

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

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2013

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 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, the basic financial statements of Northern Marianas Housing Corporation (NMHC), a division of the Commonwealth Development Authority, which comprise the statement of net position as of September 30, 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NMHC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of NMHC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NMHC's financial statements are free from 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-012.

NMHC's Responses to Findings

NMHC's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. NMHC's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLC

June 3, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Northern Marianas Housing Corporation:

Report on Compliance for Each Major Federal Program

We have audited Northern Marianas Housing Corporation's (NMHC's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of NMHC's major federal programs for the year ended September 30, 2013. NMHC's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of NMHC's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of NMHC's compliance.

Basis for Qualified Opinion on Each Major Federal Program

As described in Findings 2013-004 through 2013-006, 2013-008, and 2013-010 through 2013-014 in the accompanying Schedule of Findings and Questioned Costs, NMHC did not comply with requirements regarding the following:

<i>Finding #</i>	<i>CFDA #</i>	<i>Program (or Cluster) Name</i>	<i>Compliance Requirement</i>
2013-004	14.195	Section 8 Housing Assistance Payments Program	Eligibility
2013-005	14.195	Section 8 Housing Assistance Payments Program	Reporting
2013-006	14.195	Section 8 Housing Assistance Payments Program	Special Tests and Provisions
2013-008	14.225	Community Development Block Grants/Special Purpose Grants/Insular Area	Equipment and Real Property Management
2013-010	14.239	HOME Investment Partnerships Program	Eligibility
2013-011	14.239	HOME Investment Partnerships Program	Period of Availability of Federal Funds
2013-012	14.239	HOME Investment Partnerships Program	Special Tests and Provisions
2013-013	14.871	Section 8 Housing Choice Vouchers	Eligibility
2013-014	14.871	Section 8 Housing Choice Vouchers	Special Tests and Provisions

Compliance with such requirements is necessary, in our opinion, for NMHC to comply with the requirements applicable to each program.

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, NMHC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-007 and 2013-009. Our opinion on each major federal program is not modified with respect to these matters.

NMHC's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. NMHC's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of NMHC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NMHC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-004 through 2013-006, 2013-008, and 2013-010 through 2013-014 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-007 and 2013-009 to be significant deficiencies.

NMHC's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. NMHC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities of NMHC as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise NMHC's basic financial statements. We issued our report thereon dated June 3, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Deloitte & Touche LLC

June 3, 2014

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2013

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
Direct Programs:		
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Section 8 Housing Assistance Payments Program	14.195	\$ 1,371,701
Community Development Block Grants/Special Purpose Grants/Insular Area	14.225	551,725
Emergency Solutions Grant Program	14.231	79,602
HOME Investment Partnerships Program	14.239	875,122
Community Development Block Grants/Brownsfields Economic Development Initiative	14.246	183,844
Section 8 Housing Choice Vouchers	14.871	<u>3,619,197</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		\$ 6,681,191
TOTAL FEDERAL AWARDS		<u>\$ 6,681,191</u>
Reconciliation of Statement of Revenues, Expenses and Changes in Net Position to expenditures:		
Operating Expenses:		
Section 8 rental		\$ 3,153,059
HOME Investment Partnership Program Grant		684,142
NSP Grant		299,939
CDBG Program		251,785
HOME Investment Partnership Grant program income		190,980
EDI Program		183,844
ESG Program		79,602
Other Section 8 expenditures included in operations		466,139
Section 8 HAP expenditures included in operations		<u>1,371,701</u>
Federal award expenditures per above		<u>\$ 6,681,191</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, 2013

(1) Scope of Review

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 Commonwealth of the Northern Mariana Islands (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 Area/HOME Investment Partnerships Program/Neighborhood Stabilization Program - Housing and Economic Recovery Act (HERA)/Emergency Shelter Grants Program - NMHC received these funds in a direct capacity in fiscal year 2013 and administers the funds and is responsible for compliance with laws and regulations.

U.S. Department of Housing and Urban Development - Section 8 Housing Assistance Payments Program/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, 2013

(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, 2013, outstanding loans originating from this revolving fund totaled \$1,689,213 (net of the related allowance for doubtful accounts of \$1,934,613 and out of total NMHC loans receivable of \$3,623,826).

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs
Year Ended September 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | | |
|----|---|------------|
| 1. | Type of auditors' report issued: | Unmodified |
| | Internal control over financial reporting: | |
| 2. | Material weakness(es) identified? | Yes |
| 3. | Significant deficiency(ies) identified? | Yes |
| 4. | Noncompliance material to financial statements noted? | Yes |

Federal Awards

- | | | |
|---------------------------------------|--|-----------|
| Internal control over major programs: | | |
| 5. | Material weakness(es) identified? | Yes |
| 6. | Significant deficiency(ies) identified? | 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. | Identification of major programs: | |
| | CFDA | |
| | <u>Number(s)</u> <u>Name of Federal Program</u> | |
| | 14.195 Section 8 Housing Assistance Payments Program | |
| | 14.225 Community Development Block Grants/Special Purpose Grants/Insular Area | |
| | 14.239 HOME Investment Partnerships Program | |
| | 14.871 Section 8 Housing Choice Vouchers | |
| 10. | Dollar threshold used to distinguish between Type A and Type B Programs: | \$300,000 |
| 11. | Auditee qualified as low-risk auditee? | No |

SECTION II - FINANCIAL STATEMENT FINDINGS

<u>Reference Number</u>	<u>Finding</u>
2013-001	Loans Receivable
2013-002	Loan Guarantee Agreements
2013-003	Interfund Transactions and Balances
2013-012	Deferred Loans Receivable

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
 Year Ended September 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
2013-004	14.195	Eligibility	\$ 10,359
2013-005	14.195	Reporting	-
2013-006	14.195	Special Tests and Provisions - Housing Quality Standards (HQS)	18,092
2013-007	14.195	Special Tests and Provisions - Contract Rent Adjustments	-
2013-008	14.225	Equipment and Real Property Management	-
2013-009	14.225	Special Tests and Provisions - Rehabilitation	-
2013-010	14.239	Eligibility	-
2013-011	14.239	Period of Availability of Federal Funds	-
2013-012	14.239	Special Tests and Provisions	-
2013-013	14.871	Eligibility	13,015
2013-014	14.871	Special Tests and Provisions - HQS Inspections	<u>750</u>
			<u>\$ 42,216</u>

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-001
Area: Loans Receivable

Criteria: An effective system of internal control includes procedures to determine 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 doubtful loans as of September 30, 2013. This analysis revealed that loans, including interest, which are over one hundred twenty (120) days past due, amounted to \$4,732,893, or 54.67%, of \$8,656,454 in total loans and interest outstanding, excluding HOME deferred loans receivable as of September 30, 2013. Net audit adjustments of \$175,891 were proposed to increase the allowance for loans receivable as of September 30, 2013.

Cause: NMHC failed to implement collection efforts over delinquent loans.

Effect: There is an increased potential for loan losses due to nonpayment.

Recommendation: NMHC should adhere to follow-up procedures, perform evaluations of loans, and develop and document corrective action. Legal action should be considered for those loans considered unlikely to be serviceable.

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 and NMHC for fiscal years 2009 through 2012.

Auditee Response and Corrective Action Plan:

Name of Contact Persons: Chief Accountant and Mortgage & Credit Manager

Corrective Action: The Fiscal Division, in coordination with the Mortgage & Credit Division, will follow the existing collection and foreclosure policies as stated in the accounting procedures manual.

Proposed Completion Date: Fiscal year 2014.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-002
Area: Loan Guarantee Agreements

Criteria: An effective system of internal control includes procedures to periodically assess and review contingent liabilities for probable losses.

Condition: NMHC has existing loan guarantee and purchase agreements with certain financial institutions. As of September 30, 2013, NMHC's related loan guarantees amounted to \$13,138,914. Of that total, approximately \$8,046,120 is delinquent and past due. NMHC has received demand notices of \$2,757,682; however, NMHC is unable to determine if an additional reserve should be established due to limited information provided by the institutions. NMHC is currently working with related institutions to obtain sufficient information to determine a better estimate of the reserve for loan guarantees.

Cause: NMHC lacks established policies and procedures to assess the adequacy of the reserve for guaranteed loans and lacks relevant and sufficient information from financial institutions to estimate probable losses.

Effect: Misstatements of the reserve for loan guarantees and related accounts could go undetected and uncorrected.

Recommendation: NMHC should periodically assess and review the adequacy of the reserve for guaranteed loans. Additionally, NMHC should establish policies and procedures to assess the adequacy of the reserve for guaranteed loans, both past due and current. Furthermore, NMHC should 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 and NMHC for fiscal years 2009 through 2012.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Chief Accountant

Corrective Action: NMHC has drafted policies and procedures to assess the adequacy of the reserves for guaranteed loans with relevant and sufficient information from financial institutions which is included in the Fiscal Division policies and procedures and is up for review and adoption by the NMHC Board of Directors.

Proposed Completion Date: Fiscal year 2014.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-003
Area: Interfund Transactions and Balances

Criteria: Interfund transactions should be monitored, reviewed and reconciled.

Condition: NMHC initially records disbursements for certain expenditures in general fund accounts. NMHC allocates expenditures to applicable accounts in the corresponding funds through interfund transactions. Tests of interfund balances identified an unreconciled amount of \$177,089 at September 30, 2013. The total amount was subsequently corrected by NMHC through a proposed audit adjustment.

Cause: NMHC did not effectively apply monitoring controls over interfund transactions and balances.

Effect: Misstatements of shared expenditures and of interfund balances and transactions could continue undetected and uncorrected.

Recommendation: NMHC should timely monitor, review and reconcile interfund transactions and balances. NMHC may wish to consider a system of recording grant expenditures at the time the expenditure is incurred.

Prior Year Status: The lack of monitoring controls over recording interfund transactions and balances was reported as a finding in the Single Audits of NMHC for fiscal years 2010 through 2012.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Chief Accountant

Corrective Action: As stated, NMHC effectively applied and corrected interfund transactions and balances in fiscal year 2014 and will monitor, review and reconcile interfund transactions and balances on a regular basis.

Proposed Completion Date: Fiscal year 2014.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-004
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
 Federal Award No.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004
 Area: Eligibility
 Questioned Costs: \$10,359

Criteria: In accordance with applicable eligibility requirements, the Public Housing Agency (PHA) or owner must:

1. Verify the eligibility of applicants by (a) obtaining signed applications that contain the information needed to determine eligibility (including designation as elderly, disabled, or homeless, if applicable), income, rent, and order of selection; (b) conducting verifications of family income and other pertinent information (such as assets, full time student and immigration status, and unusual medical expenses) through third parties; (c) documenting inspections and tenant certifications, as appropriate; and, (d) determining that tenant income did not exceed the maximum limit set by HUD for the PHA’s jurisdiction, as shown in HUD’s published notice transmitting the Limits for Low-Income and Very Low-Income Families Under the Housing Act of 1937.
2. Determine the total tenant rent payment in accordance with the housing assistance payments contract.
3. Reexamine family income and composition at least once every 12 months and adjust the total rent payment and housing assistance payment, as necessary.

Condition: Of sixty-seven tenant files tested, we noted the following:

1. For seven (or 10%), required eligibility verification documents were either lacking or unsigned, as follows:
 - a. For five (or 7%), the Document Package for Applicant’s/Tenant’s Consent to the Release of Information was not signed by NMHC; i.e., NMHC did not acknowledge reading or understanding the purpose of the consent form and its uses and understanding that misuse of the consent can lead to personal penalties.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Household Member No</u>	<u>HAP Calculation</u>	<u>HAP Amount</u>
R03	08/01/13	08/01/13	N/A	\$ 1,045 x 2 months	\$ 2,090
R09	10/01/12	08/01/12	N/A	\$ 1,045 x 14 months	\$ 14,630
R15	08/01/13	08/01/13	N/A	\$ 1,208 x 2 months	\$ 2,416
R26	10/01/12	08/01/12	N/A	\$ 830 x 14 months	\$ 11,620
R30	04/01/13	08/01/12	N/A	\$ 1,045 x 14 months	\$ 14,630

No questioned cost is presented for this condition because the form was signed by the tenant, allowing access to income information.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-004, Continued
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
 Federal Award No.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004
 Area: Eligibility
 Questioned Costs: \$10,359

Condition, Continued:

- b. For one (or 1%), the completed and signed *Declaration of Section 214 Status* form for certain household member could not be located.

<u>Unit No.</u>	<u>Form HUD 50059 Effective Date</u>	<u>Household Member No.</u>	<u>HAP Calculation</u>	<u>HAP Amount</u>
R03	08/01/13	4	\$ 1,045 x 2 months	\$ 2,090

No questioned cost is presented because birth certificates were documented to substantiate eligible citizenship.

- c. For one (or 1%), the affidavit of zero income of adult member is not documented.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Household Member No.</u>	<u>HAP Amount</u>
R23	10/01/12	08/01/12	1 and 2	\$ 1,005

No questioned cost is presented as both adult members signed the statement of unemployment form.

2. For three (or 4%), excess housing assistance was paid, as follows:

- a. For one (or 1%), the tenant is residing in a two-bedroom unit; however, the utility allowance used to calculate the federal assistance was for a three-bedroom unit.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>HAP Amount Based on a Two- Bedroom Unit</u>	<u>HAP Requested Per Form HUD 52670</u>	<u>Variance</u>	<u>Questioned Costs</u>
T11	07/01/13	06/01/13	\$ 1,001	\$ 1,027	\$ 26 x 4 months	\$ 104

- b. For two (or 3%), the assigned unit size is larger than the household/family size, and there is no written justification for such discrepancy.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Form HUD 50059 Effective Date</u>	<u>Unit Size</u>	<u>Household Size</u>	<u>HAP Amount Per General Ledger</u>	<u>HAP Amount Expected</u>	<u>Variance</u>	<u>Questioned Costs</u>
T03	07/01/13	04/01/13	4	1	\$ 1,032	\$ 823	\$ 209 x 6 months	\$ 1,254
T18	07/01/13	04/05/13	4	2	\$ 1,210	\$ 1,001	\$ 209 x 6 months	1,254
								\$ <u>2,508</u>

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-004, Continued
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
 Federal Award No.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004
 Area: Eligibility
 Questioned Costs: \$10,359

Condition, Continued:

3. For one (or 1%), the HAP contract and lease amendment was not signed by the tenant.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>HAP Amount</u>
R09	02/01/13	02/01/13	\$ 1,034

No questioned cost is presented as the HAP amount is consistent with the HAP contract and lease amendment.

4. For six (or 9%), certification/recertification interview sheets are not documented.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>
R09	10/01/12	08/01/12
R15	04/01/13	08/01/12
R19	09/01/13	08/01/13
R20	10/01/12	08/01/12
R23	10/01/12	08/01/12
R30	04/01/13	08/01/12

No questioned cost is presented as the tenant file demonstrates that each tenant is eligible.

5. For ten (or 15%), the HAP payment was adjusted on Form HUD 52670 during fiscal year 2013 to reflect the effective gross rent change; however, the adjustments were incorrectly calculated.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Effective Date of Gross Rent</u>	<u>Effective Gross Rent</u>	<u>Period Adjusted</u>	<u>HAP Requested Per Form HUD 52670</u>	<u>Required Adjustment</u>	<u>HAP Adjustment Per Form HUD 50059</u>	<u>Variance and Questioned Cost</u>
K09B	10/01/12	08/01/12	\$ 915	08/2012	\$ 884	\$ 31	\$ 62	\$ 31
M02	11/01/12	09/01/12	\$ 1,147	09/2012	\$ 1,092	\$ 55	\$ 110	55
M09	03/01/13	09/01/12	\$ 1,050	09/2012 and 10/2012	\$ 2,184	\$ (84)	\$ (194)	-
M41	09/01/13	09/01/13	\$ 934	09/2013	\$ 849	\$ 85	\$ 272	187
M44	09/01/13	09/01/13	\$ 1,045	09/2013	\$ 955	\$ 90	\$ 166	76
M46	11/01/12	09/01/12	\$ 827	09/2012 and 10/2012	\$ 1,602	\$ 52	\$ 382	330
T05	10/01/12	08/02/12	\$ 1,008	08/2012 and 09/2012	\$ -	\$ 1,984	\$ 4,000	2,016
T13	01/01/13	08/23/12	\$ 293	08/2012	\$ -	\$ 293	\$ 351	58
T13	01/01/13	08/02/12	\$ 1,008	09/2012	\$ -	\$ 1,008	\$ 1,210	202
T13	01/01/13	11/22/12	\$ -	12/2012 to 03/2013	\$ 4,840	\$ 4,840	\$ 1,008	3,832
								<u>\$ 6,787</u>

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-004, Continued
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
 Federal Award No.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004
 Area: Eligibility
 Questioned Costs: \$10,359

Condition, Continued:

6. For one (or 1%), HAP assistance effective February 1, 2013 and August 1, 2013 in the amount of \$772 and \$839, respectively, was subsequently revised to \$652 and \$719, respectively, on September 11, 2013 due to an increase in the tenant's annual income. The adjustments to return the excess HAP claims to HUD have not been made on Form HUD 52670.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Effective Date of Gross Rent Change</u>	<u>Effective Gross Rent</u>	<u>Period Covered</u>	<u>HAP Requested Per Form HUD 52670</u>	<u>Required Adjustment and Questioned Cost</u>
K22B	09/01/13	02/01/13	\$ 652	02/2013 to 07/2013	\$ 4,632	\$ 720
K22B	09/01/13	08/01/13	\$ 719	08/2013 and 09/2013	\$ 1,678	<u>240</u>
						\$ <u>960</u>

Cause: NMHC did not effectively apply controls over compliance with applicable eligibility requirements.

Effect: NMHC is in noncompliance with applicable eligibility requirements, and questioned costs of \$10,359 exist, as follows:

<u>Condition</u>	<u>Questioned Costs</u>
2a	\$ 104
2b	2,508
5	6,787
6	<u>960</u>
	\$ <u>10,359</u>

Recommendation: NMHC should strengthen controls over compliance with applicable eligibility requirements.

Auditee Response and Corrective Action Plan:

Name of Contact Persons:

Conditions 1a, b and c: Rota Field Office Representative/Program and Housing Division Manager
 Condition 2a: Tinian Field Office Representative/Program and Housing Division Manager
 Conditions 2b, 5 and 6: Program and Housing Division Manager
 Conditions 3 and 4: Rota Field Office Representative/Program and Housing Division Manager

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-004, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
Federal Award No.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004
Area: Eligibility
Questioned Costs: \$10,359

Auditee Response and Corrective Action Plan, Continued:

Corrective Action:

- Conditions 1a, b and c: 1) For tracking and certification timeliness purposes, every month, the Rota Field Office Representative shall print a listing of participants who will undergo annual re-certifications at least three (3) months before the effective dates of these families' re-certifications; 2) The Rota Field Office Representative shall sign all NMHC and HUD-generated forms for this specific purpose; 3) appropriate disciplinary action shall be imposed as needed and required; and 4) regular monitoring of staff performance by the Program and Housing Division Manager and quality control reviews on program compliance by the Special Assistant for Housing and Low-Income Housing Projects in Lieu of Tax Credits (LIHTC) programs will also be conducted.
- Condition 2a: 1) The Tinian Field Office Representative shall correct the error; and 2) NMHC shall return the \$104 in overpayments to HUD.
- Condition 2b: Copy of waiting list shows that there were no applicants listed and no smaller units available.
- Conditions 3 and 4: 1) Rota Field Office Representative shall follow standing policies and procedures; 2) Failure to subscribe to NMHC's policies and procedures will result in appropriate disciplinary actions, including termination (depending on frequency and/or seriousness of staff error); and 3) Regular monitoring of staff performance by the Program and Housing Division Manager and quality control reviews on program compliance by the Special Assistant for Housing and LIHTC programs will also be conducted.
- Conditions 5 and 6: NMHC finds that while the finding should stay, the questioned costs should be removed since the errors were not caused by staff. In fact, NMHC discovered that it was the system that failed to effectuate and upload the adjustments when NMHC electronically submitted its HAP claims to HUD. Furthermore, HUD approved the claims with the system-generated errors and thus, paid our agency accordingly. Nonetheless, NMHC will return the overpayments back to HUD at our next monthly HAP claim submission. Form HUD 50059s shows that calculations were accurately performed.

Proposed Completion Date:

- Conditions 1a, b and c: Since this is a HUD and NMHC requirement, action shall commence and be completed immediately.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-004, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
Federal Award No.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004
Area: Eligibility
Questioned Costs: \$10,359

Auditee Response and Corrective Action Plan, Continued:

Proposed Completion Date, Continued:

Condition 2a: The Tinian Field Office Representative has corrected the error and the return in overpayment shall be made at NMHC's next HAP claim submission.

Conditions 3 and 4: Policies and procedures are in place; therefore, responsible staff is expected to adhere to them immediately.

Conditions 5 and 6: Policies and procedures are in place; therefore, responsible staff is expected to adhere to them immediately.

Auditor Response:

Condition 2b: No written justification is on file as to why larger units were assigned to the tenants.

Conditions 5 and 6: Questioned costs are reportable since overpayments of HAP claims exceed the threshold, and an adjustment to return the excess HAP claims to HUD has not been made on Form HUD 52670.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-005
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004
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, move-out, or other change of unit for a family, among others. The signed Form 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 and must also be consistent with information reported on Form HUD 52670.

The owner must sign and obtain the signature of the head, spouse, co-head, and all adult family members on the copy of the Form HUD 50059 certifying to the information that is transmitted to HUD or the Contract Administrator, whether the Form HUD 50059 was produced on site or received from a service provider. The signed Form HUD 50059 should be filed in the tenant file. In all cases, the computer generated Form 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 Form 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: Of sixty-seven tenant files tested, we noted the following:

1. For two (or 3%), Form-50059 was not signed by NMHC.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>
R14	11/01/12	08/01/12
R26	10/01/12	09/01/12

2. For seven (or 10%), Form-50059 is not documented.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>
R03	08/01/13	08/01/13
R09	10/01/12	08/01/12
R15	04/01/13	08/01/12
R19	09/01/13	08/01/13
R20	10/01/12	08/01/12
R23	10/01/12	08/01/12
R30	04/01/13	08/01/12

Cause: NMHC did not effectively apply controls over compliance with applicable reporting requirements.

Effect: NMHC is in noncompliance with applicable reporting requirements. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-005, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004
Area: Reporting
Questioned Costs: \$-0-

Recommendation: NMHC should strengthen controls over compliance with applicable reporting requirements.

Prior Year Status: The lack of systematic filing of Form HUD 50059 was reported as a finding in the Single Audits of CDA for fiscal year 2008 and NMHC for fiscal years 2009 through 2012.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Rota Field Office Representative

Corrective Action: 1) Rota Field Office Representative shall follow standing policies and procedures; and 2) Failure to subscribe to NMHC's policies and procedures will result in appropriate disciplinary actions, including termination (depending on frequency and/or seriousness of staff error); and 3) Regular monitoring of staff performance by the Program and Housing Division Manager and quality control reviews on program compliance by the Special Assistant for Housing and LIHTC programs will also be conducted.

Proposed Completion Date: Policies and procedures are in place; therefore, responsible staff is expected to adhere to them immediately.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-006
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
 Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004
 Area: Special Tests and Provisions - Housing Quality Standards
 Questioned Costs: \$18,092

Criteria: The PHA or owner must provide housing that is decent, safe, and sanitary. To achieve this end, the PHA must perform unit inspections at the time of initial occupancy. Inspection form for move-in inspection must include the statement that the unit is in decent, safe and in sanitary condition. In addition, although annual inspection is not required per HUD's Handbook No.: 4350.3 REV-1 and 24 CFR 880.612, NMHC performs annual inspections to assure that the units are decent, safe, and sanitary. The PHA must document these inspections, as well as actions taken to address deficiencies, if any, noted during inspections. Additionally, the PHA must perform move-out inspections to assure there are no damages to the unit. The PHA should list the damages on the move-out form and compare it with the move-in form to determine if the damage is reasonable wear or tear or excessive damage caused by the tenant's abuse or negligence.

Condition: Of thirty tenants tested, we noted the following:

1. For four (or 13%), the NMHC inspector reports indicated deficiencies; however, relevant documentation indicating whether the deficiencies were addressed and/or whether needed repairs were timely completed are not documented.

<u>Unit No.</u>	<u>Date of Inspection</u>	<u>Overall Inspection Results</u>	<u>Certification Effective</u>	<u>HAP Amount</u>	<u>Questioned Costs</u>
M09	March 2013	Inconclusive	07/01/13	\$1,050 x 3 months	\$ 3,150
K15	October 2012	Inconclusive	10/29/12	\$1,078 x 11 months	<u>11,858</u>
					<u>\$ 15,008</u>

2. For three (or 10%), the move-out inspection report is not documented.

<u>Unit No.</u>	<u>Move-out Date</u>	<u>HAP Amount</u>	<u>Questioned Costs</u>
R09	04/30/13	\$ 1,034	\$ 1,034
R23	04/30/13	\$ 1,005	\$ 1,005
R30	06/30/13	\$ 1,045	\$ 1,045

3. For eight (or 27%), the move-in inspection report did not include the statement that the unit is in decent, safe and in sanitary condition. No questioned cost is presented as the unit passed the overall inspection requirements, and Unit K15, having an inconclusive inspection result, is already questioned at Condition 1 above.

<u>Unit No.</u>	<u>Date of Inspection</u>	<u>Overall Inspection Results</u>	<u>Certification Effective</u>	<u>HAP Amount</u>
K02B	July 2013	Pass	07/26/13	\$ 883
K15	October 2012	Inconclusive	10/29/12	\$ 1,078
K17	December 2012	Pass	12/06/12	\$ 970
M05	December 2012	Pass	12/21/12	\$ 1,147
M35	May 2013	Pass	05/03/13	\$ 953
T03	April 2013	Pass	04/01/13	\$ 1,032
T06	November 2012	Pass	11/01/12	\$ 996
T08	November 2012	Pass	11/23/12	\$ 1,103

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-006, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004
Area: Special Tests and Provisions - Housing Quality Standards
Questioned Costs: \$18,092

Cause: NMHC did not effectively apply controls over compliance with applicable special tests and provisions requirements for housing quality standards.

Effect: NMHC is in noncompliance with applicable special tests and provisions requirements for housing quality standards and questioned costs of \$18,092 exist for Conditions 1 and 2.

Recommendation: NMHC should strengthen controls over compliance with applicable special tests and provisions requirements for housing quality standards. The responsible personnel should monitor housing quality inspection procedures so that any deficiencies noted during inspections are documented and addressed.

Prior Year Status: The lack of adherence to established policies and procedures relating to unit inspections was reported as a finding in the Single Audits of CDA for fiscal year 2008 and NMHC for fiscal years 2009 through 2012.

Auditee Response and Corrective Action Plan:

Name of Contact Persons:

Conditions 1 and 3: Program and Housing Manager
Condition 2: Rota Field Office Representative

Corrective Action:

Condition 1: NMHC noticed that the auditor used HUD's "Housing Quality Standards (HQS)" in testing tenant inspection files under this program despite numerous attempts by our office to inform the auditor that HQS applies exclusively to the Section 8 Housing Choice Voucher Program as provided at 24 CFR § 982.401. See Subheading that reads: "Area: Special Tests and Provisions - Housing Quality Standards" and page extracted from HUD.GOV (2014) website, which in part reads: "Housing Choice Voucher (HCV) program regulations at 24 CFR Part 982 which sets forth basic HQS which all units must meet before assistance can be paid on behalf of a family and at least annually throughout the term of the assisted tenancy." Further, with regards to annual inspections under this program, the auditor was provided with an email from HUD stating that such is "good practice; however, there is no requirement in the Handbook (4350.3 Rev-1, dated 8/2013) that annual inspections must be conducted by the owner." Therefore, unless Deloitte can cite relevant HUD regulation(s) that show that NMHC is: 1) required to perform annual inspections on its multifamily program (*Housing Assistance Payments Program*) units; and 2) Performing these inspections using the HQS model (as a compliance measurement tool), our office strongly feels that the finding and questioned costs should be removed with finality.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-006, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004
Area: Special Tests and Provisions - Housing Quality Standards
Questioned Costs: \$18,092

Auditee Response and Corrective Action Plan, Continued:

Corrective Action, Continued:

Condition 2: 1) Rota Field Office Representative shall follow standing policies and procedures on move-out inspections; and 2) Failure to subscribe to NMHC's policies and procedures will result in appropriate disciplinary actions, including termination (depending on frequency and/or seriousness of staff error); and 3) Regular monitoring of staff performance by the Program and Housing Division Manager and quality control reviews on program compliance by the Special Assistant for Housing and LIHTC programs will also be conducted.

Condition 3: Immediately revise and implement move-in/move-out inspection forms.

Proposed Completion Dates:

Condition 2: Policies and procedures are in place; therefore, responsible staff is expected to adhere to them immediately.

Condition 3: Corrective action completed on April 17, 2014.

Auditor Response:

Conditions 1 and 3: The above criteria clearly acknowledge that annual inspections are not required per HUD's Handbook No.: 4350.3 REV-1 and 24 CFR 880.612. Accordingly, audit procedures were performed to determine and test the methodology by which NMHC monitors compliance with requirements to provide housing that is decent, safe, and sanitary. Such methodology is, in fact, NMHC's existing practice of performing annual inspections. Furthermore, the above criteria does not contain the phrase "housing quality standards." The use of such phrase in other areas of the finding is not in reference to "HUD's 'Housing Quality Standards'," but to OMB's "Housing Quality Standards" in the OMB Circular A-133 Compliance Supplement, Part 4 Agency Program, Section 8 Project-Based Cluster, which includes CFDA 14.195. Starting on page 6 of the referenced document, OMB lists six "Special Tests and Provisions." Special tests and provision number 3 is entitled, "Housing Quality Standards" by OMB. Therefore, the wording of our recommendation is appropriate.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-007
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
Federal Award Nos.: TQ100011005, TQ100016004, TQ100011001 and TQ100006004
Area: Special Tests and Provisions - Contract Rent Adjustments
Questioned Costs: \$-0-

Criteria: In accordance with applicable special tests and provisions requirements for contract rent adjustments, the owner submits at least 120 days before contract expiration the following: 1) Contract Renewal Request Form and Office of Affordable Operating Cost Adjustment Factor (OCAF) Worksheet; and 2) budget, which includes a budget and rent schedule.

Condition: During fiscal year 2013, the owner submitted the contract renewal request form for the Koblerville, Tinian and Rota projects on April 26, 2013, or 97 days before its expiration of July 31, 2013.

Cause: NMHC did not follow established policies and procedures to timely submit contract renewal forms within 120 days before the contract expires.

Effect: NMHC is in noncompliance with applicable special tests and provisions for contract renewals. No questioned cost is presented as the contract renewal forms were approved by the grantor.

Recommendation: NMHC should adhere to policies and procedures for the timely submission of contract renewals.

Prior Year Status: The lack of adherence to established policies and procedures to timely submit contract renewal forms within 120 days before the contract expires was reported as a finding in the Single Audits of NMHC for fiscal years 2011 and 2012.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Program and Housing Manager

Corrective Action: With contract renewals, HUD takes the lesser of either NMHC's budget worksheets or OCAFs. NMHC submitted a higher budget after HUD informed our office that we may opt for a multi-year (20 years) contract based on the age and conditions of the units. Furthermore, it was HUD that advised us to revisit the budget worksheet submitted (which was based on actual expenditures from the previous fiscal year) as such would significantly reduce our rental amounts making it nearly impossible to administer the program and maintain the units. At the actual expenditures from the previous fiscal year, NMHC would have seen more than 50% reduction in its rent.

Proposed Completion Date:

Auditor Response: Although the budget worksheets for the Koblerville, Tinian and Rota projects were revised on May 31, 2013, the initial contract renewal request forms for these projects were dated April 26, 2013, or 97 days before its expiration of July 31, 2013.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-008
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.225 Community Development Block Grants/Special Purpose Grants/Insular Area
Federal Award No.: B-08-SN69-0001 and B-11-SN69-0001
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

Criteria: In accordance with applicable equipment and real property management requirements, a physical inventory of the property must be taken and the results reconciled with the property records at least every two years. In addition, 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 holds 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 control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property;
3. Adequate maintenance procedures must be developed to keep property in good condition;
4. If the grantee or sub-grantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return; and
5. The grantee must establish and implement property management controls over the transfer of properties to subrecipients.

Condition:

1. There is no documentation that a complete physical inventory of equipment and property and reconciliation with NMHC records were performed over the last two fiscal years.
2. The master file for property and equipment does not contain information on cost, condition of the equipment, or date of disposal and sales price, if applicable.
3. A vehicle with tag #3824 and Valley Inn property with tag #CDA were not included in the master listing.
4. Although inventory counts were performed for subrecipients, discrepancies exist in fixed assets transferred for one subrecipient. Information was provided that NMHC is following up with the sub-grantee on the results of the discrepancies.

Cause: NMHC did not effectively apply controls over compliance with applicable equipment and real property management requirements.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-008, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.225 Community Development Block Grants/Special Purpose Grants/Insular Area
Federal Award No.: B-08-SN69-0001 and B-11-SN69-0001
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

Effect: NMHC is in noncompliance with applicable equipment and real property management requirements. Total capital outlays, or expenditures other than administrative expenses, incurred for recent fiscal years are listed below. No questioned cost is presented due to our inability to assess the cumulative dollar amount of the deficiencies.

<u>Fiscal Year</u>	<u>Total Capital Outlays</u>
2013	\$ 175,768
2012	\$ 281,741
2011	\$ 896,205

Recommendation: NMHC should establish and implement controls over compliance with applicable equipment and real property management requirements. The responsible personnel should maintain and update equipment listings, as well as implement procedures for maintaining and safeguarding equipment against loss, damage or theft.

Prior Year Status: The lack of adequate equipment maintenance control procedures over fixed assets and failure to maintain equipment listings was reported as a finding in the Single Audit of NMHC for fiscal year 2012.

Auditee Response and Corrective Action Plan:

Name of Contact Persons:

Conditions 1 through 3: Office Manager/Procurement Officer and Administrative Assistant

Condition 4: Planning Assistant

Corrective Action:

Conditions 1 and 2: As discussed with the auditor, Conditions 1 and 2 relate to inventory purchased for NMHC and not for subrecipients. The Administrative Division maintains all listings of CDBG-purchased property and equipment for NMHC. The Administrative Division provided inventory count sheets to prove that inventory is conducted on an annual basis; however, it was noted that all the required information was not indicated. Also, evidence of reconciliation with NMHC records were not provided. The Administrative Division of NMHC will ensure that all the required information, such as information on cost, condition of the equipment, or date of disposal and sales price (if applicable) be included in the master inventory listing, and a reconciliation with inventory-related documentation maintained by the Fiscal Division is performed.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-008, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.225 Community Development Block Grants/Special Purpose
Grants/Insular Area
Federal Award No.: B-08-SN69-0001 and B-11-SN69-0001
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

Corrective Action, Continued:

Condition 3: As discussed with the auditor, Condition 3 relates to inventory purchased for NMHC and not for subrecipients. Although the vehicle with tag #3824 and the Valley Inn Property with tag #CDA were included in the Fixed Assets Schedule, the vehicle and the property were not included in the master listing maintained by the Administrative Division. The Administrative Division of NMHC will ensure that the aforementioned vehicle and property is included in the master listing maintained by the Administrative Division.

Condition 4: Based on the exchange of communication with the auditor, the finding is on the subrecipient, as NMHC has proven its attempts to obtain information on the discrepancies, per inventory physical count conducted at MHS Building J. However, the subrecipient has not responded to NMHC's inquiries. All inventory management requirements were adhered to by NMHC; however, the Planning Division will ensure that official communication (and not just through email which was provided to the auditor) is sent to the Public School System regarding the discrepancies noted during the physical inventory count.

Proposed Completion Date: Immediately.

Auditor Response: Condition 4 is a finding based on the discrepancies that exist in fixed assets for the subrecipient. Until the matter is resolved, the finding will remain. NMHC misunderstood the auditor during such communication.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-009
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.225 Community Development Block Grants/Special Purpose
Grants/Insular Area
Federal Award No.: B-08-SN69-0001 and B-11-SN69-0001
Area: Special Tests and Provisions - Rehabilitation
Questioned Costs: \$-0-

Criteria: In accordance with applicable special tests and provisions requirements, when CDBG funds are used for rehabilitation, the grantee must ensure that the work is properly completed. Any Neighborhood Stabilization Program (NSP)-assisted rehabilitation of a foreclosed-upon home or residential property shall be completed to the extent necessary to comply with applicable laws, codes and other requirements relating to housing safety, quality, or habitability, in order to sell, rent, or redevelop such homes and properties. The grantee must also inspect the rehabilitation work upon completion to assure that it is carried out in accordance with contract specifications, and that NSP projects were carried out in accordance with rehabilitations standards.

Condition: For one (or 14%) of seven properties designated for rehabilitation, the final inspection report for lot number G1236 under contract number NMHC 2012-NSP-015 did not contain a signature or date by the NMHC inspector.

Cause: NMHC did not effectively apply controls over compliance with applicable special tests and provision requirements regarding rehabilitation work.

Effect: NMHC is in noncompliance with applicable special tests and provision requirements for rehabilitation. No questioned costs result as the deeds to the properties had been executed on the units.

Recommendation: NMHC should strengthen controls over compliance with special tests and provision requirements regarding rehabilitation work. The responsible personnel should periodically monitor the activities of inspectors.

Auditee Response and Corrective Action Plan:

Name of Contact Person: CDBG Technical Coordinator

Corrective Action: Although the final inspection report was completed and forwarded to the auditor, the signature and date were not indicated on the report. The CDBG Technical Coordinator will ensure that all inspection reports are signed and dated.

Proposed Completion Date: Immediately.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-010
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.239 HOME Investment Partnerships Program
 Federal Award No.: M-08-ST-690203, M-09-ST-690203, M-10-ST-690203, M-11-ST-690203
 and M-12-ST-690203
 Area: Eligibility
 Questioned Costs: \$-0-

Criteria: Eligibility requirements apply, as follows:

1. The HOME program has income targeting requirements; therefore, NMHC must perform income eligibility and credit worthiness determinations prior to providing HOME loan assistance. NMHC must use verification methods that are acceptable to HUD. Verification must be made in writing, from a reliable third party, and such verification shall be considered for a period of 180 days from the date the verification was completed. Prior to verification, NMHC shall obtain written authorization from the applicant. For purposes of calculating income from assets, the most recent tax compliance verification must be obtained as third-party verification of assets. NMHC is responsible for determining if the verification documentation is adequate and credible. If a written third-party verification is not used, notarized statements or signed affidavits by the applicant shall be an acceptable form of verification, but only in situations where a more acceptable form of verification cannot be obtained.

In addition, the Home Program permits income verification not more than six (6) months prior to receipt of assistance. NMHC is not required to re-examine the family's income at the time the HOME assistance is provided, unless more than six (6) months has elapsed since NMHC determined that the family qualified as income eligible.

2. In accordance with the loan agreement, NMHC shall foreclose upon the property in the event of default and breach of the terms and conditions, to take possession of the premises and to incur all expenses which NMHC deems necessary to protect its security interest and such shall be reimbursed to NMHC by the borrower. The borrower is in default of the loan agreement if the borrower fails to insure the mortgaged property, or obtain coverage for fire, typhoon and extended coverage insurance equal to the full replacement costs of the improvements on the mortgaged property without deduction for depreciation.

Condition: Of fifteen loan files tested, we noted the following:

1. For one loan (or 7%), an updated income verification from a third party for household #6 and an updated tax compliance letter for household #1 were subsequently obtained after HOME assistance was provided. Furthermore, based on the loan agreement signature date, HOME assistance was provided after six months from the date of the eligibility determination, and there is no documentation of the required income eligibility re-examination.

<u>IDIS Number</u>	<u>Loan Number</u>	<u>Loan Amount</u>	<u>Date Eligibility Review was Performed</u>	<u>Loan Agreement Date</u>	<u>No. of Months Lapsed</u>
521	HR-2012-521	\$ 54,400	02/15/12	08/31/12	6.5

No questioned cost result as the applicant's potential household income is within the income limit.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-010, Continued
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.239 HOME Investment Partnerships Program
 Federal Award No.: M-08-ST-690203, M-09-ST-690203, M-10-ST-690203, M-11-ST-690203
 and M-12-ST-690203
 Area: Eligibility
 Questioned Costs: \$-0-

Condition, Continued:

2. For one loan (or 7%), HOME assistance was provided after six months from the date of the eligibility determination and there is no documentation of the required income eligibility re-examination. No questioned cost result as the applicant's household income is within the income limit.

<u>IDIS Number</u>	<u>Loan Number</u>	<u>Loan Amount</u>	<u>Date Eligibility Review was Performed</u>	<u>Loan Agreement Date</u>	<u>No. of Months Lapsed</u>
529	HNC-2012-529	\$ 47,830	07/14/11	06/05/12	11

3. For three (or 20%), third-party credit reports that were more than 6 months old were used during the updated income verification process, as follows:

<u>IDIS Number</u>	<u>Loan Number</u>	<u>Credit Report Date</u>	<u>6-Month End Date</u>	<u>Verification Date</u>	<u>Loan Amount</u>
521	HR-2012-521	None	None	None	\$ 54,000
533	HNC-533	06/15/12	12/15/12	12/19/12	\$ 57,000
534	HR-2012-534	02/14/12	08/14/12	11/23/12	\$ 40,000

No questioned cost is presented because all other loan file documentation demonstrates that the applicant is income eligible.

4. For four loan files (or 27%), the homeowner's property insurance coverage was not timely obtained.

<u>IDIS Number</u>	<u>Loan Number</u>	<u>Loan Amount</u>	<u>Date of Certificate of Occupancy</u>	<u>Date Insurance Policy was Obtained</u>	<u>Effective Date of Insurance Policy</u>
520	HR-2012-520	\$ 52,000	02/27/13	02/27/14	03/30/13
531	HNC-531	\$ 48,000	05/13/13	09/11/13	09/11/13
545	HNC-545	\$ 57,000	11/14/13	02/18/14	01/27/14
551	HR-551	\$ 40,000	09/11/13	03/28/14	09/01/13

No questioned cost is presented because the insurance coverage was subsequently obtained.

Cause: NMHC did not effectively apply controls over compliance with applicable eligibility requirements.

Effect: NMHC is in noncompliance with applicable eligibility requirements.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-010, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.239 HOME Investment Partnerships Program
Federal Award No.: M-08-ST-690203, M-09-ST-690203, M-10-ST-690203, M-11-ST-69023 and M-12-ST-69023
Area: Eligibility
Questioned Costs: \$-0-

Recommendation: NMHC should strengthen controls over compliance with applicable eligibility requirements.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Christopher B. Pangelinan, Mortgage & Credit Division Manager

Corrective Action:

- Condition 1: 1) Initially the Letter of Compliance issued on 10/05/11 indicated both household #1 and #2 filed jointly as indicated on 1040-CM (Tax Year-2012). When an updated Letter of Compliance was issued on 04/18/12, Revenue & Taxation failed to indicate household #1, however, they still filed jointly. In addition, the updated Letter on Compliance obtained on 03/27/14 indicates that both households had jointly applied and complied with Revenue & Taxation beginning January 2012 through December 2012; and 2) The responsible Loan Specialist will ensure that Part 5 income and asset calculation worksheets are reviewed and updated every six months for credit worthiness and repayment ability.
- Condition 2: This is a repeat finding of last year's audit, specifically, Finding No. 2012-24, Condition 5.
- Condition 3: The responsible Loan Specialist will ensure that Part 5 income and asset calculation worksheets are reviewed and updated every six months for credit worthiness and repayment ability.
- Condition 4: 1) For loan file IDIS number 551, the Loan Specialist had been following up with the borrower but because of unforeseen circumstances, the borrower was unable to provide the document in a timely manner. The borrower did manage to provide the policy; and 2) The responsible Loan Specialists will ensure that the necessary documents and insurance policy is obtained on a timely manner by maintaining and monitoring submissions through the file checklist.

Auditor Response:

- Condition 2: Although the loan file for IDIS #529 was audited in fiscal year 2012, expenditures related to this loan were incurred during fiscal year 2013 and the loan was again selected during sample selection procedure.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-011
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.239 HOME Investment Partnerships Program
 Federal Award No.: M-07-ST-690203, M-08-ST-690203, M-09-ST-690203 and M-10-ST-690203
 Area: Period of Availability of Federal Funds
 Questioned Costs: \$-0-

Criteria: In accordance with applicable period of availability requirements, participating jurisdictions must commit HOME funds within twenty-four months and must expend HOME funds within five years of the grant agreement.

Condition:

1. Of total administrative expenses incurred during fiscal year 2013, the following expenses were incurred after the two-year period of availability expired. A grant extension documentation was not provided.

<u>Program Year</u>	<u>Date Expired</u>	<u>Expenses Incurred in Fiscal Year 2013</u>
2007	10/31/09	\$ 7,518
2008	10/31/10	72,132
2009	10/31/11	<u>55,769</u>
		<u>\$ 135,419</u>

No questioned cost is presented because a total of \$138,725 is unexpired and available for commitment and expenditure under program years 2011 and 2012 as of September 30, 2013.

2. Of total HOME funds committed during fiscal year 2013, the following HOME funds were committed after the period of availability expired. A grant extension documentation was not provided.

<u>Program Year</u>	<u>Date Expired</u>	<u>Date Committed</u>	<u>IDIS Number</u>	<u>Loan Amount</u>	<u>Drawdown Amount</u>	<u>Program Year Funds Drawn</u>
2007	10/31/09	05/30/13	556	\$ 40,000	\$ -	No drawdown
2009	10/31/11	10/15/12	542	\$ 40,000	40,000	2009, 2010 entitlements; 2012 program income (PI)
2009	10/31/11	10/25/12	545	\$ 57,000	57,000	2009, 2010 entitlements; 2011, 2012 PI
2009	10/31/11	01/10/13	550	\$ 48,561	48,561	2008 and 2009 admin funds
2009	10/31/11	09/25/13	568	\$ 56,800	-	No drawdown
2010	10/31/12	04/15/13	555	\$ 57,000	57,000	2010 entitlement and 2012 PI
2010	10/31/12	06/13/13	561	\$ 57,000	-	No drawdown
2010	10/31/12	06/04/13	557	\$ 57,000	20,520	2012 PI
2010	10/31/12	06/13/13	564	\$ 57,000	-	No drawdown
2010	10/31/12	06/13/13	565	\$ 57,000	-	No drawdown
2010	10/31/12	06/13/13	566	\$ 57,000	-	No drawdown
2010	10/31/12	01/15/13	551	\$ 40,000	40,000	2010 entitlement and 2012 PI
2010	10/31/12	06/04/13	558	\$ 40,000	-	No drawdown
2010	10/31/12	06/11/13	559	\$ 40,000	-	No drawdown
2010	10/31/12	06/13/13	562	\$ 40,000	-	No drawdown
2010	10/31/12	06/13/13	563	\$ 40,000	-	No drawdown
					<u>\$ 263,081</u>	

No questioned cost is presented because a total of \$349,263 is unexpired and available for commitment and expenditure under program years 2011 and 2012 as of September 30, 2013.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-011, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.239 HOME Investment Partnerships Program
Federal Award No.: M-07-ST-690203, M-08-ST-690203, M-09-ST-690203 and M-10-ST-690203
Area: Period of Availability of Federal Funds
Questioned Costs: \$-0-

Cause: NMHC did not effectively apply controls over compliance with applicable period of availability requirements.

Effect: NMHC is in noncompliance with period of availability requirements.

Recommendation: NMHC should strengthen controls over compliance with applicable period of availability requirements. The responsible personnel should verify period of availability dates prior to committing and expending program funds. If a fund's period of availability is expired, the responsible personnel should obtain written grantor approval prior to committing or expending expired funds.

Auditee Response and Corrective Action Plan:

Name of Contact Persons:

Condition 1: Chief Accountant
Condition 2: Mortgage and Credit Division Manager

Corrective Action: The listings under the two conditions should not be a finding as spreadsheets and reports through HUD have been provided which clearly indicates that administrative fees, as well as the HOME funds have met the commitment and expenditure requirements.

As such, the Mortgage and Fiscal Division will continue to track commitment and expenditure deadlines and ensure that funds are being released appropriately.

Proposed Completion Date: Currently in effect.

Auditor Response: According to the *Notice of Significant Changes in CPD Notice 07-06*, "The HOME Program regulation, found at 24 CFR 92.2 – Definitions, fully defines the term "commitment" to mean: '(1) The participating jurisdiction has executed a legally binding agreement...; or has executed a written agreement...; or has met the requirements to commit to a specific local project....'"

We agree that the spreadsheets and reports provided to us identify committed amounts and percentages; however, based on our examination of written agreements or contracts, the commitments are dated after the respective fund's commitment deadline.

For both Conditions 1 and 2, NMHC could have and should have charged current year expenditures to unexpired program years.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-012
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.239 HOME Investment Partnerships Program
Federal Award No.: M-06-ST-690203, M-07-ST-690203, M-08-ST-690203, M-09-ST-690203,
M-10-ST-690203
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 lack of financial resources for repayment of their direct loan may have their monthly loan payments deferred for a period 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: For eight of twenty-six items tested (or 31%), totaling \$267,403 of a total population of \$3,128,259 in deferred loans receivable as of September 30, 2013, documentation of annual re-certifications performed in fiscal year 2013 could not be provided for the following:

<u>Loan No.</u>	<u>Loan Principal</u>
DHL-201	\$ 42,324
DHL-224	\$ 30,000
DHL-241	\$ 30,000
DHL-251	\$ 28,680
DHNC-451	\$ 54,400
DHNC-521	\$ 54,400
HP-524CC	\$ 2,599
PIHL-37	\$ 25,000

Cause: NMHC did not implement controls over compliance with established policies and procedures for Homeowner Rehabilitation.

Effect: NMHC is in noncompliance with established policies and procedures for Homeowner Rehabilitation.

Recommendation: NMHC should implement controls over compliance with established policies and procedures for Homeowner Rehabilitation. The responsible personnel should maintain a list of all deferment agreements, plan and schedule annual recertifications, and monitor performance of the annual recertification plan.

Prior Year Status: Failure to perform annual re-certifications of borrowers with deferment agreements was reported as a finding in the Single Audit of NMHC for fiscal year 2012.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-012, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.239 HOME Investment Partnerships Program
Federal Award No.: M-06-ST-690203, M-07-ST-690203, M-08-ST-690203, M-09-ST-690203,
M-10-ST-690203
Area: Special Tests and Provisions
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan:

Name of Contact Person: Mortgage & Credit Division Manager

Corrective Action: A spreadsheet listing discrepancies in the loan number and amounts, as well as reasons for why certain borrowers were not recertified during the period was sent to the auditor (via email) for verification and review for possible elimination of disputed findings.

To address findings pertaining to untimely recertifications, the Mortgage Division has created a monthly tracking sheet of all HOME deferred and direct loans to ensure that proper annual recertification is conducted and maintained.

Proposed Completion Date: Currently in effect.

Auditor Response: We read the referenced spreadsheet, which was not sufficient to resolve the lack of documentation for the loans cited in the Condition.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-013
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Federal Award No.: TQ901
Area: Eligibility
Questioned Costs: \$13,015

Criteria: Eligibility requirements apply, as follows:

1. 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.

2. Owners must use verification methods that are acceptable to HUD and must maintain verification documentation. The owner is responsible for determining if the verification documentation is adequate and credible. HUD accepts three methods of verification (in order of acceptability): third-party verification, review of documents, and family certification. When third-party verification is not available, owners must document efforts made to obtain the required verification and the reason if the verification was not obtained by including the following documents in the applicant's or tenant's file:
 - a. A written note to file explaining why third-party verification is not possible; or
 - b. A copy of the date-stamped original request that was sent to the third party including:
 - 1) Written notes or documentation indicating follow-up efforts to reach the third party to obtain verification; and
 - 2) A written note to file indicating that the request has been outstanding without a response from the third party.

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:

- a. Affidavit as to assets and verification of income from assets
- b. Certification of asset disposition
- c. Statement of unemployment
- d. Affidavit of zero income of adult member
- e. Affidavit of child support
- f. Zero income in-kind contribution checklist
- g. Food stamp certification
- h. Authorization for the release of information - Privacy Act Notice

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-013, Continued
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers
 Federal Award No.: TQ901
 Area: Eligibility
 Questioned Costs: \$13,015

Criteria, Continued:

3. 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.
4. To be eligible for Section 8 occupancy and housing assistance, applicants and tenants must meet the following requirements, among others:
 - a. 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.
 - b. 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 Section 214 Status* form and obtain copies of birth certificates or other acceptable evidence of citizenship and include such in file.
5. PHAs apply their occupancy standards before assigning the family to a unit. PHAs should review family size and occupancy standards prior to completing all of the required verifications so that if the property cannot accommodate the family, the PHA may immediately inform the family of its ineligibility. Additionally, PHAs also compare family composition to occupancy standards when there is a change in family size. PHAs should use the occupancy standards established for the property to determine whether the unit is still the appropriate size for the tenant.

Condition: Of sixty-seven tenant files tested, we noted the following:

1. For one tenant (or 1%), there was no evidence that the annual recertification was performed within 12 months from the previous certification effective date. No questioned cost (QC) is presented because re-certification was performed for the year.

Household No.	Period Tested	Previous Annual Certification		Current Annual Certification	
		Effective Date	Date Performed	Effective Date	Date Performed
HR0028A	10/04/12	Not in file	Not in file	10/01/12	05/21/13

2. For three tenants (or 4%), the re-certification interview sheets were either not signed or dated by the NMHC Housing Specialist. No questioned cost is presented as re-certifications were performed for the year.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-013, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Federal Award No.: TQ901
Area: Eligibility
Questioned Costs: \$13,015

Condition, Continued:

<u>Household No.</u>	<u>Period Tested</u>	<u>Effective Date of Certification per Certification/ Re-certification</u>		<u>Deficiencies Noted</u>
		<u>Interview Sheet</u>		
HO1145	12/04/12	12/01/12		Not signed by NMHC
HO1504	07/03/13	12/01/12		NMHC did not date recertification
HR0032A	04/04/13	03/01/13		Not signed by NMHC

3. For two tenants (or 3%), Form HUD 50058 was not signed by NMHC. No questioned cost is presented since recertification was performed.

<u>Household No.</u>	<u>Form HUD 50058 Effective Date</u>
HR0028A	10/01/12
HR0032A	04/04/13

4. For one tenant (or 1%), documentation such as a letter of adjustments and HAP lease amendment was not documented.

<u>Household No.</u>	<u>Form HUD 50058 Effective Date</u>	<u>Description</u>	<u>HAP Amount and QC</u>
HR0028A	10/01/12	No letter of adjustment on file; no HAP lease amendment	\$ 750

5. For six tenants (or 9%), documents supporting income and/or assets for adult members of the household could not be located, as follows:

<u>Household No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Household Member Ref. No.</u>	<u>Documents Not Found in Tenant File</u>	<u>HAP Amount and QC</u>
HO1005	07/03/13	10/01/12	Head	Notice of Disposition from NAP Office for \$369	\$ 718
HO1149	12/04/12	10/01/12	Head	Certification of asset disposition	800
HO1167A	05/03/13	10/01/12	Head	Affidavit of child support	735
HO1172	06/04/13	11/01/12	Head	Notice of Disposition from NAP Office for \$504	1,100
HO1226	03/04/13	10/01/12	Head	Affidavit of child support	1,000
HO1569	07/03/13	10/05/12	Co-head	Affidavit of child support; affidavit of zero income not signed by NMHC	724
Total					\$ <u>5,077</u>

6. For one tenant (or 1%), for which deductions claimed include allowances for dependents which are not the legal children of the household head/co-head, there was no court order (court appointed legal adoption by the court) on file approving such legal guardianship for the minors, only a general power of attorney from the biological parents.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-013, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Federal Award No.: TQ901
Area: Eligibility
Questioned Costs: \$13,015

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. No.)</u>	<u>Allowance Claimed</u>	<u>Housing Assistance Payment (HAP) Amount and QC</u>
HO1232	02/04/13	02/01/13	3	\$ 480	\$ 864

7. For one tenant (or 1%), assets were reported by applicant/tenant; however, third-party verification obtained could not be located, as follows:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Household Member No.</u>	<u>Asset Type</u>	<u>HAP Amount</u>
HO1005	07/03/13	10/01/12	3	Savings	\$ 750

No questioned cost is presented for this condition because the cost is already questioned at Condition 5 above.

8. The completed and signed *Declaration of Section 214 Status* form for one household member (or 1%) could not be located. No questioned costs result as the citizenship status was verified.

<u>Household No.</u>	<u>Form HUD 50058 Effective Date</u>	<u>Household Member No.</u>	<u>HAP Amount</u>
HR0028A	10/01/12	3	\$ 750

9. Name, social security number, and other identification of household members per Form HUD 50058 for five tenants (or 7%) do not agree with supporting documentation as follows:

<u>Household No.</u>	<u>Form HUD 50058 Effective Date</u>	<u>Household Member No.</u>	<u>Deficiencies Noted</u>	<u>HAP Amount and QC</u>
HO1064	10/01/12	6	Birth certificate shows date as 2/29/08; HUD stated 3/01/08	\$ 1,100
HO1100	04/01/13	1	Birth certificate shows date as 11/10/77; HUD stated 11/10/79	1,100
HO1349	01/01/13	6	Birth certificate shows member as female; HUD stated male	1,300
HO1559	10/01/12	9	Birth certificate per last name does not agree to Social Security	1,150
HO1569	10/05/12	1, 2	Birth certificate shows date as 07/17/64; HUD stated 07/22/64; Birth certificate shows date as 09/28/97; HUD stated 09/28/95	<u>724</u>
				\$ <u>5,374</u>

10. During verification of social security (SS) information reflected in the HUD 50058 for two tenants (or 3%), we noted inconsistencies as follows:

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-013, Continued
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers
 Federal Award No.: TQ901
 Area: Eligibility
 Questioned Costs: \$13,015

Condition, Continued:

Household No.	Form HUD 50058 Effective Date	Household Member No.	<u>Deficiencies Noted</u>	HAP Amount and QC
HO1179	01/01/13	1	Married last name does not agree with SS	\$ 950
HO1559	10/01/12	9	SS number was not entered in HUD form	<u>1,150</u>
				2,100
			Less QC already presented at Condition #9 above (HO1559)	<u>(1,150)</u>
			Total	\$ <u>950</u>

Cause: NMHC did not apply monitoring procedures over the performance, review and documentation of required certifications/re-certifications and related forms in a timely manner.

Effect: NMHC is in noncompliance with applicable eligibility requirements, and questioned costs of \$13,015 exist, as follows:

<u>Condition</u>	<u>Questioned Costs</u>
4	\$ 750
5	5,077
6	864
9	5,374
10	<u>950</u>
	<u>\$ 13,015</u>

Recommendation: NMHC should establish monitoring procedures over the performance, review, and documentation of required certifications/re-certifications and related forms in a timely manner.

Prior Year Status: The lack of adequate policies and procedures to prepare and maintain documentation supporting income and assets in the tenant file, the lack of adequate procedures to ensure tenant citizenship and social security number are verified, reconciled and maintained, the lack of adequate monitoring procedures to perform, review, document and file required certification/ re-certifications and related forms in a timely manner was reported as a finding in the Single Audits of CDA for fiscal year 2008 and NMHC for fiscal years 2009 through 2012. The lack of adequate policies and procedures to require that deductions claimed by the tenant/applicant are verified and failure to provide third party verifications was reported as a finding in the Single Audit of NMHC for fiscal year 2012.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-013, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Federal Award No.: TQ901
Area: Eligibility
Questioned Costs: \$13,015

Auditee Response and Corrective Action Plan:

Name of Contact Persons:

Condition 1: Housing Specialist, Rota Field Office Representative and PHD Manager
Conditions 2, 3 and 7: Rota Field Office Representative and PHD Manager
Conditions 4, 5 and 6: Housing Specialist and PHD Manager
Conditions 8, 9 and 10: Housing Specialist

Corrective Action:

Conditions 1 through 5: 1) Housing Specialists and Field Office Representatives shall follow standing policies and procedures; 2) Failure to subscribe to NMHC's policies and procedures will result in appropriate disciplinary actions, including termination (depending on frequency and/or seriousness of staff error); and 3) Regular monitoring of staff performance by the Program and Housing Division Manager and quality control reviews on program compliance by the Special Assistant for Housing and LIHTC programs will also be conducted.

Condition 6: Issue regarding power of attorney (POA) was discussed and resolved with auditor during initial meeting prior to the conduction of the HCVP audit activities.

Any POA that is revoked must be reported to NMHC by the household so that an interim certification can be conducted for a change in family composition. This is a requirement. The POA in question has yet to be revoked. According to the Housing Choice Voucher Guidebook (10G), a family is either a single person or a group of persons and includes a household with or without children. In addition, correspondence between HUD and NMHC, as well as research (i.e. CNMI court cases) conducted by NMHC staff, points to the acceptability of POAs. Moreover, the auditor has yet to provide the basis/documentation for their finding that only a court-appointed legal adoption would be required to claim a child for the dependency allowance for a family. Unless supporting documentation can be provided contradicting NMHC findings, this condition should be removed.

Condition 9: For HO1559, HUD PIC system did not accept SS# of HHM #9, therefore, an AID Number was assigned to HHM #9 at the time so that he may be housed in the unit.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-013, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Federal Award No.: TQ901
Area: Eligibility
Questioned Costs: \$13,015

Auditee Response and Corrective Action Plan, Continued:

Corrective Action, Continued:

Condition 9, Continued: SS information in the EIV system is updated every three months in accordance with a schedule. HHM #9 SSN was resolved in 07/06/12, which will not be processed by HUD and EIV until August 1, 2012 since HUD begins the computer matching process with the SSA on the 1st of the month. According to PIH.RHIIP.TA Message #2011-52 (distributed on September 6, 2011), when NMHC uses the PIC Tenant Management tool to convert the alternate identification number to a SSN, EIV will copy this new PIC information and flag the household member for inclusion in HUD's next monthly SSA computer matching process.

The monthly matching schedule for NMHC is January, April, July and October; therefore, the HHM #9 SSN would not be reflected in the HUD form 50058 until October 2012. 10/01/12 certification was conducted in 09/04/12.

Conditions 7, 8 and 10: 1) Housing Specialists and Field Office Representatives shall follow standing policies and procedures; 2) Failure to subscribe to NMHC's policies and procedures will result in appropriate disciplinary actions, including termination (depending on frequency and/or seriousness of staff error); and 3) Regular monitoring of staff performance by the Program and Housing Division Manager and quality control reviews on program compliance by the Special Assistant for Housing and LIHTC programs will also be conducted.

Proposed Completion Date: Policies and procedures are in place; therefore, responsible staff is expected to adhere to them immediately.

Auditor Response:

Condition 6: Based on our reading of the Housing Choice Voucher Guidebook (the Guidebook) and of correspondence between HUD and NMHC, we agree that NMHC has discretion in its definition of what constitutes a family. According to Chapter 5 of the Guidebook, "The PHA is responsible for defining family in its administrative plan. A PHA must include the HUD guidelines listed...in its definition." Also, in an email, HUD suggested, "...NMHC could come up with a policy in its Section 8 Administrative Plan that describes under what conditions it will / will not allow minor children to reside in the unit until the required guardianship document is obtained." However, we have not been provided an administrative plan that defines the acceptance of a POA document.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-013, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Federal Award No.: TQ901
Area: Eligibility
Questioned Costs: \$13,015

Auditor Response, Continued:

Condition 6, Continued: Furthermore, in NMHC's correspondence with HUD in December 2013, NMHC stated, "NMHC will seek the advice of our legal counsel on the matter (power-of-attorney)-as you suggested." However, we have not been provided the opinion of legal counsel.

Condition 9: For HO1559, a copy of the social security card was obtained since July 25, 2011. Therefore, the issue regarding the household member's invalid social security number based on SSA numbering should have been addressed with the Social Security Administration since 2011 so that the correct social security number will be reported on the next recertification date. In addition, the issue of the tenant's social security number was resolved as of July 6, 2012; however, the Alternate ID number was still used during the 10/01/12 re-certification.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-014
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers
 Federal Award No.: TQ901
 Area: Special Tests and Provisions – Housing Quality Standards Inspections
 Questioned Costs: \$750

Criteria: In accordance with applicable special tests and provisions requirements, the 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, the PHA must prepare a unit inspection report.

Condition: For six (or 9%) of sixty-seven items tested for HQS inspections, the following were noted:

1. For one tenant (or 1%), the previous inspection report could not be located; thus, we could not verify if the current inspection report was performed within twelve months. Furthermore, the NMHC inspector did not complete the inspection results section in the inspection checklist form or in the deficiency report for the following:

<u>Household No.</u>	<u>Period Tested</u>	<u>HQS Inspection Performed During FY 2013</u>	<u>Questioned Costs</u>
HR0032A	04/04/13	09/30/13	\$ 750

2. For four tenants (or 6%), the HQS inspection decision on the unit was “Failed;” however, the results were not included in the inspection log/sheet report. No questioned costs result since the HQS deficiencies were corrected

<u>Household No.</u>	<u>Period Tested</u>	<u>HQS Inspection Performed During FY 2013</u>
HO1064	10/04/12	02/28/13
HO1121	01/03/13	03/05/13
HO1130	08/02/13	10/04/12
HO1145	12/04/12	10/25/12

Cause: NMHC lacks systematic controls over filing HQS inspection reports and monitoring HQS inspections for timely performance.

Effect: NMHC is in noncompliance with applicable special tests and provisions requirements regarding HQS inspections. Questioned costs of \$750 are presented at this finding. Although actual questioned costs are below \$10,000, the projected questioned cost exceeds the threshold; therefore, this finding is considered reportable.

Recommendation: NMHC should establish and implement controls over compliance with applicable special tests and provisions requirements. The responsible personnel should monitor the annual performance and documentation of HQS inspections.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2013

Finding No.: 2013-014, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Federal Award No.: TQ901
Area: Special Tests and Provisions – Housing Quality Standards Inspections
Questioned Costs: \$750

Prior Year Status: The lack of systematic controls over filing HQS inspection reports and monitoring HQS inspections for timely performance was reported as a finding in the Single Audits of CDA for fiscal years 2007 and 2008 and NMHC for fiscal years 2009 through 2012.

Auditee Response and Corrective Action Plan:

Name of Contact Persons:

Condition 1: Rota Field Office Representative
Condition 2: HQS Inspector

Corrective Action: Housing Specialists and Field Office Representatives shall follow standing policies and procedures. Failure to abide by NMHC's policies and procedures will result in appropriate disciplinary actions, including termination (depending on frequency and/or seriousness of staff error) and regular monitoring of staff performance by the Program and Housing Division Manager and quality control reviews on program compliance by the Special Assistant for Housing and LIHTC programs will also be conducted.

Proposed Completion Date: Policies and procedures are in place; therefore, responsible staff is expected to adhere to them immediately.

NORTHERN MARIANAS HOUSING CORPORATION

Unresolved Prior Year Findings and Questioned Costs
Year Ended September 30, 2013

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, 2013:

Questioned costs as previously reported:

Fiscal year 2012	\$ 144,006
Fiscal year 2011	59,297
Fiscal year 2010	571,388
Fiscal years 2009 and prior	981,977

Less questioned costs resolved in fiscal year 2013:

Questioned costs of fiscal year 2004 Single Audit (a)	(13,406)
Questioned costs of fiscal year 2007 Single Audit (a)	(1,211)
Questioned costs of fiscal year 2008 Single Audit (a)	(185,812)
Questioned costs of fiscal year 2009 Single Audit (a)	(420,346)
Questioned costs of fiscal year 2010 Single Audit (a)	(271,430)
Questioned costs resolved per HUD letter dated May 28, 2014:	
Fiscal year 2008 Single Audit	(156,372)
Fiscal year 2009 Single Audit	(204,830)
Fiscal year 2010 Single Audit	(8,859)
	<u>(291,099)</u>

203,303

Questioned costs of fiscal year 2013 Single Audit 42,216

Unresolved questioned costs at September 30, 2013 \$ 245,519

- (a) OMB Circular A-133, Section .315(b)(4) - questioned costs are treated as resolved as NMHC considers these findings are no longer valid as 1) two years have passed since the audit report in which the findings occurred was submitted to the Federal Audit Clearinghouse, 2) HUD is not currently following up on the questioned costs, and 3) a management decision was not issued by HUD.

Unresolved Findings

The status of unresolved findings is discussed in the Schedule of Findings and Questioned Costs section of this report.



NORTHERN MARIANAS HOUSING CORPORATION

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINANCIAL STATEMENT FINDINGS

- Finding No. 2011-01 - Not corrected. See corrective action plan to Finding No. 2013-001.
- Finding No. 2011-03 - Not corrected. See corrective action plan to Finding No. 2013-002.
- Finding No. 2011-04 - Not corrected. See corrective action plan to Finding No. 2013-003.
- Finding No. 2011-06 - Corrective action was taken. See corrective action plan to Finding No. 2012-04.

- Finding No. 2012-01 - Not corrected. See corrective action plan to Finding No. 2013-001.
- Finding No. 2012-02 - Not corrected. See corrective action plan to Finding No. 2013-002.
- Finding No. 2012-03 - Not corrected. See corrective action plan to Finding No. 2013-003.
- Finding No. 2012-04 - Corrective action was taken.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- Finding No. 2011-07 - Corrective action was taken. See corrective action plan to Finding No. 2012-14.
- Finding No. 2011-08 - Corrective action was taken. See corrective action plan to Finding No. 2012-05.
- Finding No. 2011-09 - Corrective action was taken. See corrective action plan to Finding No. 2012-06.
- Finding No. 2011-10 - Corrective action was taken. See corrective action plan to Finding No. 2012-07.
- Finding No. 2011-11 - Corrective action was taken. See corrective action plan to Finding No. 2012-08.
- Finding No. 2011-12 - Corrective action was taken. See corrective action plan to Finding No. 2012-09.
- Finding No. 2011-13 - Corrective action was taken. See corrective action plan to Finding No. 2012-10.
- Finding No. 2011-14 - Corrective action was taken. See corrective action plan to Finding No. 2012-11.
- Finding No. 2011-15 - Not corrected. See corrective action plan to Finding No. 2013-005.
- Finding No. 2011-16 - Not corrected. See corrective action plan to Finding No. 2013-006.
- Finding No. 2011-18 - Corrective action was taken. See corrective action plan to Finding No. 2012-16.
- Finding No. 2011-36 - Corrective action was taken. See corrective action plan to Finding No. 2012-30.
- Finding No. 2011-37 - Not corrected. See corrective action plan to Finding No. 2013-013.
- Finding No. 2011-38 - Not corrected. See corrective action plan to Finding No. 2013-013.
- Finding No. 2011-39 - Not corrected. See corrective action plan to Finding No. 2013-013.
- Finding No. 2011-40 - Corrective action was taken. See corrective action plan to Finding No. 2012-34.
- Finding No. 2011-42 - Not corrected. See corrective action plan to Finding No. 2013-014.

- Finding No. 2012-05 - Corrective action was taken.
- Finding No. 2012-06 - Corrective action was taken.
- Finding No. 2012-07 - Corrective action was taken.
- Finding No. 2012-08 - Corrective action was taken.
- Finding No. 2012-09 - Corrective action was taken.
- Finding No. 2012-10 - Corrective action was taken.
- Finding No. 2012-11 - Corrective action was taken.
- Finding No. 2012-12 - Corrective action was taken.
- Finding No. 2012-13 - Not corrected. See corrective action plan to Finding No. 2013-005.
- Finding No. 2012-14 - Corrective action was taken.
- Finding No. 2012-15 - Not corrected. See corrective action plan to Finding No. 2013-006.
- Finding No. 2012-16 - Corrective action was taken.
- Finding No. 2012-17 - Not corrected. See corrective action plan to Finding No. 2013-007.
- Finding No. 2012-18 - Corrective action was taken.
- Finding No. 2012-19 - Not corrected. See corrective action plan to Finding No. 2013-008.
- Finding No. 2012-20 - Corrective action was taken.
- Finding No. 2012-21 - Corrective action was taken.
- Finding No. 2012-22 - Corrective action was taken.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, CONTINUED

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, CONTINUED

- Finding No. 2012-23 - Corrective action was taken.
- Finding No. 2012-24 - Corrective action was taken.
- Finding No. 2012-25 - Corrective action was taken.
- Finding No. 2012-26 - Corrective action was taken.
- Finding No. 2012-27 - Corrective action was taken.
- Finding No. 2012-28 - Not corrected. See corrective action plan to Finding No. 2013-012.
- Finding No. 2012-29 - Corrective action was taken.
- Finding No. 2012-30 - Corrective action was taken.
- Finding No. 2012-31 - Not corrected. See corrective action plan to Finding No. 2013-013.
- Finding No. 2012-32 - Not corrected. See corrective action plan to Finding No. 2013-013.
- Finding No. 2012-33 - Not corrected. See corrective action plan to Finding No. 2013-013.
- Finding No. 2012-34 - Corrective action was taken.
- Finding No. 2012-35 - Not corrected. See corrective action plan to Finding No. 2013-013.
- Finding No. 2012-36 - Not corrected. See corrective action plan to Finding No. 2013-013.
- Finding No. 2012-37 - Not corrected. See corrective action plan to Finding No. 2013-014.

Finding No.	CFDA No.	Program Name	Questioned Costs
Questioned costs of fiscal year 2004 Single Audit:			
2004-3	14.225	Community Development Block Grant	\$ <u>13,406</u>
Questioned costs of fiscal year 2007 Single Audit:			
2007-9	14.871	Section 8 Housing Choice Vouchers	<u>1,211</u>
Questioned costs of fiscal year 2008 Single Audit:			
2008-6	14.871	Section 8 Housing Choice Vouchers	5,682
2008-7	14.182	Section 8 New Construction and Substantial Rehabilitation	52,677
2008-8	14.182	Section 8 New Construction and Substantial Rehabilitation	2,661
2008-9	14.871	Section 8 Housing Choice Vouchers	29,864
2008-12	14.182	Section 8 New Construction and Substantial Rehabilitation	<u>94,928</u>
			<u>185,812</u>
Questioned costs of fiscal year 2009 Single Audit:			
2009-4	14.182	Section 8 New Construction and Substantial Rehabilitation	8,130
2009-5	14.182	Section 8 New Construction and Substantial Rehabilitation	8,879
2009-6	14.182	Section 8 New Construction and Substantial Rehabilitation	12,869
2009-7	14.182	Section 8 New Construction and Substantial Rehabilitation	904
2009-8	14.182	Section 8 New Construction and Substantial Rehabilitation	6,228
2009-9	14.182	Section 8 New Construction and Substantial Rehabilitation	1,710
2009-10	14.182	Section 8 New Construction and Substantial Rehabilitation	1,108
2009-11	14.182	Section 8 New Construction and Substantial Rehabilitation	775
2009-15	14.182	Section 8 New Construction and Substantial Rehabilitation	131,450
2009-23	14.871	Section 8 Housing Choice Vouchers	8,494
2009-24	14.871	Section 8 Housing Choice Vouchers	43,442
2009-25	14.871	Section 8 Housing Choice Vouchers	9,291
2009-26	14.871	Section 8 Housing Choice Vouchers	15,530
2009-27	14.871	Section 8 Housing Choice Vouchers	8,142
2009-28	14.871	Section 8 Housing Choice Vouchers	11,213
2009-29	14.871	Section 8 Housing Choice Vouchers	3,380
2009-30	14.871	Section 8 Housing Choice Vouchers	656
2009-32	14.871	Section 8 Housing Choice Vouchers	5,738
2009-33	14.871	Section 8 Housing Choice Vouchers	5,650
2009-34	14.871	Section 8 Housing Choice Vouchers	<u>136,757</u>
			<u>420,346</u>

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, CONTINUED

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, CONTINUED

Finding No.	CFDA No.	Program Name	Questioned Costs
Questioned costs of fiscal year 2010 Single Audit:			
2010-5	14.195	Lower Income Housing Assistance Program_Section 8 New Construction/Substantial Rehabilitation	60,178
2010-6	14.195	Lower Income Housing Assistance Program_Section 8 New Construction/Substantial Rehabilitation	63,593
2010-7	14.195	Lower Income Housing Assistance Program_Section 8 New Construction/Substantial Rehabilitation	26,613
2010-8	14.195	Lower Income Housing Assistance Program_Section 8 New Construction/Substantial Rehabilitation	43,612
2010-11	14.195	Lower Income Housing Assistance Program_Section 8 New Construction/Substantial Rehabilitation	9,072
2010-26	14.871	Section 8 Housing Choice Vouchers	42,369
2010-27	14.871	Section 8 Housing Choice Vouchers	1,774
2010-28	14.871	Section 8 Housing Choice Vouchers	10,316
2010-29	14.871	Section 8 Housing Choice Vouchers	13,321
2010-30	14.871	Section 8 Housing Choice Vouchers	<u>582</u>
			<u>271,430</u>
			\$ <u>892,205</u>

The above questioned costs are considered resolved as 1) two years have passed since the audit report in which the findings occurred was submitted to the Federal Audit Clearinghouse, 2) HUD is not currently following up on the questioned costs, and 3) a management decision was not issued by HUD.