

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

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2019

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 financial statements of Northern Marianas Housing Corporation (NMHC), a division of Commonwealth Development Authority, which comprise the statement of net position as of September 30, 2019, and the related statements of revenues, expenses, and changes in net position, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2020. Our report was qualified due to our inability to determine the effects of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* on NMHC's financial statements.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003 and 2019-005 that we consider to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003 and 2019-005.

NMHC's Response to Findings

NMHC's response to the findings identified in our audit is 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 the financial statements and, accordingly, we express no opinion on it.

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 results 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.

A handwritten signature in black ink that reads "Deloitte & Touche LLC".

September 30, 2020

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 THE UNIFORM GUIDANCE

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 Compliance Supplement* that could have a direct and material effect on each of NMHC's major federal programs for the year ended September 30, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 qualified 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 2019-001, and 2019-003 through 2019-008 in the accompanying Schedule of Findings and Questioned Costs, NMHC did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2019-001	14.195	Section 8 Housing Assistance Payments Program	Eligibility
2019-003	14.225	Community Development Block Grants/Special Purpose Grants/Insular Area	Equipment and Real Property Management
2019-004	14.225	Community Development Block Grants/Special Purpose Grants/Insular Area	Reporting
2019-005	14.239	HOME Investment Partnerships Program	Eligibility
2019-006	14.871	Section 8 Housing Choice Vouchers Program	Allowable Costs/Cost Principles
2019-007	14.871	Section 8 Housing Choice Vouchers Program	Eligibility
2019-008	14.871	Section 8 Housing Choice Vouchers Program	Special Tests and Provisions – Rolling Forward Equity Balances

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, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

NMHC's response to the noncompliance findings identified in our audit is 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 response.

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 the Uniform Guidance, 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 have not been identified. However, as discussed below, we did identify 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 a combination of deficiencies, in internal control over compliance, such that there is a 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 2019-001, and 2019-003 through 2019-008 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 item 2019-002 to be significant deficiencies.

NMHC's response to the internal control over compliance findings identified in our audit is 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 response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of NMHC as of and for the year ended September 30, 2019, and have issued our report thereon dated September 30, 2020, which contained a qualified opinion on those financial statements due to our inability to determine the effects of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* on NMHC's financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 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 financial statements or to the 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 Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

September 30, 2020

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Expenditures of Federal Awards Year Ended September 30, 2019

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development Direct Programs			
Section 8 Project-Based Cluster:			
Section 8 Housing Assistance Payments Program	14.195	\$ -	\$ 1,272,062
Total Section 8 Project-Based Cluster		-	1,272,062
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Special Purpose Grants/Insular Area	14.225	778,520	971,886
Total CDBG - Entitlement Grants Cluster		778,520	971,886
Emergency Solutions Grant Program	14.231	-	97,220
HOME Investment Partnerships Program	14.239	-	7,199,945
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871	-	3,181,407
Total Housing Voucher Cluster		-	3,181,407
<i>Total U.S. Department of Housing and Urban Development</i>		<u>778,520</u>	<u>12,722,520</u>
Total Expenditures of Federal Awards		<u>\$ 778,520</u>	<u>\$ 12,722,520</u>
Reconciliation of Statement of Revenues, Expenses and Changes in Net Position to expenditures:			
Operating expenses:			
Section 8 rental			\$ 2,482,947
HOME Investment Partnership Program Grant			430,659
CDBG Program			971,886
ESG Program			97,220
HOME Investment Partnerships Program loans included in loans receivable			6,769,286
Section 8 HAP expenditures included in operations			<u>1,970,522</u>
Federal award expenditures per above			<u>\$ 12,722,520</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, 2019

(1) Scope of Review

Northern Marianas Housing Corporation (NMHC), a division of Commonwealth Development Authority (CDA), was established to develop and administer low-cost residential housing in the Commonwealth of the Northern Mariana Islands (CNMI). All operations of NMHC are included in the scope of the Single Audit. The U.S. Department of Housing and Urban Development is NMHC's oversight agency for the Single Audit.

(2) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of NMHC under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of NMHC, it is not intended to and does not present the financial position, changes in net position or cash flows of NMHC.

(3) Summary of Significant Accounting Policies

a. Basis of Accounting

For purposes of this report, certain accounting procedures were followed, which help illustrate the expenditures of the individual programs. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Disbursements made to subrecipients related to grant agreements are reported as expenditures.

b. Subgrantees

Certain program funds are passed through NMHC to subrecipient organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subrecipients 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; Emergency Solutions Grant Program; HOME Investment Partnerships Program; - NMHC received these funds in a direct capacity in fiscal year 2019; NMHC administers the funds and is responsible for compliance with laws and regulations. NMHC was designated administrator of Commonwealth Development Block Grants - Disaster Recovery; however, no funding was received or presented within the Schedule of Expenditures of Federal Awards in Fiscal Year 2019.

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.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2019

(3) Summary of Significant Accounting Policies, Continued

d. Indirect Costs

NMHC does not have an indirect cost negotiation agreement and does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance. NMHC developed allocations for indirect costs to programs, which was fully implemented in fiscal year 2019. NMHC developed estimates and allocable costs in compliance with the Uniform Guidance and Code of Federal Regulations §200.404 *Reasonable Costs*, and §200.405 *Allocable Costs*.

(4) Loan Funds

NMHC, on behalf of the CNMI, has been designated the responsibility of implementing and carrying out the objectives of the HOME program. The purpose of the program is to provide no-cost or low-cost financing assistance to very low and low-income families. Under NMHC's policies and procedures, HOME loan applicants that have been determined to be eligible for financial assistance are required to comply with the terms of the homeowner rehabilitation assistance including the NMHC affordability period and principal residency requirements. Balances and transactions relating to the HOME program are included in NMHC's financial statements. Loans made during the year and the balances of loans from previous years for which the federal government imposes continuing compliance requirements are included in the federal expenditures presented in the Schedule. As of September 30, 2019, the HOME Program expenditures include \$430,659 in current year disbursements and \$6,769,286 in outstanding HOME loans from previous years with continuing compliance requirements. The balance of HOME Investment Partnerships grant loans outstanding and recorded by NMHC at September 30, 2019 is \$7,128,695, of which \$6,733,196 have continuing compliance requirements.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs Year Ended September 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|---|---------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Qualified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | Yes |
| 3. Significant deficiency(ies) identified? | None reported |
| 4. Noncompliance material to financial statements noted? | Yes |

Federal Awards

- | | |
|---|-----------|
| Internal control over major federal programs: | |
| 5. Material weakness(es) identified? | Yes |
| 6. Significant deficiency(ies) identified? | Yes |
| 7. Type of auditors' report issued on compliance for major federal programs: | Qualified |
| 8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 9. Identification of major federal programs: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Section 8 Project-Based Cluster:
14.195	Section 8 Housing Assistance Payments Program
	CDBG - Entitlement Grants Cluster:
14.225	Community Development Block Grants/Special Purpose Grants/Insular Area
14.239	HOME Investment Partnerships Program
	Housing Voucher Cluster:
14.871	Section 8 Housing Choice Vouchers

- | | |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs: | \$750,000 |
| 11. Auditee qualified as low-risk auditee? | No |

SECTION II - FINANCIAL STATEMENT FINDINGS

<u>Reference Number</u>	<u>Finding</u>
2019-003	Equipment and Real Property Management
2019-005	Eligibility

NORTHERN MARIANAS HOUSING CORPORATION
Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<u>Reference Number</u>	<u>CDFA Numbers</u>	<u>Finding</u>	<u>Questioned Costs</u>
2019-001	14.195	Eligibility	\$ 6,224
2019-002	14.195	Special Tests and Provisions - Housing Quality Standards	7,120
2019-003	14.225	Equipment and Real Property Management	-
2019-004	14.225	Reporting	-
2019-005	14.239	Eligibility	60,923
2019-006	14.871	Allowable Costs/Cost Principles	149
2019-007	14.871	Eligibility	74,632
2019-008	14.871	Special Tests and Provisions - Equity Balances	-
			<u>\$ 149,048</u>

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-001
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
 Area: Eligibility
 Questioned Costs: \$6,224

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

Condition: Of forty tenant files tested, aggregating \$37,602 of a total population of \$1,272,062, we noted deficiencies. Any resulting questioned cost is based on the monthly HAP amount and the number of months certified during fiscal year 2019.

1. For one (or 2%) under Section 8 number TQ100011005, the statement of unemployment, affidavit of zero income, affidavit as to assets, and assets disposition were on file, but the forms were not filled in, with no indication as to whether the forms are applicable to the tenant.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>HAP Calculation</u>	<u>Questioned Costs</u>
M18	09/01/19	02/01/19	\$ 778 x 8 months	\$ 6,224

2. For one (or 2%) under Section 8 number TQ100006004, the affidavit as to assets was not notarized.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>HAP Calculation</u>	<u>Questioned Costs</u>
R25	07/31/19	11/19/18	\$ 1,165 x 11 months	\$ -

No questioned costs result as the tenant did not exceed the income limit threshold.

3. For one (or 2%) under Section 8 number TQ100006004, the income reported by the applicant/tenant was not included in Form HUD 50059.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Income Type</u>	<u>Income Per Form HUD 50049</u>	<u>Income Per Third Party Verification</u>	<u>Questioned Costs</u>
R25	07/31/19	11/19/18	In-kind support	\$ -	\$ 600	\$ -

No questioned costs result as the tenant did not exceed the income limit threshold on a recalculation including the income.

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

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-001, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
Area: Eligibility
Questioned Costs: \$6,224

Effect: NMHC is in noncompliance with applicable eligibility requirements, and questioned costs of \$6,224 exist, as the projected questioned cost exceeds the threshold.

Recommendation: NMHC should strengthen controls over compliance with applicable eligibility requirements by having a checklist and reviewing it against the tenant files to ascertain that all required forms and information were completed and filed accordingly.

Identification as a Repeat Finding: Finding No. 2018-002

Views of Responsible Officials:

NMHC's Corrective Action Plan provides responses with details that appear consistent with the conditions and provides planned corrective actions.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-002
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
 Area: Special Tests and Provisions - Housing Quality Standards
 Questioned Costs: \$7,120

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. 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 forty tenant files tested, aggregating \$37,602 of a total population of \$1,272,062, we noted the following deficiencies, resulting in questioned costs based on the monthly HAP amount and the number of months certified during fiscal year 2019:

1. For one (or 2%) under Section 8 number TQ100011005, the inspector did not indicate overall housing quality inspection results in the inspection form. We are unable to determine whether NMHC complied with the housing quality standards, whether any repairs are required and whether actions were taken by NMHC to address any deficiencies.

<u>Unit No.</u>	<u>Date of Inspection</u>	<u>Type of Inspection</u>	<u>HAP Amount</u>	<u>Questioned Costs</u>
M18	12/13/18	Annual	\$ 778 x 1 month	\$ 778

2. For one (or 2%) under Section 8 number TQ100005004, NMHC inspector reports for the following unit did not indicate if the deficiencies pertain to the tenant or NMHC or both. Further, the work order did not indicate whether tenant deficiencies were corrected and charged.

<u>Unit No.</u>	<u>Certification Effective Date</u>	<u>Date of Inspection</u>	<u>Date of Completion</u>	<u>HAP Amount</u>	<u>Questioned Costs</u>
R16	04/10/19	04/10/19	Not Stated	\$ 1,057 x 6 months	\$ 6,342

Cause: NMHC did not effectively apply recordkeeping 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 \$7,120 exist.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$ 778
2	<u>6,342</u>
	<u>\$ 7,120</u>

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-002, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
Area: Special Tests and Provisions - Housing Quality Standards
Questioned Costs: \$7,120

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

Identification as a Repeat Finding: Finding No. 2018-003

Views of Responsible Officials:

NMHC's Corrective Action Plan provides responses with details that appear consistent with the conditions and provides planned corrective actions, including corrected Work Orders.

Auditor Response:

Corrections were made to the Work Orders in response to the audit findings and provided after fieldwork.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-003
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 Nos.: B-08-ST69-0001
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

Criteria: In accordance with applicable equipment and real property management requirements, a State must use, manage and dispose of equipment acquired under a Federal award in accordance with State laws and procedures. Specifically, 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 equipment management, 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, among other data elements;
2. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property; and
3. The grantee must establish and implement property management controls over the transfer of properties to subrecipients.

Condition:

1. A reconciliation was not performed between NMHC's records (\$26,995) and the Fiscal Division's records (\$406,995), resulting in a variance of \$380,000.
2. One asset with a description of Valley Inn property in the Fiscal Division's records costing \$380,000 is missing in the master listing.
3. Inventory performed for four subrecipients indicated discrepancies in the count for one subrecipient. Information was provided that NMHC has followed up with the subrecipient as to resolution of the discrepancies, but no response was provided by the subrecipients.

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

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 costs are presented due to our inability to assess the cumulative dollar amount of the deficiencies.

<u>Fiscal Year</u>	<u>Total Capital Outlay</u>
2019	\$ 643,167
2018	\$ 625,873
2017	\$ 1,337,281
2016	\$ 164,000
2015	\$ 938,301

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-003, 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 Nos.: B-08-ST69-0001
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

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

Views of Responsible Officials:

NMHC's Corrective Action Plan states agreement and provides planned corrective actions.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-004
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 Nos.: B-08-ST69-0001
Area: Reporting
Questioned Costs: \$-0-

Criteria: In accordance with applicable reporting requirements, each recipient that administers covered public and Indian housing assistance, regardless of the amount expended, and each recipient that administers covered housing and community development assistance in excess of \$200,000 in a program year, must submit HUD 60002 information using the automated Section 3 Performance Evaluation and Registry System (SPEARS).

Condition: Form HUD 60002 Section 3 Summary Report covering fiscal year ended September 30, 2019 for grant award no. B-18-ST-69-0001 was not prepared and submitted to HUD.

Cause: NMHC did not effectively monitor its submission requirement for Form HUD 60002 Section 3 Summary Report.

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

Recommendation: NMHC should adhere to Form HUD 60002 Section 3 Summary Report compliance requirements.

Views of Responsible Officials:

NMHC's Corrective Action Plan states agreement and provides planned corrective actions.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-005
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.239 HOME Investment Partnerships Program
 Federal Award Nos.: M04ST690203, M09ST690203, M11ST690203, M12ST690203, M13ST690203, M14ST690203 and M18ST690203
 Area: Eligibility
 Questioned Costs: \$60,923

Criteria: In accordance with applicable eligibility requirements, existing borrowers must satisfy annual requirements, and initial applicants must be qualified homebuyers or homeowners in order to receive HOME funds. For homeownership housing projects imposing recapture/resale restrictions, records must be retained for five years after the affordability period terminates.

Annual Requirements:

1. Upon completion of the HOME assisted project and during the term of the loan, the homebuyer shall be required to maintain, at personal expense, property insurance on the mortgaged property for fire, earthquake, typhoon, and flood damage covering the replacement value of all properties at a minimum equal to the loan amount.
2. All HOME-assisted borrowers, regardless of the type of assistance provided, shall be recertified annually to demonstrate compliance with the affordability restrictions.

Application Requirements:

3. NMHC must perform income eligibility prior to providing HOME loan assistance and must use verification methods that are acceptable to HUD. Verification must be made in writing, from a reliable third party, including verification of birth, unemployment status, monthly income, social security income, and tax compliance. Such verifications shall be considered valid for a period of ninety calendar days from the date the verification was completed for loans executed prior to July 23, 2009 or one hundred eighty calendar days for loans executed on or after July 23, 2009. In addition, prior to verification, NMHC shall obtain written authorization from the applicant through the HOME Eligibility Release form or Authorization to Release Information form.

Condition: Of twenty-one loan files tested for compliance with annual requirements, we noted deficiencies, as enumerated below. Questioned costs, if any, are based on outstanding loan balances as of September 30, 2019 for loan files that lack sufficient documentation to demonstrate compliance with Federal requirements and therefore, might no longer satisfy conditions to continue as a Federal investment.

1. For one (or 5%), the homeowner's property insurance coverage was either not on file or not timely obtained.

<u>Loan Number</u>	<u>Date of Loan Agreement</u>	<u>Date of Certificate of Occupancy</u>	<u>Effective Date of Recent Insurance Policy on File</u>	<u>Date Recent Insurance Policy Was Obtained</u>	<u>Outstanding Loan and Questioned Costs</u>
DHR-368	03/25/10	08/16/10	Not on file	Not on file	\$ 20,000

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-005, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.239 HOME Investment Partnerships Program
Federal Award Nos.: M04ST690203, M09ST690203, M11ST690203, M12ST690203, M13ST690203, M14ST690203 and M18ST690203
Area: Eligibility
Questioned Costs: \$60,923

Condition, Continued:

2. For two (or 10%), the homeowner's property insurance coverage was timely obtained; however, the property was partially insured.

<u>Loan Number</u>	<u>Date of Loan Agreement</u>	<u>Loan Amount</u>	<u>Outstanding Loan</u>	<u>Insurance Coverage Limit</u>	<u>Uninsured Loan and Questioned Costs</u>
HR-499	01/27/12	\$ 40,000	\$ 12,895	\$ 20,000	\$ -
HNC-655	10/11/18	\$ 77,650	\$ 77,149	\$ 67,928	\$ 9,221

No questioned costs are presented for HR-499 as the insurance coverage limit was higher than the outstanding loan balance.

3. For two (or 10%), annual recertifications were either not performed or not timely performed during fiscal year 2019.

<u>Loan Number</u>	<u>Date of Loan Agreement</u>	<u>Date of Annual Recertification</u>	<u>Date of Annual Recertification</u>	<u>Outstanding Loan and Questioned Costs</u>
HR-532	11/09/12	08/10/18	10/18/19	\$ -
HP-605	12/01/14	04/09/18	01/10/20	\$ -

No questioned costs are presented as annual recertifications were subsequently performed.

4. For two (or 10%), the signed affidavit of principal residence signed by the borrower was not on file.

<u>Loan Number</u>	<u>Date of Loan Agreement</u>	<u>Date of Annual Recertification Field Visit</u>
DHR-368	03/25/10	07/03/19 and 12/18/19
DHL-186	09/08/05	01/14/20

No questioned cost is presented for DHR-368 as the amount is questioned at Condition 1 and in accordance with the loan agreement for DHL-186, the loan mortgage should have been released upon the death of the last surviving borrower which was on August 29, 2018.

Of twenty-one loan files tested for compliance with application requirements, we noted the following:

5. For one (or 5%), documentation supporting eligibility was not on file for loan number HL-190 (07/13/05; date of loan agreement). The outstanding loan and questioned costs are \$31,702.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-005, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.239 HOME Investment Partnerships Program
Federal Award Nos.: M04ST690203, M09ST690203, M11ST690203, M12ST690203,
M13ST690203, M14ST690203 and M18ST690203
Area: Eligibility
Questioned Costs: \$60,923

Condition, Continued:

- a. Authorization to Release Information and Statement of Unemployment forms for audit household member no. 2 were not on file.
- b. Copies of birth certificates or equivalent for household member nos. 3 and 4 were not on file, therefore, we were not able to determine whether the household members are required to complete and sign the Authorization to Release Information and the Statement of Unemployment forms. In addition, birth certificates or equivalent acceptable documentation should be obtained to determine adult household members whose income must be included in the household's gross income and to verify allowances claimed for dependents deducted from gross income to determine adjusted income.
- c. Third-party income verifications from the Social Security Administration (SSA) for all four household members were not on file.

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 exist, as follows:

<u>Condition</u>	<u>Questioned Costs</u>
1	\$ 20,000
2	9,221
5	<u>31,702</u>
	\$ <u>60,923</u>

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

Identification as a Repeat Finding: Finding No. 2018-004

Views of Responsible Officials:

NMHC's Corrective Action Plan provides responses with details that either concur or dispute the conditions and provides planned corrective actions. NMHC concurs with Conditions 1, 2, 3, and 5, but requests removal of questioned costs. NMHC disputes Condition 4 for the reason that field visits were conducted.

Auditor Response:

Condition 4: Documentation resulting from the field visits do not sufficiently substantiate principal residency.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-006
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Allowance Costs/Cost Principles
Questioned Costs: \$149

Criteria: In accordance with applicable allowable costs/cost principles requirements, costs must be adequately documented in order to be allowable under Federal awards.

Condition: Of seven payroll expenditures tested, aggregating \$196 of a total population of \$425,055, we noted the following deficiencies:

1. Amounts charged to the Program differed from cost allocations based on the approved timesheet.

<u>GL Date</u>	<u>Batch ID</u>	<u>Document Number</u>	<u>GL Account Number</u>	<u>Amount that Should Be Charged to the Program</u>	<u>Amount Charged to the Program</u>	<u>Questioned Costs</u>
01/23/19	49296	0020022174	TSV.50350	\$ 2	\$ 14	\$ 12
11/28/18	48850	0001003627	S8V.50112	\$ 25	\$ 161	<u>136</u>
						\$ <u>148</u>

2. The approved annual leave form was not on file. The amount charged to the Program was based on the percentage of hours spent by the employees on the Program's activities.

<u>GL Date</u>	<u>Batch ID</u>	<u>Document Number</u>	<u>GL Account Number</u>	<u>Annual Leave Hours</u>	<u>Amount Charged to the Program</u>	<u>Questioned Costs</u>
11/28/18	48850	D000558300	S8V.50111	5 hours	\$ 1	\$ 1

Cause: NMHC did not enforce recordkeeping controls in accordance with applicable allowable costs/cost principles requirements.

Effect: NMHC is in noncompliance with allowable costs/cost principles requirements. The projected questioned cost exceeds \$25,000, and known questioned costs of \$149 exist.

Recommendation: NMHC should strengthen controls over compliance with applicable allowable costs/cost principles requirements.

Views of Responsible Officials:

NMHC's Corrective Action Plan states agreement and provides corrective actions.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-007
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers
 Area: Eligibility
 Questioned Costs: \$74,632

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

1. Only accept information verified and dated 60 days preceding the actual receipt of the aforesaid documents which is normally received when the certification/recertification procedure is performed and/or preceding the issuance of voucher. Information exceeding 60 days must be updated and re-verified.
2. Use the Enterprise Income Verification (EIV) System to obtain verification of employment, gross wages, unemployment compensation and social security benefits. For new admissions, the EIV Income Report is used to confirm/validate family reported income within 120 days of the PIC submission date. A copy of the EIV Income Report is required to be maintained in the tenant file.
3. Verify six current employment check stubs of all members in family who are employed.
4. The amount of federal assistance paid on behalf of a family is calculated using the family's annual income less allowable deductions. Owners must verify all deductions claimed by the tenant/applicant to determine the level of federal assistance.

Condition: Of forty tenant files tested, aggregating \$32,865 of a total population of \$2,676,754, we noted deficiencies. Resulting questioned costs are based on the monthly HAP amount and number of months certified during fiscal year 2019.

1. For five (or 13%), dates of affidavits and/or third party verifications supporting family income and/or the EIV reports exceeded the 60 days preceding the certification/recertification dates and/or preceding the voucher issuance dates.

Unit No.	Period Tested	Certification Effective Date	Type of Action	Date Certification Performed	Voucher Issue Date	Third Party Verification Date	HAP Amount	Questioned Costs
H01309	02/04/19	10/01/18	Interim	09/13/18	03/13/14	06/07/18 and 06/08/18	\$ 980	\$ 11,760
H01844	03/04/19	02/01/19	New	02/01/19	12/26/18	05/16/18 and 05/23/18	\$ 455	3,640
H01797	12/04/18	05/14/18	New	05/14/18	05/31/18	11/26/17 and 01/22/18	\$ 824	9,888
H01853	04/04/19	10/22/18	New	10/22/18	08/17/18	04/20/18, 05/03/18, 05/18/18, 05/31/18, 06/15/18, 06/29/18, 07/09/18 and 07/12/18	\$ 530	6,360
H01315	08/02/19	09/01/18	Annual	08/31/18	07/17/18	06/11/18	\$ 533	<u>6,396</u>
								<u>\$ 38,044</u>

Outdated third party verification documents include affidavit of child support, notarized in-kind monetary contribution and the EIV summary and income report for H01309; affidavit of child support for H01844; social security benefits, affidavits of zero income and child support and statement of unemployment for H01797; affidavits of zero income and child support, employment verification, pay stubs, statement of unemployment for H01853; and the EIV summary and income report for H01315.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-007, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Eligibility
Questioned Costs: \$74,632

Condition, Continued:

2. For six (or 15%), the EIV income reports are not on file.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective Date</u>	<u>Type of Action</u>	<u>PIC Submission Date</u>	<u>Date EIV Performed</u>	<u>Deficiency</u>	<u>HAP Amount</u>	<u>Questioned Costs</u>
H01350	11/07/18	02/01/18	Annual	09/27/18	12/07/17	Income report for household #7 not on file	\$ 806	\$ 9,672
H01066	01/04/19	02/01/18	Annual	09/27/18	11/17/17	Income report for household #6 not on file	\$ 720	8,640
H01844	03/04/19	02/01/19	New	02/20/19	06/19/19	Income report not on file	\$ 455	-
H01797	12/04/18	05/14/18	New	05/30/18	06/12/18	Income report not on file	\$ 824	-
H01806	04/04/19	04/01/19	Interim	04/26/19	03/27/19	Income report for household #2 not on file	\$ 600	3,600
H01853	04/04/19	10/22/18	New	11/06/18	01/31/19	Income report not on file	\$ 530	-
								<u>\$ 21,912</u>

No questioned costs are presented for H01844, H01797 and H01853 as amounts are questioned at Condition 1.

3. For one (or 3%), the potential household income per NMHC does not agree with third party verifications on file, which resulted in an excess amount of \$4 in monthly HAP amount.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective Date</u>	<u>Type of Action</u>	<u>Potential Household Income Per NMHC</u>	<u>Potential Household Income Per Third Party Verification</u>	<u>Questioned Costs</u>
H01670	04/04/19	05/01/18	Annual	\$ 17,308	\$ 17,486	\$ 48

4. For four (or 10%), only current employment check stubs were used to determine family income.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective Date</u>	<u>Type of Action</u>	<u>HAP Amount</u>	<u>Questioned Costs</u>
H01350	11/07/18	02/01/18	Annual	\$ 806	\$ -
H01670	04/04/19	05/01/18	Annual	\$ 543	-
H01086	05/03/19	06/01/18	Annual	\$ 787	9,444
H01326	10/04/18	09/01/18	Annual	\$ 422	<u>5,064</u>
					<u>\$ 14,508</u>

No questioned costs are presented for H01350 and H01670 as amounts are questioned at Conditions 2 and 3, respectively.

5. For one (or 3%), deductions claimed include allowances for four dependents, of which two were not verifiable as to whether they are the biological children of the head of household.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-007, Continued
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers
 Area: Eligibility
 Questioned Costs: \$74,632

Condition, Continued:

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Type of Action</u>	Unverifiable Dependents Claimed (Household Member Ref. No.)	<u>Allowance Claimed</u>	<u>HAP Amount</u>
H01175	10/04/18	01/01/18	Annual	2 and 3	\$ 1,920	\$ 1,080

No questioned cost is presented as the monthly HAP amount remained the same even if the two unverifiable dependents were excluded from the allowance deduction calculation.

6. For one (or 3%), the effective utility allowance for a two-bedroom unit at the time recertification was performed was \$113; however, \$123 was reported on form HUD 50058, resulting in an overage in monthly utility reimbursement of \$10.

<u>Unit No.</u>	<u>Period Tested</u>	<u>Certification Effective</u>	<u>Type of Action</u>	<u>Date Certification Performed</u>	<u>Excess Monthly Utility Reimbursement Amount</u>	<u>Questioned Costs</u>
H01329	10/04/18	01/01/18	Annual	10/30/17	\$ 10	\$ 120

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 exist, as follows:

<u>Condition</u>	<u>Questioned Costs</u>
1	\$ 38,044
2	21,912
3	48
4	14,508
6	<u>120</u>
	\$ <u>74,632</u>

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

Identification as a Repeat Finding: Finding No. 2018-007

Views of Responsible Officials:

NMHC's Corrective Action Plan states agreement and provides planned corrective actions.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2019

Finding No.: 2019-008
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Voucher
Area: Special Tests and Provisions - Rolling Forward Equity Balances
Questioned Costs: \$-0-

Criteria: The PHA is required to maintain complete and accurate HAP and Administrative Fee equity balances. In addition, the Annual Contributions Contract (ACC) requires the PHA to properly account for program activity. Proper accounting requires that (1) account balances are properly maintained, (2) records and accounting transactions support a proper roll-forward of equity, and (3) errors are corrected as detected.

Condition: NMHC rolling forward equity balances agree with prior year ending balances, however, grant revenues and expenditures at September 30, 2019 were not reconciled, resulting in an unreconciled amount of \$135,382 and \$139,575 in HAP and Administrative Fee equity account balances, respectively. No questioned cost is presented as the amounts were subsequently corrected by NMHC through a proposed audit adjustment.

Cause: NMHC lacks controls over monitoring and reconciling grant revenues and expenditures account balances, as well as HAP and Administrative equity account balances.

Effect: There is a potential misstatement of grant revenues and expenses, as well as of HAP and Administrative Fee equity account balances and transactions.

Recommendation: NMHC should timely monitor, review and reconcile revenues and expenditures transactions, as well as the HAP and Administrative Fee equity account balances. NMHC may wish to consider a system of recording grant revenue at the time the expense is incurred.

Views of Responsible Officials:

NMHC's Corrective Action Plan states agreement and provides planned corrective actions.



NORTHERN MARIANAS HOUSING CORPORATION

P.O. BOX 500514, Saipan, MP 96950-0514

Email: nmhc@nmhc.gov.mp

Website: <http://www.nmhc.gov.net>



Finding 2019-001

Name of Contact Person: David T. Chargualaf, Manager, Program and Housing Division; Melinda Babauta, Housing Specialist IV

Condition #1: For one (or 2%) under Section number TQ100011005, the statement of unemployment, affidavit of zero income, affidavit as to assets, and assets disposition were on file, but the forms were not filled, with no indication as to whether the forms are applicable to the tenant.

Response: The certification form was filled out by the tenant but tenant did not indicate applicable or not applicable. Tenant did initial forms that it was filled out.

Corrective Action: The Certification form will be revised to remove the applicable or not applicable. Basically, tenant will initial fill in blanks and initial certification forms.

Proposed Completion Date: Revise forms will take effect September 2020

Condition #2: For one (or 2%) under section 8 number TQ100006004, the affidavit as to assets was not notarized.

Response: Finding remains. Field Office Representative (FOR) oversight. The document was not stamped and notarized. FOR must review all certification documents before finalizing.

Corrective Action Plan: FOR must review document before finalizing. Special Assistant will assist in quality check of completed documents.

Proposed Completion Date: Immediately

Condition #3: For one (or 2%) under section 8 number TQ100006004, the income reported by the applicant/tenant was not included in Form HUD 50059.

Response: Finding remains. Field Office Representative (FOR) determined that the 50059 was accurate that the In-Kind contribution was not inputted by FOR into the HUD form 50059. The required documents are in file for reference and the tenant did submit the In-Kind Contribution verification. FOR will review and certify all submitted documents and input into ORC Portal.

Corrective Action Plan: FOR must review document before finalizing. Special Assistant will assist in quality check of completed documents.

Proposed Completion Date: Immediately

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Rota Field Office: Tel. (670) 532-9410
Fax. (670) 532-9441

Tinian Field Office: Tel. (671) 433-9213
Fax. (670) 433-3690

Finding 2019-002

Name of Contact Person: David T. Chargualaf, Manager, Program and Housing Division

Condition #1: For one (or 2%) under Section 8 number TQ100011005, the inspector did not indicate overall housing quality inspection results in the inspection form. We are unable to determine whether NMHC complied with the housing quality standards, whether any repairs are required and whether actions were taken by NMHC to address any deficiencies.

Response: Attached are the copies of the Annual Inspection Report indicating the corrections made of audit findings on the inspection form. NMHC complied with the Housing Quality Standards, and took action on all the inspection findings. It was addressed on December 10, 2018 as shown in the attached work order (WO005705).

Corrective Action: NMHC Asset Management Division will now assign the AMD Administrative Assistant to review all the inspection forms before submitting to the Housing Specialist to avoid overlooking any data needed in the Annual Inspection Report.

Proposed Completion Date: Immediately

Condition #2: For one (or 2%) under the Section 8 number TQ 100005004, NMHC inspector reports for the following unit did not indicate if the deficiencies pertain to the tenant or NMHC or both. Further, the work order did not indicate whether tenant deficiencies were corrected and charged.

Response: See attached completed Work Order No. W0005956 for R16. Inspection Report in file. During the Move-in inspection on April 10, 2019 the refrigerator was not getting cold. Field Office Representative cited on the inspection report. A loaner was provided until the refrigerator was completed. The repair was completed on April 15, 2019 and was returned back to the unit R16.

Corrective Action Plan: Field Office Representative must confirm that all appliances are in working order before any new tenant moves-in. Further documentation that any worker must be completed and filed.

Finding 2019-003

Name of Contact Person: Jacob Muna, Office Manager; Roger A. Dris, Acting CFO

Auditee Response: Agree

Corrective Action Plan: Effective immediately, NMHC will ensure the following: 1) inventory records' reconciliations are completed timely 2) Inventory Master Listing in the Fiscal Division reflects all assets and 3) Subrecipient monitoring, specifically related to Federally-funded inventory, is strengthened.

Proposed Completion Date: Immediately

Finding 2019-004

Name of Contact Person: Jacob Muna, Office Manager

Auditee Response: Agree

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Corrective Action Plan: NMHC Oversight. Effective immediately, NMHC will submit the form HUD 60002 Section 3 Summary Report on a timely basis.

Proposed Completion Date: Immediately

Finding 2019-005

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

Auditee Response:

Condition #1: For one (or 5%), the homeowner's property insurance was either not in file or not timely obtained.

* DHR-368 Concur with this finding, however we request for removal of questioned costs; MCD concurs that homeowner's property insurance was not procured by client, however MCD did not disregard this monitoring of requirement, and performed such, by affording opportunities to client with numerous notices and field visits (attached.)

Corrective Action: Account to be referred for collection. Other accounts with the same lack of cooperation will be referred to collection attorney.

Condition #2: For two (or 10%), the homeowners' property insurance coverage was timely obtained, however the property was partially insured.

*HP-499 -Concur with this finding, however immediate corrective action was taken and full insurance coverage was obtained.

*HNC-655-Concur with this finding, however request for removal of questioned costs;

MCD concurs that there was an oversight in the initial insurance coverage amounts, and are working with client and insurance company to obtain full coverage.

Corrective Action: Insurance information is included in MCD annual recertification monitoring to ensure that there is no future oversight in coverage.

Condition #3: For two (or 10%), the annual re-certifications were either not performed or were not timely performed during fiscal year 2019.

*HR-532 Concur with this finding. Not timely recertification

*HR-605 Concur with this finding. Not timely recertification

Corrective Action: MCD shall be proactive in conducting field visits prior to annual recertification deadline, "if the required completed form has not been provided".

Condition #4: For two (or 10%), the signed affidavit of principal residence signed by the borrower and copies of utility/phone bills were not in file.

*DHR-368 Dispute. Field visit was conducted and utilities/phones bills no longer required.

*DHR-186 Dispute. Field visit was conducted and utilities/phones bills no longer required.

And account will be forwarded for collection as noted in condition #1

Policy & Procedures Homeowner Section §100-10-2-215 (e) 1-3 Homebuyer §100-10-1.201 1-3 (attached)

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Condition #5: For one (or 5%), documentation supporting eligibility was not on the file for loan number HL-190 (07/13/05; date of loan agreement). The outstanding loan and questioned costs are \$31,702.

*HL-190 Concur with this finding, however request to remove questioned costs.

Upon file review, we concur that the required document was not in file or not obtained for the specified household member(s) at the time of their loan assistance in 2005. MCD will not be able to revert to complete forms for these accounts, however ensures that such forms will be completed for all loan applications, accordingly.

Corrective Action: MCD has done corrective measures to ensure that such forms are obtained for all loan applications, accordingly. Request to remove questioned costs.

Proposed Completion Date: Immediately

Finding No. 2019-006

Name of Contact Person: Roger Dris, Chief Accountant and Acting Chief Financial Officer

Auditee Response: NMHC agrees to the findings for condition 1 and 2, however NMHC corrected the allocation application based on the employee timesheet and post to the Winten2 payroll system before processing the payroll every pay period. Accordingly, NMHC payroll accountant corrected the payroll processing procedures within the Fiscal Year 2019.

Corrective Action: Further action not deemed necessary since effects to correct the error within the Fiscal year 2019.

Proposed Completion Date: From January 2019 to September 30, 2019 of FY 2019.

Finding 2019-007

Name of Contact Person: David T. Chargualaf, Manager, Program and Housing Division

Condition #1: For five (or 13%), dates of affidavits and/or third-party verifications supporting family income and/or the EIV reports exceeded the 60 days preceding the certification/recertification dates and/or preceding the voucher issuance dates.

Response: Finding remains. NMHC was cited in 2018 Audit for not having the EIV Summary report. NMHC immediately implemented to print all EIV summary and place in file. The EIV Income printout was not cited in 2018 Audit. NMHC is now cited for no print out of EIV income in file.

Corrective Action: The Housing Specialists and Field Office Representative must review all outdated third-party verification documents which include affidavit of child support, notarized in-kind monetary contribution and the EIV summary and income reports. All documents that exceed 60 days must be updated for any certification/recertification or voucher issuance. EIV summary and income report will be printed out and place in file.

Proposed Completion Date: Immediately

Condition #2: For six (or 15%), the EIV income reports are not on file.

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Response: Finding remains. NMHC will make an effort that all EIV summary and income reports must be in file.

Corrective Action Plan: The Housing Specialists and Field Office Representative must print the EIV summary and income reports and place in file.

Proposed Completion Date: Immediately

Condition #3: For on (or 3%), the potential household income per NMHC does not agree with the third-party verifications on file, which resulted in an excess amount of \$4 in monthly HAP amount.

Response: Finding remains. All income must be verified which includes third party verifications.

Corrective Action Plan: Housing Specialists and Field Office Representative must review and verified all third party verifications before finalizing. Special Assistant for Program and Housing will assist in quality check/control of completed documents.

Proposed Completion Date: Immediately

Condition #4: For four (or 10%), only current employment check stubs were used to determine family income.

Response: Finding remains. Housing Specialist oversight must use all reported income to determine total family income. All income must be verified which includes third party verifications.

Corrective Action: The Housing Specialists and Field Office Representative must review and use all reported income to determine total family income. Employment verifications, affidavit of child support, notarized in-kind monetary contribution and check stubs will be use to verify all income.

Proposed Completion Date: Immediately

Condition #5: For one (or 3%), deductions claimed included allowances for four dependents, of which two were not verifiable as to whether they are the biological children of the head of household

Response: Finding remains. This tenant was in the program before any of the housing specialists were employed. There is discrepancy with the name on the birth certificate and social security on the spelling. Tenant had been informed to make corrections or administrative action will be taken.

Corrective Action Plan: NMHC had been practicing that all minor children must have a legal document from the courts or through birth certificate. The tenant will be informed that corrections must be made in order to continue in the program.

Proposed Completion Date: Immediately

Condition #6: For one (or 3%), the effective utility allowance for a two-bedroom unit at the time recertification was performed was \$113; however, \$123 was reported on form HUD 50058, resulting in an overage in monthly utility reimbursement of \$10.

Response: Finding remains. Input was an oversight from the housing specialist.

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Corrective Action Plan: Housing Specialists and Field Office Representative must review and verify all inputted information before finalizing. Special Assistant for Program and Housing will assist in quality check/control of completed documents. PHD Manager will review the 50058 and utility allowance used.

Proposed Completion Date: Immediately

Finding No. 2019-008

Name of Contact Person: Roger Dris, Chief Accountant and Acting Chief Financial Officer

Auditee Response: Agree

Corrective Action: NMHC will timely monitor, review and reconcile revenues and expenditures transactions, as well as the HAP and Administrative Fee equity account balances before closing of the fiscal year. NMHC will record grant revenue at the time the expense is incurred.

Proposed Completion Date: Immediately

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Rota Field Office: Tel. (670) 532-9410
Fax. (670) 532-9441

Tinian Field Office: Tel. (671) 433-9213
Fax. (670) 433-3690