)
Questioned cost this condition					\$ <u>6,978</u>

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-5, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Eligibility  
 Questioned Costs: \$8,879

Condition, Continued:

2. For the following income reported by the applicant/tenant, income included on HUD 50059 did not agree to the related third party verification obtained:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Income Included in Form HUD 50059</u>	<u>Income Per Third Party Verification</u>	<u>Variance</u>	<u>HAP Amount per HUD 50059</u>	<u>HAP Amount based on Income per Verification</u>	<u>Overpayment</u>
M20	04/01/09	11/01/08	\$ 2,600	\$ 1,200	\$ 1,400	\$ 1,108	\$ 1,108	\$ -
M42	07/01/09	07/01/09	\$ 7,410	\$ 12,645	\$ (5,235)	\$ 601	\$ 475	\$ 126
Total								\$ 126

3. For the following, assets were reported by applicant/tenant; however, a third party verification could not be located in file:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Household Member #</u>	<u>Asset Type</u>	<u>HAP Amount</u>
K01	07/01/09	11/01/08	Head	Land	\$ 791
T14	05/01/09	08/01/08	Head	Land	\$ 984
					\$ 1,775

Cause: The cause of the above condition is failure to obtain adequate third party verification and failure to document instances when third party verification cannot be obtained.

Effect: The effect of the above condition is noncompliance with eligibility requirements and questioned costs of \$8,879.

Recommendation: We recommend that adequate third party verification is obtained and, when third party verification cannot be obtained, NMHC should ensure that efforts to obtain the required documentation and the reason the verification was not obtained are documented in the tenant file or equivalent.

Prior Year Status: Failure to obtain adequate third party verification and failure to document instances when third party verification cannot be obtained was reported as a finding in the Single Audit of CDA for fiscal year 2008.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-5, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
Area: Eligibility  
Questioned Costs: \$8,879

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will ensure adherence to its eligibility documentation requirements.

**Proposed Completion Date:** Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-6  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Eligibility  
 Questioned Costs: \$12,869

**Criteria:** Owners must include verification documentation in the tenant file. Further, NMHC accepts the following notarized statements or signed affidavits from the tenant/applicant as support of income and assets for all adult members of the household:

1. Affidavit as to assets
2. Statement of unemployment
3. Affidavit of zero income of adult member
4. Affidavit of child support

**Condition:** During examination of fifty-seven tenant files, the following were noted:

Unit No.	Month Tested	Re-certification Effective	Household Member #	Documents Not Found in Tenant File	HAP Amount
M04	11/01/08	09/01/08	4	Statement of unemployment, Affidavit of zero income, Affidavit as to assets	\$ 1,108
M08	03/01/09	09/01/08	Head	Affidavit of zero income	934
M18	12/01/08	09/01/08	Head, 2	Statement of unemployment	683
M38	04/01/09	09/01/08	3	Statement of unemployment, Affidavit of zero income, Affidavit as to assets	888
M44	08/01/09	02/01/09	Head	Notice of disposition from NAP for food stamp benefits of \$206/mo.	980
K16	10/01/08	08/01/08	3	Statement of unemployment, Affidavit of zero income, Affidavit as to assets	700
K19A	03/01/09	08/01/08	Head	Statement of unemployment, Affidavit of zero income, Affidavit as to assets, Certification of asset disposition	775
K22A	07/01/09	04/01/09	2	Statement of unemployment, Affidavit of zero income, Affidavit of child support	775
R02	04/01/09	09/03/08	Head	Original copy of affidavit of zero income	953
R16	09/01/09	11/01/08	2	Original copy of Affidavit as to assets	690
T02	03/01/09	08/01/08	Head	Affidavit of zero income	1,007
T06	03/01/09	08/01/08	Head	Affidavit of zero income	875
T12	06/01/09	12/01/08	Head	Original copy of employment verification, Notice of disposition from NAP for food stamp benefits of \$44/mo.	984
T16	07/01/09	04/01/09	Head	Affidavit of zero income	984
T17	11/01/08	09/01/08	Head	Affidavit of zero income	1,024
T20	08/01/09	08/01/09	Head	Affidavit of zero income	984
Total					14,344
Less amount already questioned in previous finding					(1,475)
Questioned costs this finding					\$ 12,869

**Cause:** The cause of the above condition is the lack of adequate monitoring procedures to ensure that required documentation is obtained and filed.

**Effect:** The effect of the above condition is inadequate documentation of the eligibility determination and questioned costs of \$12,869.

**Recommendation:** We recommend that all relevant documentation supporting eligibility determinations are obtained and included in file.

**Prior Year Status:** The lack of adequate monitoring procedures to ensure that required documentation is obtained and filed was reported as a finding in the Single Audit of CDA for fiscal year 2008.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-6, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
Area: Eligibility  
Questioned Costs: \$12,869

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will ensure that all documentation and verifications for adult household members are obtained and filed.

**Proposed Completion Date:** Immediately

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-7  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Eligibility  
 Questioned Costs: \$904

Criteria: Adult members of a family must sign consent forms as required verification documents, so the owner can verify sources of family income and family size. The owner must consider a family ineligible if adult members refuse to sign applicable consent and verification forms. Consent forms must be signed by:

1. The head of household (regardless of age);
2. The spouse or co-head of household (regardless of age); and
3. Any other family member who is 18 years old or older.

NMHC uses the "Document Package for Applicant's/Tenant's Consent to the Release of Information" (the Document Package) form to document compliance with this requirement.

Condition: During examination of fifty-seven tenant files, the following were noted:

1. The "Document Package" was not signed by one or more adult members of the applicant/tenant. Details are as follows:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Not signed by Household Member #</u>	<u>HAP Amount</u>
M04	11/01/08	09/01/08	4	\$ 1,108
K11	01/01/09	01/01/09	2	904
K16	10/01/08	08/01/08	3	700
K19A	03/01/09	08/01/08	Head	<u>775</u>
			Total	3,487
			Less amount already questioned in previous finding	<u>(2,583)</u>
			Questioned cost this finding	\$ <u>904</u>

2. The "Document Package" was not signed by the head of household prior to the effective date of certification. Details as follows:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Signature Date</u>	<u>HAP Amount</u>
M44	08/01/09	02/01/09	09/09/09	\$ 980
			Less amount already questioned in previous finding	<u>(980)</u>
			Questioned cost this finding	\$ <u>-</u>

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-7, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Eligibility  
 Questioned Costs: \$904

Criteria, Continued:

3. The "Document Package" could not be located:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>HAP Amount</u>
M47	02/01/09	11/01/08	\$ 1,108
	Less amount already questioned in previous finding		(1,108)
		Questioned cost this finding	\$ _____

Cause: The cause of the above condition is the lack of adequate monitoring procedures to ensure that required documentation is obtained and filed.

Effect: The effect of the above condition is inadequate documentation supporting eligibility determination and requirements and questioned costs of \$904.

Recommendation: We recommend that relevant documentation supporting eligibility determination is obtained and included in file.

Prior Year Status: The lack of adequate monitoring procedures to ensure that required documentation is obtained and filed was reported as a finding in the Single Audit of CDA for fiscal year 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will ensure that documents regarding eligibility requirements are maintained.

**Proposed Completion Date:** Ongoing



NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-8  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Eligibility  
 Questioned Costs: \$6,228

Criteria: Owners must conduct a certification/re-certification of family income and composition (a) prior to move-in; (b) at least annually; and (c) if there are changes in income, allowances or family characteristics reported between annual re-certification. Owners must then recompute the tenant rents and assistance payments, if applicable, based on information gathered.

NMHC uses a "Certification/Re-certification Interview Sheet" to document certifications and re-certifications performed. NMHC also uses a "Tenant Obligation to Report Interim Change" form to be signed by tenants. A Housing Assistance Payment (HAP) contract and lease agreement is signed by the tenant and NMHC.

Condition: During examination of fifty-seven tenant files, the following were noted:

- The following annual re-certifications were not performed in a timely manner:

Unit No.	Period Tested	Previous Annual Certification		Current Annual Certification	
		Effective Date	Date Performed	Effective Date	Date Performed
M01	12/01/08	10/01/07	07/17/07	10/01/08	08/12/08
M22	07/01/09	05/01/08	01/15/08	05/01/09	04/14/09
M38	04/01/09	09/01/07	07/06/07	09/01/08	08/07/08
K01	07/01/09	11/01/07	08/06/07	11/01/08	09/22/08
K08	06/01/09	06/01/08	02/29/08	06/01/09	04/13/09
K22A	07/01/09	04/01/08	12/27/07	04/01/09	02/23/09

- The following certification/re-certification interview sheets were either (a) not completed; (b) incomplete; or (c) not properly filled out:

Unit No.	Period Tested	Effective Date of Certification Per Certification/Re-certification Interview Sheet	Sections of the Interview Sheet that are Incomplete/Not Completed
T04	11/01/08	08/01/08	3, 4, 6
T06	03/01/09	08/01/08	2, 3
T12	06/01/09	12/01/08	2, 6
T14	05/01/09	08/01/08	2, 3

- The certification/re-certification interview sheet for one tenant was not signed prior to the effective date:

Unit No.	Period Tested	Effective Date of Certification Per Certification/Re-certification Interview Sheet	Signature Date
M44	08/01/09	02/01/09	09/09/09

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-8, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Eligibility  
 Questioned Costs: \$6,228

Condition, Continued:

4. For the following, certification/re-certification interview sheets could not be located in file:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Effective Date of Certification Per Form HUD 50059</u>	<u>HAP Amount</u>
K25	01/01/09	01/01/09	\$ 902
K27	08/01/09	07/01/09	820
R30	12/01/08	08/01/08	<u>953</u>
			\$ <u>2,675</u>

5. The HUD 50059, certification/re-certification interview sheet, verification documents supporting income, assets and allowances and other documents supporting eligibility for the following could not be located in file:

<u>Unit No.</u>	<u>Period Tested</u>	<u>HAP Amount</u>
R22	06/01/09	\$ 626
R27	05/01/09	<u>953</u>
		\$ <u>1,579</u>

6. The tenant obligation to report interim change form was either not in file, not signed by the head of household or spouse, or signed after the effective date of certification, for the following:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Findings Noted</u>	<u>HAP Amount</u>
M25	01/01/09	09/12/08	None in tenant file	\$ 1,014
M44	08/01/09	02/01/09	Signed by Head on 09/09/09	980
K16	10/01/08	08/01/08	Not signed by Head	700
R02	04/01/09	09/03/08	None in tenant file	953
R16	09/01/09	11/01/08	Not signed by Head	690
T12	06/01/09	12/01/09	Not signed by Head	<u>984</u>
			Total	5,321
			Less amount already questioned in previous finding	<u>(4,307)</u>
			Questioned cost this finding	\$ <u>1,014</u>

7. The HUD 50059 and HAP contract and lease amendment effective for the applicable certification/re-certification could not be located in file, for the following:

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-8, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Eligibility  
 Questioned Costs: \$6,228

Condition, Continued:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>HAP Amount</u>
R02	04/01/09	09/03/08	\$ 953
R16	09/01/09	11/01/08	<u>690</u>
		Total	1,643
		Less amount already questioned in previous finding	<u>(1,643)</u>
		Questioned cost this finding	\$ <u>-----</u>

8. The HAP contract and lease agreement was not signed by either NMHC or the tenant for the following:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>HAP Amount</u>
M01	12/01/08	10/01/08	\$ 1,108
M13	12/01/08	09/01/08	960
M44	08/01/09	02/01/09	980
K19A	03/01/09	08/01/08	<u>775</u>
		Total	3,823
		Less amount already questioned in previous finding	<u>(2,863)</u>
		Questioned cost this finding	\$ <u>960</u>

Cause: The cause of the above condition is the lack of adequate monitoring procedures to ensure that required certification/re-certification and related forms are performed and filed in a timely manner.

Effect: The effect of the above condition is noncompliance with program eligibility requirements and questioned costs of \$6,228.

Recommendation: We recommend NMHC establish adequate monitoring procedures to ensure that required certification/re-certification and related forms are performed and filed in a timely manner.

Prior Year Status: The lack of adequate monitoring procedures to ensure that required certification/re-certification and related forms are performed and filed in a timely manner was reported as a finding in the Single Audit of CDA for fiscal year 2008.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-8, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
Area: Eligibility  
Questioned Costs: \$6,228

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:**

Condition 1 - NMHC will ensure that annual re-certifications are performed in a timely manner and within twelve months of the last certification/re-certification.

Condition 2 - NMHC will ensure that certification/re-certification interview sheets are completed and filed.

Condition 3 - NMHC will ensure that the certification/re-certification interview sheet is signed prior to the effective date and filed.

Condition 4 - NMHC will ensure that certification/re-certification interview sheets are filed.

Condition 5 - NMHC will ensure that the HUD 50059, certification/re-certification interview sheet, verification documents supporting income, assets and allowances and other documents supporting eligibility are completed and filed.

Condition 6 - NMHC will ensure that the tenant obligation to report interim change form is completed, signed prior to the effective date of certification and filed.

Condition 7 - NMHC will ensure that the HUD 50059, the HAP contract and the lease agreement are completed and filed.

Condition 8 - NMHC will ensure that the HAP contract and lease agreement are completed, signed and filed.

**Proposed Completion Date:** Immediately

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-9  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Eligibility  
 Questioned Costs: \$1,710

Criteria: Owners apply their occupancy standards before assigning the family to a unit. Owners should review family size and occupancy standards prior to completing required verifications so that if the property cannot accommodate the family, the owner may immediately inform the family of its ineligibility. Additionally, owners also compare family composition to occupancy standards when there is a change in family size. Owners should use the occupancy standards established for the property to determine whether the unit is still the appropriate size for the tenant.

Condition: During examination of fifty-seven tenant files, the assigned units for the following did not appear reasonable based on the size of the household/family:

<u>Unit No.</u>	<u>Period Tested</u>	<u>HUD 50059 Effective Date</u>	<u>Unit Size</u>	<u>No. of Household</u>	<u>HAP Amount</u>
M45	10/01/08	09/01/08	4	2	\$ 949
R12	07/01/09	07/01/09	4	2	761
T14	05/01/09	08/01/08	3	1	984
T20	08/01/09	08/01/09	3	1	<u>984</u>
Total					3,678
Less amount already questioned in previous finding					<u>(1,968)</u>
Questioned costs this finding					\$ <u>1,710</u>

Justification for the larger unit size assigned was not noted in file.

Cause: The cause of the above condition is the lack of adequate monitoring procedures to ensure that units assigned are in accordance with established occupancy standards.

Effect: The effect of the above condition is noncompliance with program eligibility requirements and questioned costs of \$1,710.

Recommendation: We recommend NMHC ensure strict adherence to established program occupancy standards.

Prior Year Status: The lack of adequate monitoring procedures to ensure that units assigned are in accordance with established occupancy standards was reported as a finding in the Single Audit of CDA for fiscal year 2008.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-9, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
Area: Eligibility  
Questioned Costs: \$1,710

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will ensure that strict adherence to the established program occupancy standards are followed and applied during new admissions and unit transfers.

**Proposed Completion Date:** Immediately

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-10  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Eligibility  
 Questioned Costs: \$1,108

Criteria: To be eligible for Section 8 occupancy and housing assistance, applicants and tenants must meet the following requirements, among others:

1. Applicants must provide documentation of social security numbers (SSN) for family members at least 6 years of age and older. Adequate documentation includes a social security card issued by the Social Security Administration or other acceptable evidence of the SSN.
2. Only U.S. citizens or eligible noncitizens may receive assistance under Section 8 programs. All family members, regardless of age, must declare their citizenship or immigration status. Owners must obtain proof of citizenship. NMHC's policy is to require all family members to complete and sign a "Declaration of 214 Status" form and obtain copies of birth certificates or other acceptable evidence of citizenship and include such in file.

Condition: During examination of fifty-seven tenant files, the following were noted:

1. The HUD 50059 did not include information (name, birth date, SSN, etc.) for one household member, thus birth date and SSN could not be verified for the following:

<u>Unit No.</u>	<u>Form HUD 50059 Effective Date</u>	<u>Household Member #</u>	<u>HAP Amount</u>
K01	07/01/09	5	\$ 791
K08	06/01/09	7	914
M22	07/01/09	6	1,108
Total			2,813
Less amount already questioned in previous finding			(2,813)
Questioned cost this finding			\$ _____

2. The birth certificate for one household member could not be located for the following:

<u>Unit No.</u>	<u>Form HUD 50059 Effective Date</u>	<u>Household Member #</u>	<u>HAP Amount</u>
M27	04/01/09	2	\$ 1,108

3. A copy of the social security card (or other acceptable evidence of the SSN) for the following household member(s) could not be located:

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-10, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Eligibility  
 Questioned Costs: \$1,108

Condition, Continued:

<u>Unit No.</u>	<u>Form HUD 50059 Effective Date</u>	<u>Household Member #</u>	<u>HAP Amount</u>
R16	09/01/09	2	\$ 690
T14	05/01/09	Head	984
		Total	1,674
		Less amount already questioned in previous finding	(1,674)
		Questioned cost this finding	\$ _____

4. The completed and signed "Declaration of Section 214 Status" form for the following household members either could not be located or was signed after the effective date of certification:

<u>Unit No.</u>	<u>Form HUD 50059 Effective Date</u>	<u>Household Member #</u>	<u>HAP Amount</u>
M27	04/01/09	8 - Signed 09/09/09	\$ 1,108
M44	08/01/09	6, 7	980
M47	02/01/09	8	1,108
K16	10/01/08	3, 5, 6, 7, 8	700
T14	05/01/09	Head	984
T16	07/01/09	5	984
		Total	5,864
		Less amount already questioned in previous finding	(5,864)
		Questioned cost this finding	\$ _____

Cause: The cause of the above condition is the lack of systematic filing of relevant documentation supporting social security numbers and citizenship.

Effect: The effect of the above condition is noncompliance with eligibility requirements and questioned costs of \$1,108.

Recommendation: We recommend NMHC ensure that relevant documentation supporting social security numbers and citizenship are included in file.

Prior Year Status: The lack of systematic filing of relevant documentation supporting social security numbers and citizenship was reported as a finding in the Single Audit of CDA for fiscal year 2008.



NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-10, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
Area: Eligibility  
Questioned Costs: \$1,108

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** Copies of supporting documents were provided and placed in file.

**Proposed Completion Date:** Immediately

Auditor Response: Copies of missing documents which were subsequently provided by the tenants to NMHC were not made available. Further, it appears that such documents were only requested from tenants upon our request and not during the eligibility determination.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-11  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Eligibility  
 Questioned Costs: \$775

**Criteria:** Owners must develop a method to maintain documentation of the waiting list composition, application status, and actions taken. Further, owners should periodically analyze their waiting list policies and documentation procedures to determine whether an independent party reviewing the list and its supporting documentation could follow the actions taken, applicable preferences, and reasons why certain individuals may have been selected ahead of others on the waiting list. If not, the owner must make the waiting list format and associated practices more transparent.

**Condition:** During examination of fifty-seven tenant files, records of the waiting lists from which these tenants were selected were not provided for the following six new admissions:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Form HUD 50059 Effective Date</u>	<u>Admission Date</u>	<u>HAP Amount</u>
M25	01/01/09	09/12/08	09/12/08	\$ 1,014
K09B	06/01/09	03/09/09	03/09/09	775
K11	01/01/09	01/01/09	08/28/08	904
R02	04/01/09	09/03/08	09/03/08	953
T06	03/01/09	08/01/08	06/03/08	875
T10	04/01/09	08/01/08	06/18/08	<u>1,069</u>
Total				5,590
Less amount already questioned in previous finding				<u>(4,815)</u>
Questioned cost this finding				\$ <u>775</u>

We were unable to determine if selection of these tenants was in accordance with NMHC's admission policies in its administrative plan.

**Cause:** The cause of the above condition is the lack of established policies and procedures in maintaining documentation of the waiting list.

**Effect:** The effect of the above condition is noncompliance with waiting list management compliance requirements and questioned costs of \$775.

**Recommendation:** We recommend NMHC maintain records of waiting lists and file this information in the tenant file and/or in a central waiting list selection file.

**Prior Year Status:** The lack of established policies and procedures in maintaining documentation of the waiting list was reported as a finding in the Single Audit of CDA for fiscal year 2008.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-11, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
Area: Eligibility  
Questioned Costs: \$775

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will ensure supporting evidence of the selection of applicants on the waiting list is based on the following:

1. The applicant is selected on a first-come first-serve basis depending on the unit size available.
2. The applicant is selected at NMHC's discretion such as a referral victim's family with documentation.
3. The applicant is selected with notations as to why the family was skipped on the waiting list; i.e. unable to contact or no security deposit available within the time frame given.
4. Upon selection of an applicant, the Housing Specialist will print a list of applicants for the unit size selected and place the document in the tenant's file for prospective move-in.

**Proposed Completion Date:** Immediately

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-12  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Reporting  
 Questioned Costs: \$-0-

Criteria: A paper copy of form HUD-52670, Housing Owner's Certification and Application for Housing Assistance Payments, generated by the owner's TRACS software, bearing an original signature and consistent with the corresponding electronic transmission, must be kept on file by the owner for each monthly subsidy period that the owner receives assistance payments. The file must also include a signed copy of form HUD-52670-A part 1, Schedule of Tenant Assistance Payments Due and forms HUD-52671-A through D, Special Claims Worksheets (if applicable), generated by the owner's TRACS software, as supporting documentation.

Additionally, housing assistance payments requested per form HUD 52670 must be consistent with housing assistance payments per form HUD 50059 that's submitted electronically.

Condition: During examination of form HUD 52670 for assistance payments requested during fiscal year 2009, the HAP requested per HUD-52670 did not agree to the HAP per HUD-50059 for one unit:

<u>Unit No.</u>	<u>Period Tested</u>	<u>HAP per HUD 50059</u>	<u>HUD 50059 Effective Date</u>	<u>HAP per HUD 52670</u>	<u>Variance</u>
T12	June 2009	\$ 907	12/01/08	\$ 984	\$ (77)

Cause: The cause of the above condition is the lack of awareness of the above program requirements.

Effect: The effect of the above condition is noncompliance with program reporting requirements.

Recommendation: We recommend that program reporting requirements be followed.

Prior Year Status: The lack of awareness of the above program requirements was reported as a finding in the Single Audit of CDA for fiscal year 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC adjusted and returned the amount effective December 2008.

**Proposed Completion Date:** Immediately

Auditor Response: Documentation evidencing that adjustments have been made from the re-certification effective date was not provided.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-13  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Reporting  
 Questioned Costs: \$-0-

**Criteria:** The form HUD-50059 must be submitted electronically to HUD each time the PHA completes an admission, annual reexamination, interim reexamination, move-in, or other change of unit for a family, among others. The signed HUD-50059 should be filed in the tenant file. Additionally, information reported in form HUD-50059 must be consistent with underlying records or supporting documentation.

The owner must sign and obtain the signature of the head, spouse, co-head, and all adult family members on the copy of the HUD-50059 certifying to the information that is transmitted to HUD or the Contract Administrator, whether the HUD-50059 was produced on site or received from a service provider. The signed HUD-50059 should be filed in the tenant file. In all cases, the computer generated HUD-50059 must include the required tenant signatures and owner signatures prior to submitting the data to the Contract Administrator or HUD. The owner may consider extenuating circumstances when an adult family member is not available to sign the HUD-50059; for example, an adult serving in the military, students away at college, adults who are hospitalized for an extended period of time, or a family member who is permanently confined to a nursing home or hospital. The owner must document in the file why the signature(s) was not obtained and, if applicable, when the signature(s) will be obtained.

**Condition:** During examination of form HUD 50059 for fifty-seven tenants, the following were noted:

- The HUD-50059 for the following was not signed by one or more adult household members:

<u>Unit No.</u>	<u>Form HUD 50059 Effective Date</u>	<u>Not signed by Tenant (Household Member #)</u>
M01	10/01/08	2
M13	09/01/08	2
K06	08/01/08	3, 4
K16	08/01/08	3
K19A	08/01/08	1
K20	11/01/08	2, 3, 4
K22A	04/01/09	2
T04	08/01/08	2

- Copies of HUD-50059 effective for the selected period were not signed by NMHC for the following:

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-13, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Reporting  
 Questioned Costs: \$-0-

Condition, Continued:

<u>Unit No.</u>	<u>Form HUD 50059 Effective Date</u>	<u>Unit No.</u>	<u>Form HUD 50059 Effective Date</u>
M01	10/01/08	K02B	10/01/08
M03	11/01/08	K04	09/01/08
M04	09/01/08	K06	08/01/08
M06	01/01/09	K08	06/01/09
M08	09/01/08	K09B	03/09/09
M10	11/01/08	K11	01/01/09
M13	09/01/08	K13	08/01/08
M16	11/01/08	K16	08/01/08
M18	09/01/08	K19A	08/01/08
M20	11/01/08	K20	11/01/08
M22	05/01/09	K22A	04/01/09
M24	06/01/09	K25	01/01/09
M25	09/12/08	K27	07/01/09
M27	10/01/08	R30	08/01/08
M29	06/01/09	T02	08/01/08
M30	09/01/08	T04	08/01/08
M32	09/01/08	T06	08/01/08
M34	09/01/08	T08	08/01/08
M36	09/01/08	T10	08/01/08
M40	09/01/08	T12	12/01/08
M42	07/01/09	T14	08/01/08
M44	02/01/09	T16	04/01/09
M45	09/01/08	T17	09/01/08
M47	11/01/08	T20	08/01/09
K01	11/01/08		

3. The HUD-50059 for the following was not signed by the tenant prior to the effective date of certification/re-certification:

<u>Unit No.</u>	<u>Form HUD 50059 Effective Date</u>	<u>Date Signed by Tenant</u>
M44	02/01/09	07/16/09
K01	11/01/08	12/09/09
K23	08/01/08	09/18/09

4. The original signed copy of the HUD-50059 could not be located in file.

<u>Unit No.</u>	<u>Form HUD 50059 Effective Date</u>	<u>HAP Amount</u>
R30	08/01/08	\$ 953

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-13, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Reporting  
 Questioned Costs: \$-0-

Condition, Continued:

5. The form HUD-50059 for the following could not be located in file:

<u>Unit No.</u>	<u>Period Tested</u>	<u>HAP Requested Per Form HUD 52670</u>
R02	04/01/09	\$ 953
R16	09/01/09	\$ 690
R22	06/01/09	\$ 626
R27	05/01/09	\$ 953

6. For "Section C. Household Information" of form HUD-50059, there was one instance noted where a household member's birth date did not agree to the date reflected in the birth certificate. Details are as follows:

<u>Unit No.</u>	<u>Form HUD-50059 Effective Date</u>	<u>Household #</u>	<u>HAP Amount</u>
M10	07/01/09	3	\$ 915

7. For "Section C. Household Information" of form HUD-50059, the following instance was noted wherein the household member's name did not agree to the name reflected on the social security card:

<u>Unit No.</u>	<u>Form HUD-50059 Effective Date</u>	<u>Household #</u>	<u>Inconsistent Information</u>
K16	10/01/08	4	Last Name

8. The HAP payment per form HUD 52670 did not agree to form HUD-50059 and a reconciliation of the variance was not provided. No questioned cost results as the total HAP for this unit was already questioned in a previous finding.

<u>Unit No.</u>	<u>Period Tested</u>	<u>HAP Requested Per Form HUD 52670</u>	<u>HAP Per Form HUD 50059</u>	<u>Variance</u>
T12	06/01/09	\$ 984	\$ 907	\$ 77

Cause: The cause of the above condition is a lack of oversight by NMHC personnel when preparing form HUD-50059.

Effect: The effect of the above condition is noncompliance with program reporting requirements.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-13, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
Area: Reporting  
Questioned Costs: \$-0-

Recommendation: We recommend that program reporting requirements are adhered to. Further, we recommend that a signed final copy of the form HUD-50059 is on file.

Prior Year Status: The lack of oversight by NMHC personnel when preparing form HUD-50059 was reported as a finding in the Single Audit of CDA for fiscal year 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will ensure that program reporting requirements are adhered to. The HS will obtain a signed HUD 50059 with the appropriate signature and place the document in the tenant's file. Continuing efforts will be made to provide copies when found. However, a new 50059A (applies to Gross Rent Change and Move-Out Tenants) does not require the signature for other adult household members.

**Proposed Completion Date:** Immediately, FY 2010



NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-14  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
Area: Reporting  
Questioned Costs: \$-0-

Criteria: All applicable federal reporting requirements must be adhered to.

Condition: The March 2009 compliance supplement for CFDA 14.182 provided for the following reporting requirements for the program:

1. HUD-52663, *Requisition for Partial Payment of Annual Contributions (OMB No. 2577-0169)*;
2. HUD-52681, *Voucher for Payment of Annual Contributions and Operating Statement (OMB No. 2577-0169)*; and
3. HUD-50058, *Family Report (OMB No. 2577-0083)*

The above reports were not prepared by NMHC during fiscal year 2009. NMHC believes that the above reports do not apply to the program. However, relevant documentation or correspondence supporting non-applicability of the above reporting requirements was not provided.

Cause: The cause of the above condition is the lack of awareness by NMHC of all reporting requirements of the program.

Effect: The effect of the above condition is noncompliance with federal reporting requirements.

Recommendation: We recommend NMHC identify all applicable federal reporting requirements and ensure that these are adhered to. Further, we recommend that relevant documentation supporting non-applicability of certain reporting requirements is obtained and maintained.

Prior Year Status: The lack of awareness by NMHC of all reporting requirements of the program was reported as a finding in the Single Audit of CDA for fiscal year 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Roger A. Dris, Chief Accountant and Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will comply with all applicable federal reporting requirements and ensure that relevant documentation supporting non-applicability of certain reporting requirements are obtained and maintained accordingly.

1. HUD-52663 (Requisition for Partial Payment of Annual Contributions)
2. HUD-52681 (Voucher for Payment of Annual Contributions and Operating Statement)
3. HUD-50058 (Family Report)

**Proposed Completion Date:** Immediately, FY 2010

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-15  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Special Tests and Provisions  
 Questioned Costs: \$131,450

**Criteria:** In accordance with federal regulations, the initial renewal rent applicable to NMHC projects is determined at the lesser of (a) the annual adjusted rent potential of expiring contracts and (b) the section 8 contract rent potential from the budget-based rent determination.

**Condition:** The budgets reported by NMHC in the budget worksheet attached to the contract renewal request forms for the projects below are higher when compared to historical results of actual expenses from prior fiscal years and appear inconsistent with established budgets for the related fiscal year.

Project No.	NMHC's Certification Date	Budget Reported in the Contract Renewal Request Form	Per NMHC's Budget Schedule for Fiscal Year 2008	Average Actual Expenditures (from Fiscal Years 2006 thru 2008)	Total Rent Approved by Grantor	Excess of Approved Rent over Average Actual Expenses	Estimated Project Occupancy Rate during Fiscal Year 2009	Estimated Questioned Costs
TQ100011005	03/26/09	\$ 575,927	\$ 478,512	\$ 531,647	\$ 575,160	\$ 43,513	86.83%	\$ 37,780
TQ100016004	03/26/09	\$ 338,215	\$ 265,032	\$ 279,077	\$ 323,820	\$ 44,743	87.04%	38,940
TQ100006004	05/16/08	\$ 315,229	\$ 279,720	\$ 172,287	\$ 313,080	\$ 140,793	32.92%	46,350
TQ100011001	05/16/08	\$ 218,684	\$ 191,184	\$ 207,613	\$ 216,816	\$ 9,203	91.03%	8,380
								\$ 131,450

The estimated project occupancy rate during fiscal year 2009 represents the percentage of actual housing assistance payments (excluding utility reimbursements) in excess of total contract rent approved by the grantor.

**Cause:** The cause of the above condition is the lack of established policies and procedures in determining the reasonableness of reported budgets.

**Effect:** The effect of the above condition is the incorrect determination of contract rents and questioned costs of \$131,450.

**Recommendation:** We recommend that reported budgets are reviewed for reasonableness.

**Prior Year Status:** The lack of established policies and procedures in determining reasonableness of budgets reported was reported as a finding in the Single Audit of CDA for fiscal year 2008.

**Auditee Response and Corrective Action Plan:**

**Name of Contact Persons:** Roger Dris, Chief Accountant and Zerlyn A. Taimanao, Program and Housing Manager

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-15, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
Area: Special Tests and Provisions  
Questioned Costs: \$131,450

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action:** NMHC will ensure that reported budgets are approved by the grantor on time by submitting the Operating Cost Adjustment Factor (OCAF) FORM 9624 and 9625, the Rent Schedule 92458, the Budget Worksheet 92547-A and the OCAF posted on Federal Register for the particular year. The auditor should follow the timing principle by using the same fiscal year for total rent approved by grantor and actual HAP claims received for the same fiscal year.

**Proposed Completion Date:** Immediately

Auditor Response: The issue is the need for NMHC to ensure that reported budgets are reasonable. As indicated in the criteria, rent is determined at the lesser of (a) the annual adjustment rent potential of expiring contract and (b) the Section 8 contract rent potential from the budget-based rent determination. The budget reported by NMHC supporting rent determination appears to be overstated as compared to budgets provided for examination and to actual program expense in prior years.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-16  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Special Tests and Provisions  
 Questioned Costs: \$-0-

**Criteria:** The PHA or owner must provide housing that is decent, safe and sanitary. To achieve this end, the PHA must perform housing quality inspections at the time of initial occupancy and at least annually thereafter to assure that the units are decent, safe and sanitary. Owners must document these inspections, as well as actions taken to address deficiencies, if any, noted during inspections.

**Condition:** During tests of NMHC's compliance with housing quality standards requirement, the following were noted:

1. The completed unit inspection form, if any, evidencing unit inspections performed during fiscal year 2009 could not be located for the following thirty-three units.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Unit No.</u>	<u>Period Tested</u>
M01	12/01/08	M47	02/01/09
M03	06/01/09	K01	07/01/09
M04	11/01/08	K02B	03/01/09
M10	07/01/09	K04	03/01/09
M13	12/01/08	K08	06/01/09
M16	04/01/09	K11	01/01/09
M18	12/01/08	K13	11/01/08
M20	04/01/09	K16	10/01/08
M24	09/01/09	K20	06/01/09
M25	01/01/09	K22A	07/01/09
M27	04/01/09	R02	04/01/09
M29	08/01/09	R12	07/01/09
M32	10/01/08	R16	09/01/09
M34	11/01/08	R22	06/01/09
M38	04/01/09	R27	05/01/09
M40	04/01/09	R30	12/01/08
M44	08/01/09	R30	12/01/08

We are unable to determine if the required housing quality inspections were performed.

2. The housing quality inspections performed during fiscal year 2009 were not conducted within twelve months from the previous housing quality inspections for the following:

<u>Unit No.</u>	<u>HQS Inspections Performed During FY 2009</u>	<u>Prior HQS Inspection Date</u>
M06	12/08	11/07
M30	05/09	04/08
M36	03/09	08/06
M42	05/09	04/08
M45	02/09	01/08
K25	12/08	11/07

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-16, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
 Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
 Area: Special Tests and Provisions  
 Questioned Costs: \$-0-

Condition, Continued:

3. The NMHC inspector reports for the following indicated deficiencies. However, relevant documentation indicating whether the deficiencies were addressed and/or whether needed repairs were timely completed could not be located in file:

<u>Unit No.</u>	<u>Date of HQS Inspection</u>	<u>Overall Inspection Results</u>
M06	12/08	Not indicated
M08	05/09	Inconclusive
M12	07/09	Inconclusive
M22	02/09	Inconclusive
M36	03/09	Pass
M45	02/09	Inconclusive
K25	12/08	Inconclusive
T02	02/09	Pass
T06	03/09	Pass
T08	02/09	Pass
T10	04/09	Pass
T12	10/08	Pass
T14	04/09	Pass
T16	01/09	Pass

4. The NMHC inspector report in file was not completely filled out or some sections were not completed, for the following:

<u>Unit No.</u>	<u>Date of HQS Inspection</u>	<u>Overall Inspection Results</u>
T04	04/09	Pass
T06	03/09	Pass
T10	04/09	Pass
T12	10/08	Pass
T17	06/09	Pass
T20	03/09	Pass

5. The NMHC inspector did not complete the overall inspection results/summary decision section of the report for the following tenant:

<u>Unit No.</u>	<u>Date of HQS Inspection</u>
M06	12/08

6. The NMHC inspector did not sign the report for the following tenant:

<u>Unit No.</u>	<u>Date of HQS Inspection</u>
M06	12/08

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-16, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
Area: Special Tests and Provisions  
Questioned Costs: \$-0-

Cause: The cause of the above condition is the lack of adherence to established policies and procedures relating to unit inspections.

Effect: The effect of the above condition is noncompliance with housing quality standards requirements.

Recommendation: We recommend adherence to existing policies and procedures relating to unit inspections. Additionally, we recommend that HQS procedures performed, as well as actions taken to address deficiencies noted during inspections, be documented in file.

Prior Year Status: The lack of adherence to established policies and procedures relating to unit inspections was reported as a finding in the Single Audit of CDA for fiscal year 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Zerlyn A. Taimanao, Program and Housing Manager and Roger A. Dris, Chief Accountant

**Corrective Action:**

Condition 1 - NMHC will ensure that all forms pertaining to unit inspections are completed and filed.

Condition 2 - NMHC will ensure that inspections are performed within twelve months of the previous inspection.

Condition 3 - NMHC will ensure that inspections with deficiencies are addressed and completed in a timely manner.

Conditions 4, 5 and 6 - NMHC will ensure that reports pertaining to inspections are completed, signed and filed.

**Proposed Completion Date:** Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-17  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.182 Section 8 New Construction and Substantial Rehabilitation  
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004  
Federal Award Periods: 09/01/06 through 08/31/11, 08/01/08 through 07/31/09 and 08/01/09 through 07/31/10  
Area: Special Tests and Provisions  
Questioned Costs: \$-0-

**Criteria:** In accordance with federal regulations, the PHA or owner must (a) establish or ensure tenant utility allowances based on utility consumption and rate data for various sized units, structure types, and fuel types, (b) make an annual review of tenant utility allowances to determine reasonableness, and (c) adjust the allowances, when appropriate.

**Condition:** NMHC performed a review of utility rates as of September 2008, however, the new utility schedule was only approved in June 2009 and implemented effective July 1, 2009. There was no evidence that a review of utility rates in fiscal year 2009 has been performed. Therefore, the required annual review of the utility allowance schedule was not evident in fiscal year 2009.

**Cause:** The cause of the above condition is lack of monitoring to ensure that the required annual review of the utility allowance schedule is performed.

**Effect:** The effect of the above condition is noncompliance with federal regulations. Since an updated utility schedule is not available, the amount of questioned costs, if any, that arise from the audit is not determinable.

**Recommendation:** We recommend NMHC implement monitoring procedures to perform the required annual review of the utility allowance schedule.

**Prior Year Status:** The lack of monitoring to ensure that the required annual review of the utility allowance schedule is being performed was reported as a finding in the Single Audit of CDA for fiscal year 2008.

**Auditee Response and Corrective Action Plan:**

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** The utility allowance has not changed since April 1, 1990. The Housing Choice Voucher utility allowance changed in July 2009 and was implemented effective August 2009. NMHC will conduct an annual review of utility allowances to determine their reasonableness and such actions will be documented in the file if there is any indication of a ten percent change.

**Proposed Completion Date:** Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-18  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.225 Community Development Block Grants/Special Purpose Grants/Insular Areas  
Federal Award Nos.: B-07ST-69-0001 and B-08ST-69-0001  
Federal Award Period: 10/01/07 through 09/30/12  
Area: Davis-Bacon Act  
Questioned Costs: \$-0-

Criteria: As part of NMHC's control procedures over monitoring compliance with requirements of the Davis-Bacon Act, pre-construction conferences and interviews of contract workers at job sites are to be performed.

Condition: Tests of compliance with the Davis-Bacon Act noted the following:

1. Records of employee interviews to support job site interviews of contract employees, were not available for the following CDBG funded projects:

Contract Number

2008-007  
57695-OC  
2007-013  
2008-015  
2008-008  
2008-020  
2008-001  
2008-021A

2. For seven contracts related to CDBG funded projects, there was no evidence that a pre-construction conference was held, as follows:

Contract Number

57695-OC  
2007-013  
2008-008  
2008-020  
2008-001  
2008-021A  
2008-014-B

Cause: The cause of the above condition is the lack of established monitoring procedures to ensure that pre-construction conferences and job site interviews are performed and documented.

Effect: The effect of the above condition is potential noncompliance with NMHC's control procedures to ensure that requirements of the Davis-Bacon Act are complied with. No questioned costs result as payroll was paid within prevailing wage rates.

Recommendation: We recommend that NMHC establish monitoring controls to ensure that required procedures relating to job site interviews and pre-construction conferences are performed and documented.



NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-18, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.225 Community Development Block Grants/Special Purpose  
Grants/Insular Areas  
Federal Award Nos.: B-07ST-69-0001 and B-08ST-69-0001  
Federal Award Period: 10/01/07 through 09/30/12  
Area: Davis-Bacon Act  
Questioned Costs: \$-0-

Prior Year Status: The lack of established monitoring procedures to ensure that job site interviews are performed and documented was reported as a finding in the Single Audits of CDA for fiscal years 2007 and 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Jocelyn S. Kaipat, Office Manager/Procurement Officer and Clemente S. Sablan, Technical Coordinator

**Corrective Action:**

1. Employee interviews at the job sites are completed and NMHC will ensure compliance with the requirements of the Davis-Bacon Act. The Office Manager will receive job interview sheets and coordinate with field staff accountable for interviewing and documenting worker interviews at CDBG-funded job sites. Interviews of workers for projects on Saipan will be coordinated between the Office Manager and the Technical Coordinator who will conduct all field site visits and inspections. Travel authorizations for off-island projects will not be approved until interviews with prior travels are submitted and filed by the Technical Coordinator with the Accounting Office.
2. NMHC will ensure that all pre-construction conference documents/evidence are provided in each project file.

**Proposed Completion Date:** Immediately/Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-19  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.225 Community Development Block Grants/Special Purpose Grants/Insular Areas  
Federal Award No.: B-07ST-69-0001  
Federal Award Period: 10/01/07 through 09/30/12  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Criteria: The Common Rule states that procedures for managing equipment, whether acquired in whole or in part with grant funds, will meet the following requirements:

1. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who hold title, the acquisition date, the cost of the property, percentage of Federal participation in the cost of the property, the location use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property;
2. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years;
3. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property;
4. Adequate maintenance procedures must be developed to keep the property in good condition; and
5. If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Further, the grantee must establish and implement property management controls over the transfer of properties to subrecipients.

Condition: NMHC does not maintain a listing of equipment purchased using federal funds. Further, NMHC did not perform a physical count of equipment for the last two fiscal years. As fixed asset records are not effectively maintained and updated and a physical count has not been performed, NMHC has not effectively developed a means to ensure that equipment are adequately safeguarded from loss, damage, theft, or that investigations of such losses could reasonably occur. Total capital outlays or expenses, other than administrative expenses, incurred for the fiscal years ended September 30, 2009, 2008 and 2007 amounted to \$1,312,828, \$2,118,535 and \$387,412, respectively.

Cause: The cause of the above condition is the lack of adequate procedures to ensure property management controls are maintained and implemented.

Effect: The effect of the above condition is a lack of compliance with federal regulations.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-19, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.225 Community Development Block Grants/Special Purpose  
Grants/Insular Areas  
Federal Award No.: B-07ST-69-0001  
Federal Award Period: 10/01/07 through 09/30/12  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Recommendation: We recommend that NMHC ensure that equipment maintenance controls over fixed assets are effectively established and implemented. We further recommend that equipment listings are maintained and updated and adequate procedures for equipment maintenance and safeguards against loss, damage or theft of equipment are implemented.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Roger A. Dris, Chief Accountant

**Corrective Action:** NMHC will ensure that property maintenance controls over fixed assets are effectively established and implemented. We will perform fixed asset inventory counts every two years as a corrective action in the future.

**Proposed Completion Date:** Immediately

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-20  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.225 Community Development Block Grants/Special Purpose Grants/Insular Areas  
 Federal Award No.: B-07ST-69-0001  
 Federal Award Period: 10/01/07 through 09/30/12  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$204,830

**Criteria:** Federal regulations state that small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies or other property that do not cost more than the simplified threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources. Further, brand names should not be indicated in the request of proposals or solicitations so as not to limit competition. Specifically, the CNMI's Procurement Regulations state the following:

- Price quotations should be obtained from at least three vendors for purchases between \$2,500 and \$9,999.99. Any price quotations obtained must be written, documented and submitted for approval. Bidding is not required for procurement under \$2,500.
- Procurements amounting to \$10,000 and above should be procured using competitive sealed bidding. The invitation for bids shall be publicized in order to increase competition and broaden industry participation. A bidding period of at least thirty days shall be provided unless a shorter period is determined to be reasonable and necessary, but shall never be less than fifteen days.
- For procurement methods that permit contracting without using full and open competition, a written justification memo should be prepared and submitted by the expenditure authority and approved by the Procurement and Supply Director.
- For change orders, the agency shall thoroughly assess whether or not it would be more prudent to seek competition before adding significant new work to existing contracts. Change orders on construction and A&E contracts, which exceed 25% of the cumulative contract price, shall automatically be procured through competitive procedures, except when the procurement of the additional work to be performed is authorized without using full and open competition.

**Condition:** Of \$1,528,092 of program expenses, twenty-nine items totaling \$1,447,431 were tested. Tests of expenses noted the following:

1. For eight expenses related to two contracts, copies of proposals from unselected vendors could not be provided; thus, we could not verify if the selected vendor was indeed the lowest bidder, as follows:

<u>Contract Number</u>	<u>GL Date</u>	<u>GL Amount</u>
57695-OC	02/05/09	\$ 44,664
57695-OC	02/20/09	3,493
57695-OC	03/05/09	12,018
2008-020	11/05/08	18,363

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-20, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.225 Community Development Block Grants/Special Purpose Grants/Insular Areas  
 Federal Award No.: B-07ST-69-0001  
 Federal Award Period: 10/01/07 through 09/30/12  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$204,830

Condition, Continued:

<u>Contract Number</u>	<u>GL Date</u>	<u>GL Amount</u>
2008-020	11/18/08	4,932
2008-020	11/05/08	3,147
2008-020	11/18/08	16,578
2008-020	12/05/08	<u>4,780</u>
		\$ <u>107,975</u>

2. For four expenses related to one contract, we noted two change orders (CO #1 for \$61,239 and CO #3 for \$67,076) in which the amount of the change order exceeded 25 percent of the cumulative contract price. Although there was documentation of additional work to be performed, the justification documenting that the additional work could not be foreseen at the time the original contract was procured or that an emergency situation existed was not evident.

<u>Contract Number</u>	<u>GL Date</u>	<u>GL Amount</u>
2008-007	11/05/08	\$ 50,844
2008-007	10/06/08	28,553
2008-007	11/05/08	16,840
2008-007	03/02/09	<u>618</u>
		\$ <u>96,855</u>

Cause: The causes of the above conditions are inadequate documentation of purchases and weak controls over ensuring that all procurement policies and procedures are implemented.

Effect: The effect of the above condition is noncompliance with applicable procurement regulations and questioned costs of \$204,830.

Recommendation: We recommend that NMHC strengthen internal controls over procurement to maximize competition. If exceptions are allowed by procurement regulations, they should be reviewed, approved and documented in the procurement file. We further recommend that NMHC strengthen procedures on procurement file maintenance.

Prior Year Status: The inadequate documentation of purchases and weak controls over ensuring that all procurement policies and procedures are implemented was reported as a finding in the Single Audit of CDA for fiscal year 2008.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-20, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.225 Community Development Block Grants/Special Purpose  
Grants/Insular Areas  
Federal Award No.: B-07ST-69-0001  
Federal Award Period: 10/01/07 through 09/30/12  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$204,830

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Jocelyn S. Kaipat, Office Manager/Procurement Officer and Zenie Mafnas, Grant Writer/Planner

**Corrective Action:**

- 1) \$107,975 - Requested Proposals from Unselected Vendors

NMHC will strengthen internal controls over procurement to maximize competition and strengthen procedures on procurement file maintenance.

- 2) \$96,855 - Documentation outlining unforeseen emergency situations was submitted by the Water Task Force Program Manager and resubmitted here. The Commonwealth Utilities Corporation requested for CO #1 the day after the Notice to Proceed was issued to bypass the connection so 1,027 customers would not be without water for five months. Supporting attachments were also previously submitted to the auditors along with the letter explaining such. Please see these for a comprehensive explanation. CO #3 was also necessitated by unforeseen circumstances and the funding utilized were CIP funds unrelated to NMHC.

**Proposed Completion Date:** Immediately/Ongoing

Auditor Response:

\$107,975 - As noted in condition #1 above, copies of requested proposals from unselected vendors were not provided for our examination.

\$96,855 - The documentation evidencing existence of an emergency situation to support the change orders was prepared only upon our request. Further, considering that major rehabilitation works will be done in the water reservoir, ensuring continuous water supply to possible affected customers should have been a foreseen circumstance upfront.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-21  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.225 Community Development Block Grants/Special Purpose Grants/Insular Areas  
 Federal Award No.: B-07ST-69-0001  
 Federal Award Period: 10/01/07 through 09/30/12  
 Area: Subrecipient Monitoring  
 Questioned Costs: \$-0-

**Criteria:** Pursuant to 24 CFR section 570.503, before disbursing any CDBG funds to a subrecipient, the recipient shall sign a written agreement with the subrecipient. The agreement shall include provisions concerning: the statement of work, records and reports, program income and uniform administrative requirements under 24 CFR section 570.503. Further, pass-through entities must establish and implement subrecipient monitoring policies and procedures.

**Condition:** For one subrecipient tested, the subrecipient agreement, progress reports and documentation of site visits evidencing that subrecipient monitoring policies and procedures are implemented could not be provided. Further, NMHC did not perform physical counts of fixed assets with subrecipients in fiscal years 2008 and 2009. Details as follows:

<u>Contract Number</u>	<u>GL Date</u>	<u>GL Amount</u>
2008-020	11/05/08	\$ 18,363
2008-020	11/18/08	4,932
2008-020	11/05/08	3,147
2008-020	11/18/08	16,578
2008-020	12/05/08	<u>4,780</u>
	Total	47,800
	Less amount already questioned at previous finding	<u>(47,800)</u>
	Questioned cost this finding	\$ <u>    -</u>

**Cause:** The cause of the above condition is failure to implement established monitoring policies and procedures and lack of documentation of monitoring procedures performed.

**Effect:** The effect of the above condition is noncompliance with subrecipient monitoring requirements.

**Recommendation:** We recommend that NMHC implement established subrecipient monitoring policies and procedures. We further recommend that NMHC document monitoring procedures performed on subrecipients.

**Prior Year Status:** The failure to implement established monitoring policies and procedures and lack of documentation of monitoring procedures performed was reported as a finding in the Single Audit of CDA for fiscal year 2008.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-21, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.225 Community Development Block Grants/Special Purpose  
Grants/Insular Areas  
Federal Award No.: B-07ST-69-0001  
Federal Award Period: 10/01/07 through 09/30/12  
Area: Subrecipient Monitoring  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Zenie P. Mafnas, Grant Writer/Planner and Clemente Sablan,  
Technical Coordinator

**Corrective Action:** In the future, NMHC will ensure more stringent monitoring of subrecipients on  
a more frequent basis.

**Proposed Completion Date:** Ongoing



NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-22  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.225 Community Development Block Grants/Special Purpose Grants/Insular Areas  
 Federal Award No.: B-07ST-69-0001  
 Federal Award Period: 10/01/07 through 09/30/12  
 Area: Special Tests and Provisions  
 Questioned Costs: \$-0-

**Criteria:** Pursuant to 24 CFR Section 570.506, when CDBG funds are used for rehabilitation, the grantee must assure that the work is properly completed.

**Condition:** For one rehabilitation project (contract # 2008-007) tested, the final inspection report and Certificate of Acceptance of Completed Structure and Contractor's Release, evidencing that the rehabilitation project has been completed, could not be provided. Details are as follows:

<u>Contract Number</u>	<u>GL Date</u>	<u>GL Amount</u>
2008-007	11/05/08	\$ 50,844
2008-007	10/06/08	28,553
2008-007	11/05/08	<u>16,840</u>
	Total	96,237
Less amount already questioned at previous finding		<u>(96,237)</u>
	Questioned cost this finding	\$ <u>    -</u>

**Cause:** The cause of the above condition is weak controls to ensure that rehabilitation projects are properly completed.

**Effect:** The effect of the above condition is noncompliance with the 24 CFR requirement.

**Recommendation:** We recommend that NMHC strengthen procedures to ensure that rehabilitation projects are properly completed.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Jocelyn S. Kaipat, Office Manager/Procurement Officer

**Corrective Action:** NMHC will ensure that rehabilitation projects are properly completed and all documents are properly filed in each designated project file.

**Proposed Completion Date:** Immediately/Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-23  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$8,494

**Criteria:** In accordance with 24 CFR Part 982.158 and 982 subpart K, the PHA must pay monthly HAP on behalf of the family that corresponds with the amount on line 12u of the HUD-50058, Family Report. This HAP amount must be reflected on the HAP contract and HAP register.

**Condition:** Of \$3,406,966 rental disbursements, seventy HAP rental disbursements totaling \$64,189 were tested. For seven HAP disbursements, the supporting HUD-50058 and HAP contract were not in file. Details are as follows:

<u>Period Tested</u>	<u>Household No.</u>	<u>HAP Amount</u>
10/02/08	H01232	\$ 1,100
12/02/08	H01232	1,100
01/02/09	H01069	1,100
04/01/09	H01186	690
01/02/09	HR0015A	750
08/01/09	H01066	566
03/12/09	HR0025	2,088
09/01/09	HR0009B	1,100
		<u>\$ 8,494</u>

**Cause:** The cause of the above condition is weak controls over ensuring that HUD 50058 and HAP contracts are completed, submitted and maintained in file.

**Effect:** The effect of the above condition is the misstatement of HAP payments and questioned costs of \$8,494. This matter is reportable as the projected questioned costs exceed \$10,000.

**Recommendation:** We recommend NMHC strengthen controls to ensure that HUD 50058 and HAP contracts are completed, submitted and maintained in file.

**Prior Year Status:** Weak controls to ensure that HUD 50058 and HAP contracts are completed, submitted and maintained in file was reported as a finding in the Single Audit of CDA for fiscal year 2008.

**Auditee Response and Corrective Action Plan:**

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will ensure that HUD 50058 and HAP contracts are completed, submitted and filed.

**Proposed Completion Date:** Immediately

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-24  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$43,442

Criteria: In accordance with OMB Circular A-87, Attachment B, Section 11.h (4), when employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary report will be required where employees work on more than one Federal award or a Federal award and a non-Federal award.

Condition: Tests of administrative expenses totaling \$223,552 noted the following:

1. Office supplies expenses charged to the Section 8 Housing Choice Voucher Program, amounting to \$9,223, were estimated by a percentage of salaries charged to the program over the total NMHC salaries. No documentation evidencing grantor approval of this allocation could be provided.
2. Salary expense and retirement benefits charged to the Section 8 Housing Choice Voucher Program, of \$150,299 and \$42,442 for the fiscal year ended September 30, 2009, were allocated based on a quarterly hours worked certification, and supporting timesheets signed by employees, and approved by the employees' immediate supervisor. Salary expense and retirement benefits recorded in the general ledger are higher by \$20,049 and \$14,170, respectively, than the expected amounts based on quarterly allocation percentages.

Cause: The cause of the above condition is the lack of awareness of requirements of OMB Circular A-87, attachment B, Section 11.h (4).

Effect: The effect of the above condition is noncompliance with allowable costs/cost principles and questioned cost of \$43,442.

Recommendation: We recommend that approval from the grantor is obtained for all expenses allocated to the program. We further recommend that salaries and benefits charged to the program are based on approved quarterly hours worked certification.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Roger A. Dris, Chief Accountant

**Corrective Action:** NMHC has implemented the timesheet certification for quarterly calculations, which has been approved by the grantor.

**Proposed Completion Date:** Ongoing

Auditor Response: Documentation evidencing grantor's approval of the quarterly certification of actual hours worked and allocation percentage for other shared expenses was not provided.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-25  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Eligibility  
 Questioned Costs: \$9,291

Criteria: The amount of federal assistance paid on behalf of a family is calculated using the family's annual income less allowable deductions. Owners must verify all deductions claimed by the tenant/applicant to determine level of federal assistance.

Condition: During examination of seventy tenant files, the following were noted:

- For seven tenants, deductions claimed included an allowance for dependent(s) which is (are) not biological or legal children of the household head/co-head. The household head/co-head are in a guardian/caretaker capacity based on either a general power of attorney, a notarized affidavit or an appointment of guardianship executed by the biological or legal parents of the dependent (s). We were unable to determine if NMHC performed further verification to ensure that such are valid dependents. Details are as follows:

<u>Household No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Dependents Claimed that are not Legal Children (Household Member Ref. #)</u>	<u>Allowance Claimed</u>	<u>HAP Amount</u>
HO1102	11/03/08	10/01/08	3	\$ 480	\$ 1,300
HO1159A	04/01/09	06/01/08	5	\$ 480	850
HO1037A	06/01/09	11/01/08	3	\$ 480	900
HO1185	07/01/09	07/01/09	6	\$ 480	1,100
HO1070	07/01/09	07/01/09	4, 5, 6, 7	\$ 1,920	1,200
HO1062	08/01/09	06/01/09	2	\$ 480	941
HO1333	09/01/09	01/30/09	3	\$ 480	<u>1,200</u>
					<u>\$ 7,491</u>

- For one tenant, deductions claimed included an allowance for a full-time student; however, there was no third party verification noted in the file evidencing that the dependent was a full-time student. Details are as follows:

<u>Household No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Dependents Claimed that are not Legal Children (Household Member Ref. #)</u>	<u>Allowance Claimed</u>	<u>HAP Amount</u>
HO1155A	12/02/08	09/16/08	3, 4	\$ 960	<u>\$ 1,300</u>

- For one tenant, there was no third party verification in file supporting a disability allowance as follows:

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-25, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Eligibility  
 Questioned Costs: \$9,291

Condition, Continued:

<u>Household No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Dependents Claimed that are not Legal Children (Household Member Ref. #)</u>	<u>Allowance Claimed</u>	<u>HAP Amount</u>
H01274	01/02/09	07/15/08	Head	\$ 400	\$ <u>500</u>

Cause: The cause of the above conditions is a lack of adequate policies and procedures to ensure that all claimed deductions are verified and documented.

Effect: The effect of the above condition is noncompliance with eligibility requirements and questioned costs of \$9,291.

Recommendation: We recommend that NMHC strengthen policies and procedures in verifying claimed deductions and that such verification be documented in the tenant file.

Prior Year Status: The lack of adequate policies and procedures to ensure that all claimed deductions are verified and documented was reported as a finding in the Single Audit of CDA for fiscal year 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will ensure that the documents provided by the Superior Court will be accepted as appointment of guardianship and that all allowances and deductions are verified.

**Proposed Completion Date:** Immediately

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-26  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Eligibility  
Questioned Costs: \$15,530

Criteria: Owners must use verification methods that are acceptable to HUD. The owner is responsible for determining if the verification documentation is adequate and credible. HUD accepts three methods of verification. These are, in order of acceptability, third-party verification, review of documents, and family certification. When third-party verification is not available, owners must document, in the file, efforts made to obtain the required verification and the reason if the verification was not obtained. The owner must include the following documents in the applicant's or tenant's file:

1. A written note to the file explaining why third-party verification is not possible; or
2. A copy of the date-stamped original request that was sent to the third party;
3. Written notes or documentation indicating follow-up efforts to reach the third party to obtain verification; and
4. A written note to the file indicating that the request has been outstanding without a response from the third party.

Condition: During examination of seventy tenant files, the following were noted:

1. For the following tenants that reported gross income, the third party verification documentation could not be located in file. Documentation indicating why third party verification was not available, or any documentation indicating efforts that were made to obtain third party verification, was not in file. Details are as follows:

Household No.	Period Tested	Certification Effective	Dependents Claimed that are not Legal Children (Household Member Ref. #)	Third Party Verification Documentation Not Found in Tenant File	HAP Amount
HO1307	11/03/08	09/26/08	Head	Employment verification (w/ 6 pay stubs); Notice of disposition for food stamp benefits of \$499/mo.	\$ 1,214
HO1320	12/02/08	09/02/08	Head	Employment verification (w/ 6 pay stubs)	1,199
HO1025A	12/04/08	07/01/08	Head	Notice of disposition for food stamp benefits of \$698/mo.	1,200
HO1274	01/02/09	07/15/08	Head	Social security disability benefits of \$246/mo	500
HO1223	01/02/09	05/29/08	Head	Social security benefits for \$637/mo.	1,084
HO1128	02/02/09	04/01/08	Head	Employment verification (w/ 6 pay stubs)	1,300
HO1218	03/03/09	01/01/09	Head	Other income for \$100/mo.	750
HO1069	04/01/09	02/01/09	Head	Notice of disposition for food stamp benefits of \$348/mo.	1,100
HO1109A	04/01/09	10/08/08	Head	Other income for \$60/mo.	600
HO1069	06/01/09	02/01/09	Head	Notice of disposition for food stamp benefits of \$348/mo.	1,100
HO1117	08/01/09	06/01/09	Head	Employment verification (w/ only 2 pay stubs)	750
HO1297	08/01/09	07/01/09	Head, 2	Employment verification (w/ 6 pay stubs); NMI retirement benefits	392

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-26, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Eligibility  
Questioned Costs: \$15,530

Condition, Continued:

<u>Household No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Dependents Claimed that are not Legal Children (Household Member Ref. #)</u>	<u>Third Party Verification Documentation Not Found in Tenant File</u>	<u>HAP Amount</u>
H01062	08/01/09	06/01/09	Head	Employment verification (w/ only 4 pay stubs); Notice of disposition for food stamp benefits of \$152/mo.	941
H01246	09/01/09	06/01/09	Head	Original copy of third party affidavit for other income	1,100
HO1333	09/01/09	01/30/09	Head	Other income for \$250/mo.	1,200
HO1171	09/01/09	07/01/09	Head	Other income for \$20/mo.	1,100
HR0028A	06/01/09	06/01/09	Head	Original copies of all third party documentation	750
Total					16,280
Less amount already questioned in previous finding					(4,591)
Questioned cost this finding					\$ <u>11,689</u>

2. For six tenants, there was a notarized affidavit as to assets declaring accounts with certain banks; however, there was no documentation on file evidencing that verification was requested from the bank.

<u>Household No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Dependents Claimed that are not Legal Children (Household Member Ref. #)</u>	<u>Third Party Verification Documentation Not Found in Tenant File</u>	<u>HAP Amount</u>
H01025A	12/04/08	07/01/08	Head	Two bank accounts	\$ 1,200
HO1193	01/02/09	08/08/08	Head, 2	One bank account	445
H01100A	03/03/09	04/18/08	Head	One bank account	1,100
HO1333	09/01/09	01/30/09	2	One bank account	1,200
HO1114	05/05/09	05/01/09	2	One bank account	1,037
HO1171	09/01/09	07/01/09	Head	One bank account	1,100
Total					6,082
Less amount already questioned in previous finding					(3,500)
Questioned cost this finding					\$ <u>2,582</u>

3. For three tenants, the income reported in HUD Form 50058 did not agree with the third party verification, and there was no documentation on file supporting the variance. Details are as follows:

<u>Household No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Income Type</u>	<u>Income per HUD Form 50058</u>	<u>Income Per Third Party Verification</u>	<u>HAP Amount</u>
HO1307	11/03/08	09/26/08	Wages	\$ 12,333	\$ 13,703	\$ 1,214
HO1320	12/02/08	09/02/08	Food stamp	\$ 6,300	\$ 5,256	1,199
HO1297	08/01/09	07/01/09	Head, 2	\$ 7,949	\$ 7,605	392
HO1029	09/01/09	09/01/09	Food stamp	\$ 1,596	\$ 1,812	600
Total						3,405
Less amount already questioned in previous finding						(2,805)
Questioned cost this finding						\$ <u>600</u>

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-26, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Eligibility  
 Questioned Costs: \$15,530

Condition, Continued:

4. For one tenant, the income reported in HUD Form 50058 did not agree with the third party verification:

<u>Household No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Income per HUD Form 50058</u>	<u>Income Per Third Party Verification</u>	<u>Variance in Income</u>	<u>Overstatement of Monthly HAP</u>	<u>HAP Amount</u>
HO1062	01/02/09	01/01/09	\$ 20,085	\$ 23,985	\$ 3,900	\$ 97	\$ <u>659</u>

Cause: The cause of the above condition is the lack of adequate policies and procedures to ensure that third party verifications are performed and documented for reported income and assets.

Effect: The effect of the above condition is noncompliance with eligibility requirements and questioned costs of \$15,530.

Recommendation: We recommend that NMHC strengthen policies and procedures in performing and documenting third party verifications on income and assets declared by tenants/applicants.

Prior Year Status: The lack of adequate policies and procedures to ensure that third party verifications are performed and documented for reported income and assets was reported as a finding in the Single Audit of CDA for fiscal year 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will ensure that all required documentation is completed prior to completing re-certifications and that all reported income is verified and reconciled with verification.

**Proposed Completion Date:** Immediately



NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-27  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Eligibility  
Questioned Costs: \$8,142

Criteria: Owners must include verification documentation in file. Further, NMHC accepts the following notarized statement or signed affidavits from the tenant/applicant as support of income and assets for all adult members of the household.

1. Affidavit as to assets and verification of income from assets
2. Certification of asset disposition
3. Statement of unemployment
4. Affidavit of zero income of adult member
5. Affidavit of child support
6. Zero income in-kind contribution checklist

Condition: During examination of seventy tenant files, the following were noted:

1. For twenty-five tenants documents supporting income and assets for all adult members of the household could not be located in the tenant file. Specific documents that could not be located are as follows:

Household No.	Period Tested	Certification Effective	Dependents Claimed that are not Legal Children (Household Member Ref. #)	Documents Not Found in Tenant File	HAP Amount
HO1326	10/02/08	09/01/08	Head	Statement of unemployment, Affidavit of child support, Affidavit of zero income of adult member, Zero income in-kind contribution checklist, and Affidavit as to assets and Verification of income from Assets	\$ 750
HO1307	11/03/08	09/26/08	Head, 2, 3	Statement of unemployment and Affidavit of zero income #3, Affidavit as to assets and Verification of income from assets for the Head, member #2, and #3	1,214
HO1019A	12/02/08	03/01/08	Head	Zero income in-kind contribution checklist	750
HO1320	12/02/08	09/02/08	Head, 2, 3	Affidavit of assets and Verification of income from assets	1,199
HO1025A	12/04/08	07/01/08	Head, 2	Statement of unemployment for head, Affidavit of zero income for head and #2, Zero income in-kind contribution checklist, Affidavit of assets and Verification of income from assets #2	1,200
HO1274	01/02/09	07/15/08	Head	Statement of unemployment	500
HO1223	01/02/09	05/29/08	Head	Affidavit of zero income	1,084
HO1193	01/02/09	08/08/08	2	Statement of unemployment and affidavit of zero income	445
HO1100A	03/03/09	04/18/08	Head, 2	Affidavit of zero income, zero income in-kind checklist	1,100
HO1218	03/03/09	01/01/09	Head	Affidavit of zero income for head, zero income in-kind checklist	750

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-27, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Eligibility  
 Questioned Costs: \$8,142

Condition, Continued:

<u>Household No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Dependents Claimed that are not Legal Children (Household Member Ref. #)</u>	<u>Documents Not Found in Tenant File</u>	<u>HAP Amount</u>
HO1109A	04/01/09	10/08/08	Head	Statement of unemployment, Affidavit of child support, Affidavit of zero income, Zero income in-kind checklist, Affidavit of assets, Verification obtained for income from assets and certification of assets disposition	600
HO1287	05/01/09	12/03/08	Head	Statement of unemployment, Zero income in-kind checklist, Affidavit of assets notarized and verification of third party obtained for income from assets	1,100
HO1208	05/01/09	09/23/08	Head	Zero income in-kind checklist signed but not filled out	750
HO1159A	06/01/09	06/01/09	Head	Zero income in-kind checklist	850
HO1303	06/01/09	06/01/09	Head	Affidavit of zero income and Zero income in-kind checklist	1,100
HO1185	07/01/09	07/01/09	Head, 2	Zero income in-kind checklist signed but only partially completed, Affidavit of assets in file not notarized	1,100
HO1187	07/01/09	07/01/09	Head	Zero income in-kind checklist signed but not completely filled out	750
HO1063A	08/01/09	07/30/09	Head	Affidavit of zero income and Zero income in-kind checklist	1,100
HO1297	08/01/09	07/01/09	Head	Affidavit of zero income	392
HO1029	09/01/09	09/01/09	Head	Affidavit of zero income not signed by a witness, zero income in-kind checklist	600
HO1246	09/01/09	06/01/09	Head, 2	Affidavit of zero income, zero income in-kind checklist	1,100
HO1333	09/01/09	01/30/09	2	Statement of unemployment and affidavit of zero income	1,200
HO1171	09/01/09	07/01/09	Head	Zero income in-kind checklist	1,100
HR0028A	06/01/09	06/01/09	Head	Zero income checklist not in file	750
HO1114	05/05/09	05/01/09	Head	Certification of asset disposition	1,037
Total					22,521
Less amount already questioned in previous finding					(16,221)
Questioned cost this finding					\$ <u>6,300</u>

2. For four tenants, an affidavit of child support could not be located in the tenant file.

<u>Household No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>HAP Amount</u>
HO1326	10/02/08	09/01/08	\$ 750
HO1326	02/02/09	09/01/08	750
HO1335	02/02/09	12/12/08	1,092
HO1109A	04/01/09	10/08/08	<u>600</u>
Total			3,192
Less amount already questioned in previous finding			(1,350)
Questioned cost this finding			\$ <u>1,842</u>

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-27, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Eligibility  
Questioned Costs: \$8,142

Cause: The cause of the above conditions is the lack of adequate policies and procedures to ensure documentation supporting income and assets are prepared and maintained in the tenant file.

Effect: The effect of the above condition is noncompliance with eligibility requirements and questioned costs of \$8,142.

Recommendation: We recommend that NMHC strengthen policies and procedures to ensure declared income and assets are supported and documented.

Prior Year Status: The lack of adequate policies and procedures to ensure documentation supporting income and assets are prepared and maintained in the tenant file was reported as a finding in the Single Audit of CDA for fiscal year 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** The PHD was informed by HUD official, Darlene Kaholokua in March, 2009 that ALL HoH who are not employed or receiving income from benefits such as trusts, pensions, Social Security benefits, etc. must complete a Zero Income In-Kind Contribution Checklist. NMHC will ensure that the HS completes the Zero Income In-Kind Contribution Checklist. Follow-up and compliance will be reinforced by the PHD Manager. In addition, NMHC will ensure that documents such as the statement of unemployment, affidavit of child support, affidavit as to assets, and the verification of income from assets are documented and filed.

**Proposed Completion Date:** Immediately

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-28  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Eligibility  
Questioned Costs: \$11,213

**Criteria:** Owners must conduct a certification/re-certification of family income and composition (a) prior to move-in; (b) at least annually; and (c) if there are changes in income, allowances or family characteristics reported between annual re-certifications. Owners must then recalculate the tenant rents and assistance payments, if applicable, based on information gathered.

A full "Application Form" must be submitted and signed by all adult members and NMHC for new admissions. NMHC uses a "Certification/Re-certification Interview Sheet" to document certifications and re-certifications performed. NMHC also uses a "Tenant Obligation to Report Interim Change" form to be signed by tenants. A HAP contract and lease agreement is signed by the tenant and NMHC.

**Condition:** During examination of seventy tenant files, the following were noted:

1. The HUD 50058, certification/re-certification interview sheet, verification documents supporting income, assets and allowances and other documents supporting eligibility for the following could not be located in file:

<u>Household No.</u>	<u>Period Tested</u>	<u>HAP Amount</u>
H01232	10/02/08	\$ 1,100
H01232	12/02/08	1,100
H01069	01/02/09	1,100
H01066	08/01/09	566
HR0015A	01/02/09	750
HR0025	03/12/09	2,088
HR0009B	09/01/09	1,100
		<u>\$ 7,804</u>

2. The HUD 50058 was on file, however, the certification/re-certification interview sheet, verification documents supporting income, assets and allowances and other documents supporting eligibility for the following could not be located in file:

<u>Household No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>HAP Amount</u>
HO1309	10/02/08	09/15/08	\$ 1,073
HO1090	10/21/08	10/17/08	1,236
HO1303	02/02/09	08/18/08	1,100
HO1070	07/01/09	07/01/09	<u>1,200</u>
		Total	4,609
		Less amount already questioned in previous finding	<u>(1,200)</u>
		Questioned cost this finding	<u>\$ 3,409</u>

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-28, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Eligibility  
 Questioned Costs: \$11,213

Condition, Continued:

3. For sixty-two tenants tested, the quality control worksheet was not signed by the Housing Manager or could not be located in file. Thus, there was no evidence of review of the eligibility determination or re-determination performed by the housing specialist prior to commencement of the housing assistance.
4. For the following ten tenants, the annual re-certification was not performed in a timely manner or there was no evidence that if it was performed within 12 months from the previous certification:

<u>Household No.</u>	<u>Period Tested</u>	<u>Previous Annual Certification</u>		<u>Current Annual Certification</u>	
		<u>Effective Date</u>	<u>Date Performed</u>	<u>Effective Date</u>	<u>Date Performed</u>
HO1057	03/03/09	02/01/08	12/12/07	02/01/09	12/29/08
HO1069	04/01/09	Not in file	Not in file	02/01/09	12/22/08
HO1186	04/01/09	06/01/07	Not in file	06/01/08	03/28/08
HO1114	05/05/09	05/01/08	03/10/08	05/01/09	05/04/09
HO1159A	06/01/09	06/01/08	05/08/08	06/01/09	05/26/09
HO1069	06/01/09	Not in file	Not in file	02/01/09	12/22/08
HO1037A	06/01/09	10/01/07	09/11/07	11/01/08	10/17/08
HO1187	07/01/09	06/01/08	04/14/08	07/01/09	07/01/09
HO1117	08/01/09	06/01/08	Not in file	06/01/09	03/31/09
HR0014A	10/02/08	Not in file	Not in file	04/01/08	12/03/07

5. The re-certification interview sheets for the following were either (a) not completed; (b) incomplete; (c) not properly filled out; or (d) not properly signed:

<u>Household No.</u>	<u>Period Tested</u>	<u>Effective Date of Certification/Re-certification Interview Sheet</u>	<u>Sections of the Re-certification Interview Sheet that are Incomplete/Not Completed or Other Deficiencies Noted</u>
HO1155A	10/02/08	09/16/08	4, 5
HO1006A	11/03/08	02/01/08	4, 5
HO1190	11/03/08	06/01/08	Not in file
HO1019A	12/02/08	03/01/08	5
HO1025A	12/04/08	07/01/08	4, 5
HO1062	01/02/09	01/01/09	4, 5, 6
HO1128	02/02/09	04/01/08	4, 5
HO1002A	02/02/09	07/01/08	4
HO1175	03/03/09	01/01/09	4, 5
HO1218	03/03/09	01/01/09	4, 5
HO1159A	04/01/09	06/01/08	4
HO1069	04/01/09	02/01/09	4
HO1109A	04/01/09	10/08/08	4, 5
HO1302	04/01/09	11/12/08	4, 5

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-28, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Eligibility  
Questioned Costs: \$11,213

Condition, Continued:

<u>Household No.</u>	<u>Period Tested</u>	<u>Effective Date of Certification/Re-certification per Interview Sheet</u>	<u>Sections of the Re-certification Interview Sheet that are Incomplete/Not Completed or Other Deficiencies Noted</u>
HO1287	05/01/09	12/03/08	4, 5
HO1208	05/01/09	09/23/08	4, 5
HO1016	05/01/09	10/02/08	5
HO1114	05/05/09	05/01/09	4, 5
HO1159A	06/01/09	06/01/09	4, 5
HO1069	06/01/09	02/01/09	4
HO1034	06/01/09	06/01/09	4, 5, 6
HO1303	06/01/09	06/01/09	4, 5
HO1037A	06/01/09	11/01/08	4, 5
HO1185	07/01/09	07/01/09	4, 5
HO1289	07/01/09	07/01/09	4, 5, 6/Not signed by NMHC
HO1187	07/01/09	07/01/09	4, 5
HO1297	08/01/09	07/01/09	4, 5
HO1326	09/01/09	09/01/09	4, 5, 6/Not signed by NMHC
HO1029	09/01/09	09/01/09	1, 2, 3, 4, 5
HO1246	09/01/09	06/01/09	4, 5, 6
HO1171	09/01/09	07/01/09	4, 5
HR0028A	06/01/09	06/01/09	4, 5, 6/Not signed by NMHC

6. Some sections of the Application Form, certification interview sheet were either (a) not completed; (b) incomplete; (c) not properly filled out; (d) not in file; or (e) not signed by the tenant or NMHC:

<u>Household No.</u>	<u>Period Tested</u>	<u>Effective Date of Certification/Re-certification per Certification/ Re-certification Interview Sheet</u>	<u>Deficiencies Noted</u>
HO1326	10/02/08	09/01/08	Sections 4, 5 not completed
HO1090	10/21/08	10/17/08	Interview sheet not in file
HO1307	11/03/08	09/26/08	Application form not in file / Sections 4, 5 not completed
HO1274	01/02/09	07/15/08	Interview sheet not signed by Head / Section 3 not completed
HO1223	01/02/09	05/29/08	Section 5 not completed
HO1326	02/02/09	09/01/08	Sections 4, 5 not completed
HO1335	02/02/09	12/12/08	Interview sheet not signed by the tenant and NMHC / Sections 1, 2, 3, 4, 5, 6 not completed
HO1303	02/02/09	08/18/08	Application form not signed by member #2
HO1100A	03/03/09	04/18/08	Application form not completely filled out and not signed by member #2 / Section 5, 6 not completed
HO1351	03/03/09	02/02/09	Application form not signed by member #2 / Section 4 not completed
HO1333	09/01/09	01/30/09	Application form not completely filled out / Sections 4, 5, 6 not completely filled out

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-28, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Eligibility  
Questioned Costs: \$11,213

Condition, Continued:

7. The HUD 50058 was not signed by one or all of adult household members or signed after the effective date of certification/re-certification or the original copy was not in file for the following:

<u>Household No.</u>	<u>Form HUD 50058 Effective Date</u>	<u>HUD 50058 Not Signed By</u>	<u>HAP Amount</u>
H01155A	09/16/08	NMHC	\$ 1,300
H01006A	02/01/08	Head, 2, NMHC	\$ 763
H01190	06/01/08	Head, 2, NMHC	\$ 950
H01102	10/01/08	NMHC	\$ 1,300
HO1019A	03/01/08	Head, 2, NMHC	\$ 750
H01223	05/29/08	NMHC	\$ 1,084
H01100A	04/18/08	2	\$ 1,100
HO1159A	06/01/08	Head, 2, NMHC	\$ 850
H01186	06/01/08	Not in file	\$ 690
HO1302	11/12/08	2	\$ 1,300
H01303	06/01/09	NMHC	\$ 1,100
H01037A	11/01/08	NMHC	\$ 900
HO1185	07/01/09	Head, 2, NMHC	\$ 1,100
H01187	07/01/09	Head, NMHC	\$ 750
H01070	07/01/09	Head, NMHC	\$ 1,200
H01063A	07/30/09	Head	\$ 1,100
HO1117	06/01/09	Head	\$ 750
H01062	06/01/09	Original copy not in file	\$ 941
HO1326	09/01/09	NMHC	\$ 750
H01029	09/01/09	NMHC	\$ 600
HO1171	07/01/09	Head, 2, NMHC	\$ 1,100
HR0014A	04/01/08	NMHC	\$ 417
HR0028A	06/01/09	NMHC	\$ 750

8. The HAP contract and lease amendment agreement was not signed by one or all adult household members, or signed after the effective certification date or the original copy was not in file for the following:

<u>Household No.</u>	<u>Form HUD 50058 Effective Date</u>	<u>Tenant Obligation to Report Interim Change</u>	<u>HAP Amount</u>
H01155A	09/16/08	Owner, NMHC	\$ 1,300
H01006A	02/01/08	Head, 2, Owner, NMHC	\$ 763
H01190	06/01/08	Head, 2, Owner, NMHC	\$ 950
HO1019A	03/01/08	Head, 2, Owner, NMHC	\$ 750
H01155A	09/16/08	Owner, NMHC	\$ 1,300
H01223	05/29/08	NMHC	\$ 1,084
H01100A	04/18/08	2	\$ 1,100
H01218	01/01/09	Owner	\$ 750
HO1159A	06/01/08	Head, 2, Owner, NMHC	\$ 850

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-28, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Eligibility  
 Questioned Costs: \$11,213

Condition, Continued:

<u>Household No.</u>	<u>Form HUD 50058 Effective Date</u>	<u>Tenant Obligation to Report Interim Change</u>	<u>HAP Amount</u>
H01186	06/01/08	Not in file	\$ 690
HO1302	11/12/08	2, Owner	\$ 1,300
H01016	10/02/08	Owner	\$ 1,300
H01303	06/01/09	Owner, NMHC	\$ 1,100
H01037A	11/01/08	Owner, NMHC	\$ 900
HO1185	07/01/09	Head, 2, Owner, NMHC	\$ 1,100
HO1187	07/01/09	Head, Owner, NMHC	\$ 750
H01070	07/01/09	Head, NMHC	\$ 1,200
H01063A	07/30/09	Head, Owner	\$ 1,100
HO1117	06/01/09	Head, Owner	\$ 750
H01062	06/01/09	Original copy not in file	\$ 941
HO1326	09/01/09	Owner, NMHC	\$ 750
HO1029	09/01/09	NMHC	\$ 600
H01246	06/01/09	2	\$ 1,100
HO1171	07/01/09	Head, 2, Owner, NMHC	\$ 1,100
HR0014A	04/01/08	NMHC	\$ 417
HR0028A	06/01/09	Owner, NMHC	\$ 750

9. The tenants' obligation to report interim change form was not in file or was not signed by the head or co-head for the following:

<u>Household No.</u>	<u>Form HUD 50058 Effective Date</u>	<u>Tenant Obligation to Report Interim Change</u>	<u>HAP Amount</u>
H01190	06/01/08	Not completed and signed	\$ 950
HO1335	12/12/08	Not in file	\$ 1,092
H01159A	06/01/08	Not signed by #2	\$ 850
H01016	10/02/08	Not in file	\$ 1,300

Cause: The cause of the above condition is lack of adequate monitoring procedures to ensure that required certification/re-certification and related forms are performed, reviewed, documented and filed in a timely manner.

Effect: The effect of the above conditions is noncompliance with program eligibility requirements and questioned costs of \$11,213, which was derived from conditions 1 and 2. For conditions 3 through 9, no questioned costs arise since documents were available but were not properly completed and/or signed.

Recommendation: We recommend that NMHC establish adequate monitoring procedures to ensure that required certification/re-certification and related forms are performed, reviewed, documented and filed in a timely manner.



NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-28, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Eligibility  
Questioned Costs: \$11,213

Prior Year Status: The lack of adequate monitoring procedures to ensure that required certification/re-certifications and related forms are performed, reviewed, documented and filed in a timely manner was reported as a finding in the Single Audit of CDA for fiscal year 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:**

Conditions 1 and 2 - NMHC will ensure that the HUD 50058, the certification/re-certification interview sheet, verification documents supporting income, assets and allowances and other documents supporting eligibility are completed, signed and filed.

Condition 3 - NMHC will ensure that the quality control worksheet is completed, signed by the PHD Manager and filed.

Condition 4 - NMHC will ensure that annual re-certifications are performed in a timely manner and within twelve months from the previous certification.

Conditions 5 and 6 - NMHC will ensure that certification/re-certification interview sheets are completed, signed and filed.

Conditions 7 and 8 - NMHC will ensure that HAP contracts and lease agreements are signed on or prior to the effective certification date by all adult members of the household and filed.

Condition 9 - NMHC will ensure that all questions pertaining to income, assets and allowances will be answered as none if and when the question does not apply to the tenant. NMHC will ensure that the Tenant Obligation to Report Interim Change form is signed by the HoH and the spouse and then filed.

**Proposed Completion Date:** Immediately

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-29  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Eligibility  
Questioned Costs: \$3,380

Criteria: To be eligible for Section 8 occupancy and housing assistance, applicants and tenants must meet the following requirements, among others:

1. Applicants must provide documentation of social security numbers (SSN) for family members at least 6 years of age and older. Adequate documentation includes a social security card issued by the Social Security Administration or other acceptable evidence of the SSN.
2. Only U.S. citizens or eligible noncitizens may receive assistance under Section 8 programs. All family members, regardless of age, must declare their citizenship or immigration status. Owners must obtain proof of citizenship. NMHC's policy is to require all family members to complete and sign a "Declaration of 214 Status" form and obtain copies of birth certificates or other acceptable evidence of citizenship and include such in file.

Condition: During examination of seventy tenant files, the following were noted:

1. The completed and signed "Declaration of Section 214 Status" form for the following household members either could not be located or was signed after the effective date of certification. No questioned costs result as the citizenship status was verified.

<u>Household No.</u>	<u>Form HUD 50058 Effective Date</u>	<u>Deficiencies Noted</u>	<u>HAP Amount</u>
HO1307	09/26/08	Not in file	\$ 1,214
H01025A	07/01/08	None for member #7	\$ 1,200
HO1274	07/15/08	Not in file	\$ 500
H01069	Not in file	None for member #3	\$ 1,100
H01062	01/01/09	None for members #4, 8	\$ 659
HO1002A	07/01/08	None for member #5	\$ 1,096
H01175	01/01/09	None for member #8	\$ 1,200
H01069	02/01/09	None for member #3	\$ 1,100
HO1109A	10/08/08	None for member #6	\$ 600
HO1289	07/01/09	Not in file	\$ 1,100
H01070	07/01/09	None for members #2, 4, 5, 6, 7	\$ 1,200
HO1117	06/01/09	Not in file	\$ 750
HO1297	07/01/09	None for member #2	\$ 392
H01062	06/01/09	None for member #7	\$ 941
HR0014A	04/01/08	Not in file	\$ 417
HR0028A	06/01/09	None for member #3	\$ 750

2. A birth certificate or other acceptable evidence of citizenship for one or more of the following household members could not be located:

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-29, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Eligibility  
Questioned Costs: \$3,380

Condition, Continued:

<u>Household No.</u>	<u>Form HUD 50058 Effective Date</u>	<u>Household Member #</u>	<u>HAP Amount</u>
HO1307	09/26/08	All	\$ 1,214
H01025A	07/01/08	7	1,200
H01069	Not in file	3	1,100
H01069	02/01/09	3	1,100
HO1289	07/01/09	2	1,100
H01070	07/01/09	2, 3	1,200
HO1117	06/01/09	All	750
HO1297	07/01/09	2	392
HR0014A	04/01/08	2	<u>417</u>
Total			8,473
Less amount already questioned in previous finding			<u>(6,273)</u>
Questioned cost this finding			\$ <u>2,200</u>

3. A copy of the social security card (or other acceptable evidence of the SSN) for the following household member(s) could not be located:

<u>Household No.</u>	<u>Form HUD 50058 Effective Date</u>	<u>Household Member #</u>	<u>HAP Amount</u>
HO1090	10/17/08	6	\$ 1,236
H01006A	02/01/08	2	763
HO1307	09/26/08	All	1,214
HO1109A	10/08/08	2	600
H01070	07/01/09	2, 5	1,200
HO1117	06/01/09	All	750
HO1297	07/01/09	Head, 2	392
H01246	06/01/09	3	1,100
HR0014A	04/01/08	All	<u>417</u>
Total			7,672
Less amount already questioned in previous finding			<u>(6,492)</u>
Questioned costs this finding			\$ <u>1,180</u>

Cause: The cause of the above conditions is the lack of adequate procedures to ensure tenant citizenship and social security numbers are verified, reconciled and maintained.

Effect: The effect of the above conditions is noncompliance with eligibility requirements and questioned costs of \$3,380.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-29, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Eligibility  
Questioned Costs: \$3,380

Recommendation: We recommend that NMHC strengthen procedures in the verification of tenant citizenship and social security numbers and improve file maintenance.

Prior Year Status: The lack of adequate procedures to ensure tenant citizenship and social security number are verified, reconciled and maintained was reported as a finding in the Single Audit of CDA for fiscal year 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will ensure that a signed Declaration of Section 214 Status form and verification of social security numbers and other proofs of citizenship are filed in a timely manner.

**Proposed Completion Date:** Immediately

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-30  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Eligibility  
 Questioned Costs: \$656

**Criteria:** Owners apply their occupancy standards before assigning the family to a unit. Owners should review family size and occupancy standards prior to completing required verifications so that if the property cannot accommodate the family, the owner may immediately inform the family of its ineligibility. Additionally, owners also compare family composition to occupancy standards when there is a change in family size. Owners should use the occupancy standards established for the property to determine whether the unit is still the appropriate size for the tenant.

**Condition:** During examination of seventy tenant files, the assigned units for the following did not appear reasonable based on the household size:

<u>Household Number</u>	<u>Period Tested</u>	<u>HUD 50058 Effective Date</u>	<u>No. of Household</u>	<u>Unit Size</u>	<u>HAP Amount</u>
H01057	03/03/09	02/01/09	1	2	\$ 656
H01187	07/01/09	07/01/09	1	2	<u>750</u>
Total					1,406
Less amount already questioned in previous finding					<u>(750)</u>
Questioned cost this finding					\$ <u>656</u>

Justification for the larger unit size assigned was not noted in file.

**Cause:** The cause of the above condition is the lack of procedures to ensure adherence to occupancy standards.

**Effect:** The effect of the above condition is noncompliance with eligibility requirements and questioned cost of \$656.

**Recommendation:** We recommend that NMHC implement strict policies to adhere to occupancy standards. Any exceptions should be approved and documented in the tenant file.

**Prior Year Status:** The lack of procedures to ensure adherence to occupancy standards was reported as a finding in the Single Audit of CDA for fiscal year 2008.

**Auditee Response and Corrective Action Plan:**

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will review its policies on occupancy standards and implement strict procedures to ensure compliance. Any exceptions will be approved and documented in the tenant file.

**Proposed Completion Date:** FY 2010

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-31  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Eligibility  
Questioned Costs: \$-0-

**Criteria:** Adult members of a family must sign consent forms as required verification documents, so the owner can verify sources of family income and family size. The owner must consider a family ineligible if adult members refuse to sign applicable consent and verification forms. Consent forms must be signed by:

1. The head of household (regardless of age);
2. The spouse or co-head of household (regardless of age); and
3. Any other family member who is 18 years old or older.

NMHC's uses the "Document Package for Applicant's/Tenant's Consent to the Release of Information" (the Document Package) form to document compliance with this requirement.

**Condition:** Of seventy tenant files tested, the Document Package form was either not in the tenant file, was not signed by one or more household adult members, or an original copy could not be located for the following:

<u>Household No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>HAP Amount</u>	<u>Deficiencies Noted</u>
H01155A	10/02/08	09/16/08	\$ 1,300	Not in tenant file
H01190	11/03/08	06/01/08	\$ 950	Not filled out and not signed by all adult members
H01102	11/03/08	10/01/08	\$ 1,300	Not signed by household member #3
H01155A	12/02/08	09/16/08	\$ 1,300	Not in tenant file
H01062	01/02/09	01/01/09	\$ 659	Not in tenant file
HO1335	02/02/09	12/12/08	\$ 1,092	Not in tenant file
H01175	03/03/09	01/01/09	\$ 1,200	Not in tenant file
HO1057	03/03/09	02/01/09	\$ 656	Original copy not in file
HO1351	03/03/09	02/02/09	\$ 1,300	Not signed by household member #2
HO1159A	04/01/09	06/01/08	\$ 850	Not signed by household member #2, 3, 4
HO1302	04/01/09	11/12/08	\$ 1,300	Not in tenant file
H01016	05/01/09	10/02/08	\$ 1,300	Not in tenant file
H01037A	06/01/09	11/01/08	\$ 900	Not in tenant file
HO1289	07/01/09	07/01/09	\$ 1,100	Not signed by household member #4
HO1326	09/01/09	09/01/09	\$ 750	Not in tenant file

**Cause:** The cause of the above condition is the lack of policies and procedures to ensure that required consent forms are signed.

**Effect:** The effect of the above condition is noncompliance with eligibility requirements. No questioned costs arise as the participant was detained to be eligible.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-31, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Eligibility  
Questioned Costs: \$-0-

Recommendation: We recommend that NMHC strengthen and implement compliance with the above requirement.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will ensure that the Document Package for Applicants/Tenants Consent to the Release of Information form is signed by all adult members of the household during re-examinations and are included in the tenant files.

**Proposed Completion Date:** FY 2010

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-32  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$5,738

**Criteria:** Federal regulations state that small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies or other property that do not cost more than the simplified threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources. Further, brand names should not be indicated in the request of proposals or solicitations so as not to limit competition. Specifically, the CNMI's Procurement Regulations state the following:

- Price quotations should be obtained from at least three vendors for purchases between \$2,500 and \$9,999.99. Any price quotations obtained must be written, documented and submitted for approval. Bidding is not required for procurement under \$2,500.
- Procurements amounting to \$10,000 and above should be procured using competitive sealed bidding. The invitation for bids shall be publicized in order to increase competition and broaden industry participation. A bidding period of at least thirty days shall be provided unless a shorter period is determined to be reasonable and necessary, but shall never be less than fifteen days.
- For procurement methods that permit contracting without using full and open competition, a written justification memo should be prepared and submitted by the expenditure authority and approved by the Procurement and Supply Director.
- For change orders, the agency shall thoroughly assess whether or not it would be more prudent to seek competition before adding significant new work to existing contracts. Change orders on construction and A&E contracts, which, exceed, 25% of the cumulative contract price, shall automatically be procured through competitive procedures, except when the procurement of the additional work to be performed is authorized without using full and open competition.

**Condition:** Our tests of two items totaling \$14,961, from a population of \$181,110, noted one \$5,738 item relating to the purchase of airline tickets that did not have documentation evidencing that competitive procurement procedures were utilized.

**Cause:** The cause of the above condition is inadequate control over ensuring competitive procurement is applied.

**Effect:** The effect of the above condition is noncompliance with federal regulations on federally funded travel and questioned cost of \$5,738. This matter was reported as the projected questioned costs exceed \$10,000.

**Recommendation:** We recommend NMHC strengthen controls to ensure competitive procurement is adhered to.



NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-32, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$5,738

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Jocelyn S. Kaipat, Office Manager/Procurement Officer

**Corrective Action:** \$5,738 - NMHC will ensure that solicitation from travel agencies will be performed as part of its procedures to obtain quotations for airfares and services to maximize competition. Copies of faxes and responses sent to travel agencies in 2008 were provided to the auditors.

**Proposed Completion Date:** Immediately/Ongoing

Auditor Response: Copies of price quotations supporting the specific purchases tested were not provided.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-33  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Reporting  
 Questioned Costs: \$5,650

**Criteria:** In accordance with 24 CFR part 908 and 24 CFR section 982.158, the PHA is required to submit form HUD-50058, Family Report (OMB No. 2577-0083) electronically to HUD each time the PHA completes an admission, annual reexamination, interim reexamination, portability move-in, or other change of unit for a family. The PHA must also submit the Family Report when a family ends participation in the program or moves out of the PHA's jurisdiction under portability.

**Condition:** Our tests of seventy items noted the following:

1. The supporting HUD-50058 covering the period tested were not in file for the following:

<u>Period Tested</u>	<u>Household No.</u>	<u>HAP Amount</u>
10/02/08	H01232	\$ 1,100
12/02/08	H01232	\$ 1,100
01/02/09	H01069	\$ 1,100
04/01/09	H01186	\$ 690
01/02/09	HR0015A	\$ 750
08/01/09	H01066	\$ 566
03/12/09	HR0025	\$ 2,088
09/01/09	HR0009B	\$ 1,100

2. There was no evidence that the related HUD-50058 for the period selected was submitted electronically. Details are as follows:

<u>Period Tested</u>	<u>Household No.</u>	<u>HAP Amount</u>
10/02/08	H01232	\$ 1,100
12/02/08	H01232	\$ 1,100
06/01/09	H01069	\$ 1,100
08/01/09	H01066	\$ 566
01/02/09	HR0015A	\$ 750
03/12/09	HR0025	\$ 2,088
09/01/09	HR0009B	\$ 1,100

3. For two items, the ticket number was provided, however, the electronic submission transaction list for the related ticket number could not be provided, as follows:

<u>Period Tested</u>	<u>Household No.</u>	<u>Certification Effective</u>
10/02/08	HR0014A	04/01/08
06/01/09	HR0028A	06/01/09

4. For two items, the certification effective for the related tenant was not listed on the electronic submission transaction list, as follows:

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-33, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Reporting  
Questioned Costs: \$5,650

Condition, Continued:

<u>Period Tested</u>	<u>Household No.</u>	<u>Certification Effective</u>
06/01/09	HO1303	06/01/09
08/01/09	HO1063A	07/01/09

5. For the "Household Information Section" of form HUD-50058, there were instances where the household members birth date did not agree to the birth date on the birth certificate, as follows:

<u>Household No.</u>	<u>Form HUD 50058 Effective Date</u>	<u>Household Member #</u>	<u>HAP Amount</u>
HO1155A	09/16/08	Head, 7	\$ 1,300
HO1309	09/15/08	Head	1,073
HO1090	10/17/08	Head, 2	1,236
HO1128	04/01/08	Head, 3	1,300
HO1100A	04/18/08	3	1,100
HO1333	01/30/09	Head, 2	1,200
HO1171	07/01/09	2	<u>1,100</u>
Total			8,309
Less amount already questioned in previous finding			<u>(7,009)</u>
Questioned costs this finding			\$ <u>1,300</u>

6. For the "Household Information Section" of form HUD-50058, there were instances where the household member's name did not agree to the name on the social security card or birth certificate. Details are as follows:

<u>Household No.</u>	<u>Form HUD 50058 Effective Date</u>	<u>Household Member #</u>	<u>HAP Amount</u>
HO1309	09/15/08	Head	\$ 1,073
HO1190	06/01/08	3	950
HO1102	10/01/08	Head, 4	1,300
HO1320	09/02/08	Head, 6	1,199
HO1025A	07/01/08	4, 5	1,200
HO1069	Not in file	Head, 2	1,100
HO1193	08/08/08	Head	445
HO1128	04/01/08	Head, 3, 5	1,300
HO1100A	04/18/08	3	1,100
HO1175	01/01/09	Head, 3, 5	1,200
HO1218	01/01/09	2, 3	750
HO1159A	06/01/08	2, 5	850
HO1069	02/01/09	Head	1,100

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-33, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Reporting  
 Questioned Costs: \$5,650

Condition, Continued:

<u>Household No.</u>	<u>Form HUD 50058 Effective Date</u>	<u>Household Member #</u>	<u>HAP Amount</u>
HO1287	12/03/08	Head	1,100
HO1114	05/01/09	Head, 2	1,037
HO1159A	06/01/09	Head, 5	850
H01069	02/01/09	Head	1,100
H01034	06/01/09	Head, 3	1,100
H01037A	11/01/08	3	900
HO1289	07/01/09	Head	1,100
H01062	06/01/09	2	941
HO1333	01/30/09	Head, 2	1,200
HR0028A	06/01/09	Head	750
Total			23,645
Less amount already questioned in previous finding			(19,295)
Questioned costs this finding			\$ <u>4,350</u>

Cause: The cause of the above condition is lack of adequate internal control procedures to determine timely submission of required reports.

Effect: The effect of the above condition is noncompliance with federal reporting requirements and questioned costs of \$5,650.

Recommendation: We recommend that NMHC take reasonable steps to comply with program reporting requirements.

Prior Year Status: The lack of adequate internal control procedures to determine timely submission of required reports was reported as a finding in the Single Audits of CDA for fiscal years 2007 and 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:**

1. NMHC will ensure that the HUD 50058 is completed and filed.
2. NMHC will ensure that all HUD 50058 are submitted electronically.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-33, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Reporting  
Questioned Costs: \$5,650

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

3. NMHC will ensure that the electronic submission transactions list is available to support the related ticket number issued.
4. NMHC will ensure that the effective certifications for all tenants are listed on the electronic submission transaction list.
5. NMHC will ensure that the birth dates on the Household Information Section of the HUD 50058 coincide with the birth dates indicated on the birth certificates.
6. NMHC will ensure that the names listed on the Household Information Section of the HUD 50058 coincide with the names indicated on the birth certificates and social security cards.

**Proposed Completion Date:** Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-34  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Special Tests and Provisions  
 Questioned Costs: \$136,757

**Criteria:** In accordance with 24 CFR Part 982.204(a), except for special admissions, participants must be selected from the Public Housing Agency (PHA) waiting list. The PHA must select participants from the waiting list in accordance with admission policies in the PHA administrative plan.

**Condition:** For thirteen new admissions tested, we are unable to determine if the participant was selected from the waiting list as the waiting list as of the selection date could not be provided. Further, since waiting lists were not available, we could not verify if applicants at the top of the waiting lists were selected during fiscal year 2009.

<u>Household Number</u>	<u>Date Admitted to the Program</u>	<u>Questioned Cost</u>
HO1326	09/01/08	\$ 9,000
HO1309	09/15/08	8,773
HO1090	10/17/08	14,175
HO1307	09/26/08	14,729
HO1320	09/02/08	14,390
HO1274	07/15/08	6,000
H01223	05/29/08	12,973
HO1326	09/01/08	-
HO1335	12/12/08	10,554
H01303	08/18/08	13,200
HO1100A	04/18/08	13,200
HO1351	02/02/09	10,083
HO1333	01/30/09	9,680
		<u>\$ 136,757</u>

**Cause:** The cause of the above condition is lack of adherence to established policies and procedures to ensure that selection of participants is completely documented.

**Effect:** The effect of the above condition is noncompliance with waiting list requirements and questioned costs of \$136,757.

**Recommendation:** We recommend NMHC ensure that the selection of applicants from the waiting list are properly documented and maintained in the files.

**Prior Year Status:** The lack of strict adherence to established policies and procedures to ensure that the selection of participants is completely documented was reported as a finding in the Single Audits of CDA for fiscal years 2007 and 2008.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-34, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Special Tests and Provisions  
Questioned Costs: \$136,757

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will ensure that adherence to established policies and procedures pertaining to the selection of applicants is thoroughly documented and filed. In addition, NMHC will ensure that the waiting list is always readily available.

**Proposed Completion Date:** Immediately

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-35  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Special Tests and Provisions  
 Questioned Costs: \$-0-

**Criteria:** In accordance with 24 CFR Part 982.503(a)(1), the PHA must adopt a payment standard schedule that establishes voucher payment standard amounts for each fair market rent (FMR) area in the PHA jurisdiction. Under NMHC's Section 8 Administrative Plan for Rental Assistance Program Section 10.1, NMHC currently administers a payment standard that is at 90% of the published FMR set for Guam and the Pacific Islands. In addition, the PHA's administrative plan must state the method used by the PHA to determine that the rent to the owner is reasonable in comparison to rent for other comparable unassisted units. The PHA determination must consider unit attributes such as the location, quality, size, unit type, and age of the unit, and any amenities, housing services, maintenance and utilities provided by the owner.

**Condition:** Tests of the payment standard noted the following:

- For nine of seventy tenants tested with certification effective date within fiscal year 2009, the payment standard was calculated based on the published FMR schedule applicable to fiscal year 2008:

<u>Household Number</u>	<u>Certification Effective</u>	<u>Unit Size</u>	<u>Payment Standard Per HUD 50058</u>	<u>Should be Payment Standard</u>	<u>Variance</u>
H01102	10/01/08	4	\$ 1,521	\$ 1,589	\$ 68
H01062	01/01/09	3	\$ 1,272	\$ 1,328	\$ 56
HO1109A	10/08/08	2	\$ 873	\$ 912	\$ 39
HO1302	11/12/08	5	\$ 1,521	\$ 1,589	\$ 68
HO1287	12/03/08	3	\$ 1,272	\$ 1,328	\$ 56
H01016	10/02/08	6	\$ 1,521	\$ 1,589	\$ 68
H01303	06/01/09	3	\$ 1,272	\$ 1,328	\$ 56
HO1185	07/01/09	3	\$ 1,272	\$ 1,328	\$ 56
HO1289	07/01/09	3	\$ 1,272	\$ 1,328	\$ 56

- For two of seventy tenants tested, the payment standard for an incorrect unit size was erroneously used:

<u>Household Number</u>	<u>Certification Effective</u>	<u>Unit Size</u>	<u>Payment Standard Per HUD 50058</u>	<u>Should be Payment Standard</u>	<u>Variance</u>
H01100A	04/18/08	4	\$ 1,272	\$ 1,521	\$ 249
H01171	07/01/09	4	\$ 1,328	\$ 1,589	\$ 261

- For one new admission, the conclusion certifying whether rent was reasonable or not was not completed on the form:

<u>Household Number</u>	<u>Certification Effective</u>	<u>Type of Action</u>	<u>Unit Size</u>
HO1274	07/15/08	New Admission	1



NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-35, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Special Tests and Provisions  
Questioned Costs: \$-0-

Condition, Continued:

4. For nine tenants, there was no evidence that the rent reasonableness report was reviewed by the housing manager:

<u>Household Number</u>	<u>Certification Effective</u>	<u>Type of Action</u>	<u>Unit Size</u>
HO1090	10/17/08	New Admission	4
HO1320	09/02/08	New Admission	4
HO1274	07/15/08	New Admission	1
HO1223	05/29/08	New Admission	3
HO1335	12/12/08	New Admission	3
H01100A	04/18/08	New Admission	4
HO1351	02/02/09	New Admission	4
HO1333	01/30/09	New Admission	4
HO1193	07/07/06	Interim - Unit Change	2

5. For one tenant, the rent reasonableness report was signed after the certification effective date:

<u>Household Number</u>	<u>Certification Effective</u>	<u>Type of Action</u>	<u>Unit Size</u>
HO1320	09/02/08	New Admission	4

6. For one tenant, the rent reasonableness determination was not performed prior to approving the lease contract:

<u>Household Number</u>	<u>Certification Effective</u>	<u>Type of Action</u>	<u>Unit Size</u>
HO1326	09/01/08	New Admission	2

Cause: The cause of the above condition is the lack of monitoring procedures to ensure that payment standard schedules are updated.

Effect: The effect of the above condition is the potential misstatement of payment standard amounts. However, no questioned cost was raised as the correct rate that should have been used to pay rent exceeded the utilized rate.

Recommendation: We recommend that payment standard schedules are updated to reflect current fair market rents published by HUD.

Prior Year Status: The lack of monitoring procedures to ensure that payment standard schedules are updated was reported as a finding in the Single Audits of CDA for fiscal years 2007 and 2008.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-35, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Special Tests and Provisions  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:**

Condition 1 - NMHC will ensure that payment standards are calculated based on the published FMR schedule applicable to the current fiscal year.

Condition 2 - NMHC will ensure that the payment standard coincides with the unit size.

Condition 3 - NMHC will ensure that whether rent is reasonable or not is indicated on the completed Rent Reasonable Determination Report form.

Condition 4 - NMHC will ensure that the rent reasonableness report is reviewed and initialed or signed by the PHD Manager.

Conditions 5 and 6 - NMHC will ensure that the rent reasonableness report is signed on or prior to the effective date and lease contract approval date.

**Proposed Completion Date:** Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-36  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Special Tests and Provisions  
Questioned Costs: \$-0-

Criteria: In accordance with 24 CFR Part 982.517 (c)(1), a PHA must review its schedule of utility allowances each year, and must revise its allowance for a utility category if there has been a change of 10 percent or more in the utility rate since the last time the utility allowance schedule was revised. The PHA must maintain information supporting its annual review of utility allowances and any revisions made in its utility allowance schedule.

Condition: NMHC performed a review of utility rates as of September 2008; however, the new utility schedule was only approved in June 2009 and implemented effective July 1, 2009. There was no evidence that a review of utility rates in fiscal year 2009 has been performed. Therefore, the required annual review of the utility allowance schedule was not evident in fiscal year 2009.

Cause: The cause of the above condition is lack of strict monitoring to ensure performance of the required annual review of the utility allowance schedule.

Effect: The effect of the above condition is noncompliance with the provisions of 24 CFR Part 982.517(c)(1). Since updated utility schedules are not available, the amount of questioned costs is not determinable.

Recommendation: We recommend that NMHC implement monitoring procedures to ensure that the required annual review of the utility allowance schedule is being performed.

Prior Year Status: The lack of monitoring to ensure that the required annual review of the utility allowance schedule is performed was reported as a finding in the Single Audits of CDA for fiscal years 2007 and 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Zerlyn A. Taimanao, Program and Housing Manager

**Corrective Action:** NMHC will implement monitoring procedures to ensure that the required annual review of the utility allowance schedule is performed and followed through by the PHD Manager.

**Proposed Completion Date:** Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-37  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Special Tests and Provisions  
 Questioned Costs: \$-0-

Criteria: Under 24 CFR Part 982.405(a), the Public Housing Agency (PHA) must inspect the unit leased to a family prior to the initial term of the lease, at least annually during assisted occupancy, and at other times as needed, to determine if the unit meets the Housing Quality Standards (HQS). Further, under 24 CFR Part 982.158(d), the PHA must prepare a unit inspection report.

Condition: Of seventy items tested for HQS inspections, the following were noted:

1. The housing quality inspections performed for the following were not conducted within twelve months from the previous housing quality inspections in the tenant file. Details are as follow:

<u>Household Number</u>	<u>Period Tested</u>	<u>HQS Inspections Performed During FY 2009</u>	<u>Prior HQS Inspection Date</u>
H01190	11/03/08	04/28/09	02/26/07
H01102	11/03/08	09/10/09	09/08/08
H01069	01/02/09	12/23/08	12/21/07
H01069	04/01/09	12/23/08	12/21/07
H01069	06/01/09	12/23/08	12/21/07
H01070	07/01/09	12/02/08	09/14/07
H01063A	08/01/09	04/29/09	04/29/08
HO1019A	12/02/08	01/27/09	10/16/07
H01034	06/01/09	03/25/09	08/29/06
H01029	09/01/09	08/13/09	08/15/08
HO1109A	04/01/09	07/07/09	07/11/08
H01037A	06/01/09	10/29/09	10/29/08
H01175	03/03/09	12/04/09	10/24/08
HO1326	10/02/08	08/05/09	08/06/08
HO1326	02/02/09	08/05/09	08/06/08
HO1326	09/01/09	08/05/09	08/06/08
H01066	08/01/09	12/02/08	01/20/02
HR0028A	06/01/09	05/29/09	03/25/08
H01025A	12/04/08	06/10/09	06/13/08
HO1297	08/01/09	08/25/09	08/08/08
HO1002A	02/02/09	06/10/09	06/10/08
H01208	05/01/09	07/13/09	07/07/08
HO1114	05/05/09	04/15/09	04/16/07
HO1185	07/01/09	08/13/09	08/13/08
HO1320	12/02/08	08/13/09	08/14/08
HO1206	07/02/09	04/15/09	05/26/06
H01114	07/31/09	04/15/09	04/16/07

2. The 2009 inspection report in file was not completely filled out or some sections were not completed and were not signed by the inspector for the following:

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-37, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Special Tests and Provisions  
Questioned Costs: \$-0-

Condition, Continued:

<u>Household Number</u>	<u>Period Tested</u>	<u>HQS Inspections Performed During FY 2009</u>	<u>Household Number</u>	<u>Period Tested</u>	<u>HQS Inspections Performed During FY 2009</u>
H01218	03/03/09	12/03/08	HO1326	10/02/08	08/05/09
H01190	11/03/08	04/28/09	HO1326	02/02/09	08/05/09
H01102	11/03/08	09/10/09	HO1326	09/01/09	08/05/09
H01246	09/01/09	04/28/09	H01066	08/01/09	12/02/08
H01069	01/02/09	12/23/08	H01062	01/02/09	04/29/09
H01069	04/01/09	12/23/08	H01062	08/01/09	04/29/09
H01069	06/01/09	12/23/08	H01223	01/02/09	04/14/09
H01100A	03/03/09	03/09/09	HR0028A	06/01/09	05/29/09
HO1057	03/03/09	12/03/08	HO1128	02/02/09	03/12/09
HO1070	07/01/09	12/02/08	HO1187	07/01/09	04/30/09
HO1171	09/01/09	11/20/08	HO1333	09/01/09	01/28/09
H01063A	08/01/09	04/29/09	HO1287	05/01/09	06/08/09
H01155A	10/02/08	03/12/09	HO1025A	12/04/08	06/10/09
H01155A	12/02/08	03/12/09	HO1297	08/01/09	08/25/09
HO1019A	12/02/08	01/27/09	HO1159A	04/01/09	04/30/09
H01034	06/01/09	03/25/09	HO1159A	06/01/09	04/30/09
HO1117	08/01/09	04/28/09	HO1006A	11/03/08	12/03/08
H01029	09/01/09	08/13/09	HO1002A	02/02/09	06/10/09
H01232	10/02/08	04/14/09	H01208	05/01/09	07/13/09
H01232	12/02/08	04/14/09	HO1114	05/05/09	04/15/09
HO1274	01/02/09	06/10/09	HO1185	07/01/09	08/13/09
HO1335	02/02/09	11/17/09	HO1289	07/01/09	07/08/09
HO1109A	04/01/09	07/07/09	HO1307	11/03/08	08/26/09
H01037A	06/01/09	10/29/09	HO1320	12/02/08	08/13/09
HO1090	10/21/08	08/28/09	HO1023A	06/01/09	03/12/09
HO1351	03/03/09	02/02/09	H01288	07/31/09	06/09/09
H01016	05/01/09	04/30/09	HO1206	07/02/09	04/15/09
HO1175	03/03/09	12/04/09	HO1114	07/31/09	04/15/09
HO1309	10/02/08	08/24/09	HO1186	04/01/09	04/29/09

3. The completed unit inspection form evidencing unit inspections performed during fiscal year 2009 could not be located in the tenant file for ten items. We are unable to determine if the required housing quality inspections were performed. Details are as follow:

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-37, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Special Tests and Provisions  
 Questioned Costs: \$-0-

Condition, Continued:

<u>Household Number</u>	<u>Period Tested</u>
HO1302	04/01/09
HR0015A	01/02/09
H01303	02/02/09
H01303	06/01/09
HR0009B	09/01/09
HR0014A	10/02/08
H01190A	05/01/09
H01190A	08/01/09
HO1193	01/02/09
HR0025	03/12/09

4. The NMHC inspector did not complete the overall inspection results/summary decision section of the inspection report for one tenant:

<u>Household Number</u>	<u>Period Tested</u>	<u>HQS Inspections Performed During FY 2009</u>
HO1019A	12/02/08	01/27/09

5. The inspection deficiency report was not signed by the Tenant/Owner, therefore, acknowledgment by the owner of deficiencies noted was not made for the following:

<u>Household Number</u>	<u>Period Tested</u>	<u>HQS Inspections Performed During FY 2009</u>
H01246	09/01/09	04/28/09
H01100A	03/03/09	03/09/09

6. One inspection report noted a failed conclusion, however, no deficiencies were noted in the checklist and no inspection deficiency report was attached in the checklist for proper acknowledgement of deficiencies:

<u>Household Number</u>	<u>Period Tested</u>	<u>HQS Inspections Performed During FY 2009</u>
H01102	11/03/08	09/10/09

7. One inspection report with deficiencies, had no inspection deficiency report evidencing acknowledgment by the tenant or owner:

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-37, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Special Tests and Provisions  
 Questioned Costs: \$-0-

Condition, Continued:

<u>Household Number</u>	<u>Period Tested</u>	<u>HQS Inspections Performed During FY 2009</u>
H01057	03/03/09	12/03/08

8. The inspection reports for the following indicated deficiencies noted by the NMHC inspector; however, relevant documentation indicating whether the deficiencies had been addressed and/or whether the needed repairs were completed could not be located in file:

<u>Household Number</u>	<u>Period Tested</u>	<u>HQS Inspections Performed During FY 2009</u>
H01218	03/03/09	12/03/08
H01190	11/03/08	04/28/09
H01102	11/03/08	09/10/09
H01246	09/01/09	04/28/09
H01069	01/02/09	12/23/08
H01069	04/01/09	12/23/08
H01069	06/01/09	12/23/08
H01100A	03/03/09	03/09/09
HO1057	03/03/09	12/03/08
H01070	07/01/09	12/02/08
HO1171	09/01/09	11/20/08
H01063A	08/01/09	04/29/09
H01155A	10/02/08	03/12/09
H01155A	12/02/08	03/12/09
H01175	03/03/09	12/04/09
H01066	08/01/09	12/02/08
H01062	01/02/09	04/29/09
H01062	08/01/09	04/29/09
HO1002A	02/02/09	06/10/09
HO1320	12/02/08	08/13/09

9. For fourteen failed inspections, the Failed HQS Inspection Report for fiscal year 2009 could not be provided for the following:

<u>Household Number</u>	<u>Period Tested</u>	<u>HQS Inspections Performed During FY 2009</u>	<u>Conclusion</u>
H01218	03/03/09	12/03/08	Failed
H01190	11/03/08	04/28/09	Failed
H01102	11/03/08	09/10/09	Failed
H01246	09/01/09	04/28/09	Failed

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-37, Continued  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Special Tests and Provisions  
 Questioned Costs: \$-0-

Condition, Continued:

<u>Household Number</u>	<u>Period Tested</u>	<u>HQS Inspections Performed During FY 2009</u>	<u>Conclusion</u>
H01069	01/02/09	12/23/08	Failed
H01069	04/01/09	12/23/08	Failed
H01069	06/01/09	12/23/08	Failed
H01100A	03/03/09	03/09/09	Failed
H01057	03/03/09	12/03/08	Failed
H01070	07/01/09	12/02/08	Failed
H01171	09/01/09	11/20/08	Failed
H01063A	08/01/09	04/29/09	Failed
H01155A	10/02/08	03/12/09	Failed
H01155A	12/02/08	03/12/09	Failed

10. The previous inspection report could not be located, and we could not verify if the current inspection report was performed within twelve months:

<u>Household Number</u>	<u>Period Tested</u>	<u>HQS Inspections Performed During FY 2009</u>
H01246	09/01/09	04/28/09

11. For one tenant, the fiscal year 2009 inspection report did not indicate the party responsible for the deficiencies:

<u>Household Number</u>	<u>Period Tested</u>	<u>HQS Inspections Performed During FY 2009</u>
H01062	01/02/09	04/29/09
H01062	08/01/09	04/29/09

Cause: The cause of the above condition is the lack of systematic filing of HQS inspection reports and the lack of monitoring to ensure that all HQS inspections are timely performed.

Effect: The effect of the above condition is possible noncompliance with the HQS inspection requirement.



NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-37, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Special Tests and Provisions  
Questioned Costs: \$-0-

Recommendation: We recommend that all HQS inspections are supported with HQS inspection reports and are at least performed annually. Additionally, we recommend that all HQS inspection reports are maintained in participant files.

Prior Year Status: The lack of systematic filing of HQS inspection reports and the lack of monitoring to ensure that all HQS inspections are performed on a timely manner was reported as a finding in the Single Audits of CDA for fiscal years 2007 and 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Zerlyn A. Taimanao, Program and Housing Manager, Herman Lieto, Housing Preservation Technician and Mitch Aaron, Housing Inspector

**Corrective Action:**

Condition 1 - NMHC will ensure that HQS inspections are performed within twelve months of the previous inspection date.

Condition 2 - NMHC will ensure that inspection reports are completed, signed by the inspector and filed.

Conditions 3, 9 and 10 - NMHC will ensure that reports pertaining to unit inspections are filed.

Condition 4 - NMHC will ensure that the inspector completes the inspection results/summary decision section of the report and that the report is filed.

Condition 5 - NMHC will ensure that completed inspection reports are signed by the tenant/owner and filed.

Condition 6 - NMHC will ensure that when a unit fails an inspection, the result coincides with the checklist attached to the report.

Condition 7 - NMHC will ensure that inspection/deficiency reports are acknowledged by the tenant or the owner.

Condition 8 - NMHC will ensure that during an inspection when a unit is claimed to have deficiencies, a follow-up inspection will be conducted to determine whether the deficiencies have been addressed.

Condition 11 - NMHC will ensure that the inspector indicates on the inspection/deficiency report whether the deficiency was caused by the tenant/owner.

**Proposed Completion Date:** Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-38  
 Federal Agency: U.S. Department of Housing and Urban Development  
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
 Federal Award No.: TQ901  
 Federal Award Period: 10/01/08 through 09/30/09  
 Area: Special Tests and Provisions  
 Questioned Costs: \$-0-

Criteria: As provided under 24 CFR Part 982.404, for units under Housing Assistance Payment (HAP) contract that fail to meet Housing Quality Standards (HQS), the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. A re-inspection must be conducted for all inspections with HQS deficiencies. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract.

Condition: Of eleven failed inspections tested, the following were noted:

1. For four tenants, there was no inspection deficiency report or any equivalent written documentation evidencing that NMHC notified the owner or tenant of the unit requiring correction of any cited life threatening HQS deficiencies within 24 hours of the inspection and of all other HQS deficiencies within 30 calendar days of the inspection or within a specified extension approved by NMHC.

<u>Household Number</u>	<u>Inspection Date</u>
H01190	04/28/09
H01102	9/10/09
H01070	12/02/08
H01063A	04/29/09

2. For one tenant, deficiencies were noted as corrected 45 days after the inspection date; however, the related approval memo or equivalent documentation evidencing that the correction period has been extended to more than 30 days was not evident.

<u>Household Number</u>	<u>Inspection Date</u>
H01069	12/23/08

3. No re-inspection checklist or a work order report could be located in the tenant's file evidencing that necessary repairs were performed.

<u>Participant's Name</u>	<u>Inspection Date</u>
H01218	12/03/08
H01246	04/28/09
H01100A	03/09/09
HO1057	12/03/08
HO1171	11/20/08
H01155A	03/12/09

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-38, Continued  
Federal Agency: U.S. Department of Housing and Urban Development  
CFDA Program: 14.871 Section 8 Housing Choice Vouchers  
Federal Award No.: TQ901  
Federal Award Period: 10/01/08 through 09/30/09  
Area: Special Tests and Provisions  
Questioned Costs: \$-0-

Cause: The cause of the above condition is the lack of documentation of the results of re-inspections performed and the lack of monitoring to ensure that deficiencies are timely addressed.

Effect: The effect of the above condition is noncompliance with the HQS enforcement requirement.

Recommendation: We recommend that results of HQS enforcements are documented in the deficiency reports and re-inspections are timely performed.

Prior Year Status: The lack of proper documentation of the results of re-inspections performed and the lack of monitoring to ensure that deficiencies are timely addressed was reported as a finding in the Single Audits of CDA for fiscal years 2007 and 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Zerlyn A. Taimanao, Program and Housing Manager, Herman Lieto, Housing Preservation Technician and Mitch Aaron, Housing Inspector

**Corrective Action:** NMHC will ensure that the results of HQS enforcements are properly documented in the deficiency reports and re-inspections are performed in a timely manner. The PHD Manager will monitor to ensure compliance to the inspection requirements and that inspections are performed at least annually.

**Proposed Completion Date:** Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-39  
CFDA No.: Nonmajor Programs  
Area: Special Tests and Provisions  
Questioned Costs: \$-0-

Criteria: HOME loans extended to eligible participants should be monitored and accounted for.

Condition: Beginning in fiscal year 2006, NMHC has recorded receivables for HOME loans under a deferment agreement. Prior to fiscal year 2006, NMHC had not recorded receivables for loans under a deferment agreement. At September 30, 2009, NMHC is in the process of determining the cumulative amount of loans under the deferment agreement prior to fiscal year 2006.

Cause: The cause of the above condition is that NMHC understood that loans under deferment agreements should not be recorded since repayment of these deferred loans is not expected.

Effect: The effect of the above condition is that loans under deferment agreements may not be properly accounted for or presented in the financial reports.

Recommendation: We recommend NMHC determine with the grantor agency whether NMHC should record deferred HOME loans under a deferment agreement.

Prior Year Status: Lack of monitoring of loans under deferment agreement was reported as a finding in the Single Audit of CDA for fiscal years 2006 through 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Jesse S. Palacios, Manager, Mortgage & Credit Division and Roger A. Dris, Chief Accountant

**Corrective Action:** NMHC will take reasonable steps to record deferred HOME loan receivables and monitor HOME loans under a deferment agreement by recording all deferred home loan receivables every end of the month and that the loan accountant will reconcile with the loan specialist.

**Proposed Completion Date:** Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-40  
CFDA No.: Nonmajor Programs  
Area: Special Tests and Provisions  
Questioned Costs: \$-0-

**Criteria:** Under NMHC's policies and procedures for Homeowner Rehabilitation, HOME loan applicants that have been determined eligible for financial assistance and have proven a lack of financial resources for repayment of their direct loan may have their monthly loan payments deferred for a period of up to fifteen years. Further, borrowers with a deferment agreement shall be required to be annually re-certified as eligible to continue receiving a deferment during any potential deferment period.

**Condition:** NMHC did not perform the required annual re-certification for borrowers with deferment agreements.

**Cause:** The cause of the above condition is an oversight by NMHC management in ensuring compliance with established policies and procedures for Homeowner Rehabilitation.

**Effect:** The effect of the above condition is noncompliance with established policies and procedures for Homeowner Rehabilitation.

**Recommendation:** We recommend NMHC management ensure that the annual re-certification of borrowers with deferment agreements is performed.

**Prior Year Status:** Failure to perform annual re-certifications of borrowers with deferment agreements was reported as a finding in the Single Audits of CDA for fiscal years 2006 through 2008.

**Auditee Response and Corrective Action Plan:**

**Name of Contact Person:** Jesse S. Palacios, Manager, Mortgage & Credit Division

**Corrective Action:** The Mortgage & Credit Division will place all deferred loan clients on a separate ledger to ensure effective annual re-certification and monitoring. The ledger will include the name of the client, address, contact number(s), effective date of the deferred loan agreement, amount of the deferment and the re-certification compliance date. A separate report will then be shared with the Fiscal Division upon completion of the re-certification process.

**Proposed Completion Date:** Ongoing

NORTHERN MARIANAS HOUSING CORPORATION

Unresolved Prior Year Findings and Questioned Costs  
Year Ended September 30, 2009

Questioned Costs

The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs and comments that were unresolved at September 30, 2009:

Questioned costs as previously reported	\$ 553,925
Questioned costs of fiscal year 2009 Single Audit	<u>625,176</u>
Unresolved questioned costs at September 30, 2009	\$ <u>1,179,101</u>

Unresolved Findings

The status of unresolved findings is discussed in the Schedule of Findings and Questioned Costs section of this report (pages 9 through 100).



# NORTHERN MARIANAS HOUSING CORPORATION

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## 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, 2008:

### **FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

- Finding No. 2008-3 - Not corrected. See corrective action plan to Finding No. 2009-1.
- Finding No. 2008-4 - Not corrected. See corrective action plan to Finding No. 2009-2.
- Finding No. 2008-5 - Not corrected. See corrective action plan to Finding No. 2009-3.

### **FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

- Finding No. 2008-6 - Not corrected. See corrective action plan to Finding No. 2009-23.
- Finding No. 2008-7 - Not corrected. See corrective action plan to Finding No. 2009-11.
- Finding No. 2008-8 - Corrective action was taken.
- Finding No. 2008-9 - Corrective action was taken.
- Finding No. 2008-10 - Not corrected. See corrective action plan to Finding No. 2009-20.
- Finding No. 2008-11 - Not corrected. See corrective action plan to Finding No. 2009-21.
- Finding No. 2008-12 - Not corrected. See corrective action plan to Finding No. 2009-15.
- Finding No. 2008-13 - Not corrected. See corrective action plan to Finding No. 2009-34.
- Finding No. 2008-14 - Corrective action was taken.
- Finding No. 2008-15 - Corrective action was taken.
- Finding No. 2008-16 - Corrective action was taken.
- Finding No. 2008-17 - Not corrected. See corrective action plan to Finding No. 2009-18.
- Finding No. 2008-18 - Not corrected. See corrective action plan to Finding No. 2009-4.
- Finding No. 2008-19 - Not corrected. See corrective action plan to Finding No. 2009-5.

**"NMHC is an equal employment and fair housing public agency"**

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT, CONTINUED**

- Finding No. 2008-20 - Not corrected. See corrective action plan to Finding No. 2009-6.
- Finding No. 2008-21 - Not corrected. See corrective action plan to Finding No. 2009-7.
- Finding No. 2008-22 - Not corrected. See corrective action plan to Finding No. 2009-8.
- Finding No. 2008-23 - Not corrected. See corrective action plan to Finding No. 2009-9.
- Finding No. 2008-24 - Not corrected. See corrective action plan to Finding No. 2009-10.
- Finding No. 2008-25 - Not corrected. See corrective action plan to Finding No. 2009-25.
- Finding No. 2008-26 - Not corrected. See corrective action plan to Finding No. 2009-26.
- Finding No. 2008-27 - Not corrected. See corrective action plan to Finding No. 2009-27.
- Finding No. 2008-28 - Not corrected. See corrective action plan to Finding No. 2009-28.
- Finding No. 2008-29 - Not corrected. See corrective action plan to Finding No. 2009-29.
- Finding No. 2008-30 - Not corrected. See corrective action plan to Finding No. 2009-30.
- Finding No. 2008-31 - Not corrected. See corrective action plan to Finding No. 2009-12.
- Finding No. 2008-32 - Not corrected. See corrective action plan to Finding No. 2009-13.
- Finding No. 2008-33 - Not corrected. See corrective action plan to Finding No. 2009-14.
- Finding No. 2008-34 - Not corrected. See corrective action plan to Finding No. 2009-33.
- Finding No. 2008-35 - Corrective action was taken.
- Finding No. 2008-36 - Not corrected. See corrective action plan to Finding No. 2009-16.
- Finding No. 2008-37 - Not corrected. See corrective action plan to Finding No. 2009-17.
- Finding No. 2008-38 - Not corrected. See corrective action plan to Finding No. 2009-35.
- Finding No. 2008-39 - Not corrected. See corrective action plan to Finding No. 2009-37.
- Finding No. 2008-40 - Not corrected. See corrective action plan to Finding No. 2009-38.
- Finding No. 2008-41 - Not corrected. See corrective action plan to Finding No. 2009-36.
- Finding No. 2008-42 - Not corrected. See corrective action plan to Finding No. 2009-39.
- Finding No. 2008-43 - Not corrected. See corrective action plan to Finding No. 2009-40.