



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

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2020

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, 2020, 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 April 6, 2022. 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) as a basis for designing 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 item 2020-005 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 financial statements. 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 item 2020-005.

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.

Deloitte & Touche LLC

April 6, 2022

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, 2020. 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 and unmodified opinions on compliance for major federal programs. 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 2020-001 and 2020-004 through 2020-009 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 Name</i> | <i>Compliance Requirement</i> |
|-------------------------|----------------------|--|--|
| 2020-001 | 14.195 | Section 8 Housing Assistance Payments Program | Eligibility |
| 2020-004 | 14.225 | Community Development Block Grant/Special Purpose Grants/Insular Areas | Reporting |
| 2020-005 | 14.239 | Home Investment Partnerships Program | Eligibility |
| 2020-006 | 14.871 | Section 8 Housing Choice Vouchers Program | Allowable Costs/Cost Principles |
| 2020-007 | 14.871 | Section 8 Housing Choice Vouchers Program | Eligibility |
| 2020-008 | 14.871 | Section 8 Housing Choice Vouchers Program | Reporting (HUD-52681-B, Voucher for Payment of Annual Contributions and Operating Statement) |
| 2020-009 | 14.871 | Section 8 Housing Choice Vouchers Program | Reporting (Financial Assessment Sub-system, FASS-PH) |

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, 2020.

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 items 2020-002 and 2020-003. 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 2020-001 and 2020-004 through 2020-009 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 2020-002 and 2020-003 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, 2020, and have issued our report thereon dated April 6, 2022, 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 LLC

April 6, 2022

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

| 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 | \$ - | \$ 1,371,555 |
| Total Section 8 Project-Based Cluster | | - | 1,371,555 |
| CDBG - Entitlement Grants Cluster: | | | |
| Community Development Block Grants/Special Purpose Grants/Insular Areas | 14.225 | 1,238,123 | 1,430,914 |
| COVID-19 Community Development Block Grants/Special Purpose Grants/ Insular Areas | 14.225 | 87,869 | 87,869 |
| Total CDBG - Entitlement Grants Cluster | | 1,325,992 | 1,518,783 |
| Emergency Solutions Grant Program | 14.231 | - | 82,432 |
| COVID-19 Emergency Solutions Grant Program | 14.231 | - | 4,062 |
| HOME Investment Partnerships Program | 14.239 | - | 6,903,974 |
| Continuum of Care Program | 14.267 | - | 3,478 |
| Housing Voucher Cluster: | | | |
| Section 8 Housing Choice Vouchers | 14.871 | - | 3,367,822 |
| Total Housing Voucher Cluster | | - | 3,367,822 |
| <i>Total U.S. Department of Housing and Urban Development</i> | | <u>1,325,992</u> | <u>13,252,106</u> |
| Total Expenditures of Federal Awards | | <u>\$ 1,325,992</u> | <u>\$ 13,252,106</u> |
| Reconciliation of Statement of Revenues, Expenses and Changes in Net Position to expenditures: | | | |
| Operating expenses: | | | |
| HOME Investment Partnership Program Grant | | | \$ 107,243 |
| CDBG Program | | | 1,518,783 |
| ESG Program | | | 86,494 |
| Continuum of Care Program | | | 3,478 |
| HOME Investment Partnerships Program loans included in loans receivable | | | 6,796,731 |
| Section 8 HAP expenditures included in operations | | | 4,739,377 |
| Federal award expenditures per above | | | <u>\$ 13,252,106</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, 2020

(1) Scope of Review

Northern Marianas Housing Corporation (NMHC), a division of the Commonwealth Development Authority (CDA), formerly the Mariana Islands Housing Authority (MIHA), was established to assist in the development and administration of low-cost residential housing in the Northern Mariana Islands. On September 24, 2020, the Governor of the CNMI signed Executive Order 2020-21 to rescind Section 407 of Executive Order 94-3, pertaining to the functions of NMHC and its assignment to CDA and allowing for NMHC to remain the successor agency to MIHA pursuant to Public Law 20-87. The operations of NMHC shall continue under the direction and control of the CDA Board of Directors until all positions of the NMHC Board of Directors are appointed and confirmed. 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, 2020. 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; Continuum of Care; HOME Investment Partnerships Program; - NMHC received these funds in a direct capacity in fiscal year 2020; 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 2020.

NORTHERN MARIANAS HOUSING CORPORATION

Notes to Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2020

(3) Summary of Significant Accounting Policies, Continued

c. Funds Received, Continued

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 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 2020. 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, 2020, the HOME Program expenditures include \$107,243 in current year disbursements and \$6,796,731 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, 2020 is \$7,027,659 of which \$6,990,789 have continuing compliance requirements.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

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 Areas |
| 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> |
|-------------------------|----------------|
| 2020-005 | Eligibility |

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

| <u>Reference Number</u> | <u>CDFA Numbers</u> | <u>Finding</u> | <u>Questioned Costs</u> |
|-------------------------|---------------------|--|-------------------------|
| 2020-001 | 14.195 | Eligibility | \$ 14,947 |
| 2020-002 | 14.195 | Special Tests and Provisions (Utility Analysis) | - |
| 2020-003 | 14.195 | Special Tests and Provisions (Housing Quality Standards) | 10,152 |
| 2020-004 | 14.225 | Reporting | - |
| 2020-005 | 14.239 | Eligibility | 338,177 |
| 2020-006 | 14.871 | Allowable Costs/Cost Principles | - |
| 2020-007 | 14.871 | Eligibility | 59,429 |
| 2020-008 | 14.871 | Reporting (HUD-52681-B, Voucher for Payment of Annual Contributions and Operating Statement) | - |
| 2020-009 | 14.871 | Reporting (Financial Assessment Sub-system, FASS-PH) | - |
| | | | <u>\$ 422,705</u> |

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-001
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.195 Section 8 Housing Assistance Payments Program
Area: Eligibility
Questioned Costs: \$14,947

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 \$41,957 of a total population of \$1,371,555, we noted deficiencies. Any resulting questioned cost is based on the monthly HAP amount and the number of months certified during fiscal year 2020.

- For one (or 2%) under Section 8 number TQ100016004, the recertification/certification interview sheet was signed by the tenant, but was not dated.

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Certification Effective</u> | <u>HAP Calculation</u> | <u>Questioned Costs</u> |
|-----------------|----------------------|--------------------------------|------------------------|-------------------------|
| K04 | 01/01/20 | 01/01/20 | \$ 994 x 9 months | \$ 8,946 |

- For one (or 2%) under Section 8 number TQ100006004, the fraud affidavit, the statement of unemployment, the affidavit of child support, the affidavit of zero income, the affidavit as to assets and assets disposition were not on file.

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Member No.</u> | <u>HAP</u> |
|-----------------|----------------------|-------------------|------------|
| R17 | 05/01/20 | 11 | \$ 1,197 |

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

- For one (or 2%) under Section 8 number TQ100011001, the following tenant reported other income. No third-party verification documentation was on file. Further, documentation for why a third-party verification was not possible or documentation indicating that efforts were made to obtain third-party verification was not evident.

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Household Member No.</u> | <u>Other Income Reported (Monthly Income)</u> |
|-----------------|----------------------|-----------------------------|---|
| T20 | 05/01/20 | Head | \$ 200 |

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

- For one (or 2%) under Section 8 number TQ100011001, the Housing Specialist notarized an affidavit of support; however, the document was not dated.

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Certification Effective</u> | <u>Amount Notarized</u> |
|-----------------|----------------------|--------------------------------|-------------------------|
| T20 | 08/01/20 | 07/01/20 | \$ 200 |

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-001, 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: \$14,947

Condition, Continued:

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

5. For one (or 2%) under Section 8 number TQ100016004, income from assets reported in the Form HUD 50059 did not agree to the third-party verification, as follows:

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Income Per Form HUD 50059</u> | <u>Income Per Third-Party Verification</u> |
|-----------------|----------------------|----------------------------------|--|
| K08 | 06/01/20 | \$ 56 | \$ 41 |

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

6. For eleven (or 27%) under Section 8 numbers TQ100011005, TQ100011001 and TQ100016004, the affidavit as to assets was not notarized.

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Certification Effective Date</u> | <u>Member #</u> | <u>HAP Calculation</u> | <u>Questioned Costs</u> |
|-----------------|----------------------|-------------------------------------|-----------------|------------------------|-------------------------|
| M30 | 01/01/20 | 01/01/20 | 1, 2 and 3 | \$ 748 x 9 months | \$ 6,732 |
| T19 | 04/01/20 | 04/01/20 | 1 | \$ 923 x 6 months | \$ 5,538 |
| K08 | 06/01/20 | 06/01/20 | 1, 2 and 3 | \$ 1,028 x 4 months | \$ 4,112 |
| K20 | 07/01/20 | 07/01/20 | 8 | \$ 1,136 x 3 months | \$ 3,408 |
| K20 | 08/01/20 | 08/01/20 | 8 | \$ 1,203 x 2 months | \$ 2,406 |
| T19 | 06/01/20 | 06/01/20 | 1 | \$ 1,330 x 3 months | \$ 3,990 |
| K03 | 09/01/20 | 09/01/20 | 1 | \$ 1,178 x 1 month | \$ 1,178 |
| K11 | 08/01/20 | 08/01/20 | 1, 2, 6 and 7 | \$ 1,191 x 2 months | \$ 2,382 |
| K04 | 01/01/20 | 01/01/20 | 1, 2 and 4 | \$ 994 x 9 months | \$ 8,946 |
| M15 | 09/01/20 | 09/01/20 | 1 and 2 | \$ 1,152 x 1 month | \$ 1,152 |
| M08 | 08/01/20 | 08/01/20 | 1 and 2 | \$ 1,024 x 2 months | \$ 2,048 |

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

7. For one (or 2%) (Unit No. K16) under Section 8 number TQ100016004, the income reported per HUD-50059 of \$5,100 did not agree to income on file of \$5,200, resulting in excess HAP payment and tenant rent of \$2.

| | <u>Certification Effective</u> | <u>Form HUD 50059/ Tenant Rent</u> | <u>Form HUD 50059/ Tenant Rent Should Be</u> | <u>HAP Calculation</u> | <u>Questioned Costs</u> |
|-------------|--------------------------------|------------------------------------|--|------------------------|-------------------------|
| HAP payment | 06/01/20 | \$ 1,159 | \$ 1,157 | \$ 2 x 4 months | \$ 8 |
| Tenant rent | 06/01/20 | \$ (110) | \$ (108) | \$ 2 x 4 months | <u>8</u> |
| | | | | | \$ <u>16</u> |

8. For three (or 7%) under Section 8 number TQ100006004 and TQ100016004, the verification of citizenship status of a household member indicated in Form HUD 50059 noted inconsistencies in the name and gender to the supporting document (birth certificate).

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-001, 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: \$14,947

Condition, Continued:

| <u>Unit No.</u> | <u>Certification Effective</u> | <u>Member #</u> | <u>Inconsistent Information</u> | <u>HAP Calculation</u> | <u>Questioned Costs</u> |
|-----------------|--------------------------------|-----------------|---------------------------------|------------------------|-------------------------|
| R17 | 05/01/20 | 1 and 9 | First name; gender | \$ 1,197 x 5 months | \$ 5,985 |
| K25 | 07/01/20 | 2 | First name | \$ 1,191 x 3 months | \$ - |
| K25 | 03/01/20 | 2 | First name | \$ 1,191 x 7 months | \$ - |

No questioned cost is presented for K25 as the error was corrected during field work.

Cause: NMHC did not effectively apply controls over compliance with applicable eligibility requirements, did not obtain third-party verifications or document instances when third-party verifications could be obtained.

Effect: NMHC is in noncompliance with applicable eligibility requirements and questioned costs of \$14,947 exist, as the projected questioned costs exceed the threshold.

| <u>Condition</u> | <u>Questioned Costs</u> |
|------------------|-------------------------|
| 1 | \$ 8,946 |
| 7 | 16 |
| 8 | <u>5,985</u> |
| | \$ <u>14,947</u> |

Identification as a Repeat Finding: Finding No. 2019-001

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.

Views of Responsible Officials:

NMHC's Corrective Action Plan describes affirmations and corrective actions.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-002
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 (Utility Analysis)
Questioned Costs: \$-0-

Criteria: Owners must make changes to the utility allowances effective the same date as the rent effective date for the annual analysis submitted at the time of the rent adjustment. In cases where the utility analysis is completed mid-year due to a 10% or greater rate increase, the effective date of the utility allowance must be the first day of the first month following approval by HUD or the Contract Administrator.

Condition: NMHC did not complete the utility analysis schedule for FY 2020 within a reasonable period before the family's next reexamination. The analysis was submitted to the grantor in May 2021 which resulted in untimely gross rent changes affecting all projects.

Cause: The COVID-19 pandemic and the unresponsiveness by the utility company in submitting the tenant utility rates contributed to the delay in the completion of the analysis.

Effect: NMHC is in noncompliance with applicable special tests and provisions requirements for utility analysis. No questioned costs are presented as we are unable to determine the extent of noncompliance.

Recommendation: NMHC should strengthen controls over compliance with applicable special tests and provisions requirements for utility analysis by completing the analysis early on in the year. Responsible personnel should monitor timeliness and completion of the utility analysis so that the gross rent changes will not be affected.

Views of Responsible Officials:

NMHC's Corrective Action Plan describes affirmations and corrective actions.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-003
 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: \$10,152

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.

Condition: Of forty tenant files tested, aggregating \$40,041 of a total population of \$1,371,555, we noted the following deficiencies, resulting in questioned costs based on the monthly HAP amount and the number of months certified during fiscal year 2020:

- For one (or 2%) under Section 8 number TQ10-0011-001, the NMHC inspector report for the following unit did not indicate deficiencies on the unit. Instead, it referred to work order (WO) # 006261. Further, the WO had a start date of 10/15/19, or seventeen days before the actual inspection date of the unit on 11/01/19. During fieldwork, we were provided a “Note to File” which stated that the repairs were not completed prior to annual inspection of 11/01/19, and that instead of duplicating the repairs needed, the Housing Specialist referred to the WO on the annual inspection work. Annual inspection of the unit did not occur.

| <u>Unit No.</u> | <u>Certification Effective Date</u> | <u>Date of Inspection</u> | <u>Work Order Start Date</u> | <u>HAP Amount</u> | <u>Questioned Costs</u> |
|-----------------|-------------------------------------|---------------------------|------------------------------|-------------------|-------------------------|
| T12 | 04/01/20 | 11/01/19 | 10/15/19 | \$ 769 x 6 months | \$ 4,614 |

- For one (or 2%) under Section 8 number TQ10-0011-001, the NMHC inspector report for the following unit did not indicate deficiencies on the unit. Instead, it referred to work order (WO) # 005677. Further, the WO had a start date of 11/09/18, or five and a half months prior to the actual inspection of the unit on 04/25/19. During fieldwork, we were provided a “Note to File” which stated that the WO was issued due to damages sustained by Typhoon Yutu. Annual inspection of the unit did not occur.

| <u>Unit No.</u> | <u>Certification Effective Date</u> | <u>Date of Inspection</u> | <u>Work Order Start Date</u> | <u>HAP Amount</u> | <u>Questioned Costs</u> |
|-----------------|-------------------------------------|---------------------------|------------------------------|-------------------|-------------------------|
| T19 | 04/01/20 | 04/25/19 | 11/09/18 | \$ 923 x 6 months | \$ 5,538 |

Cause: NMHC did not properly perform annual inspections on the units.

Effect: NMHC is in noncompliance with applicable special tests and provisions requirements for housing quality standards, and questioned costs of \$10,152 exist.

| <u>Condition</u> | <u>Questioned Costs</u> |
|------------------|-------------------------|
| 1 | \$ 4,614 |
| 2 | <u>5,538</u> |
| | \$ <u>10,152</u> |

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-003, 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: \$10,152

Identification as a Repeat Finding: Finding No. 2019-002

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

Views of Responsible Officials:

NMHC's Corrective Action Plan describes affirmations and corrective actions.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-004
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.225 Community Development Block Grants/Special Purpose
Grants/Insular Areas
Federal Award Nos.: B-17-ST69-0001 and B-19-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).

Further, if the recipient (or its covered contractors, subcontractors and subrecipients) did not hire any new employees during the reporting period, and/or if no covered construction or non-construction contracts were awarded, the recipient must indicate this in Part III of form HUD-60002 and certify that this information is true and accurate by penalty of law.

Condition:

1. Part III, Summary of Efforts, was left blank of the Section 3 Summary Report and not certified for grant award no. B-19-ST-69-0001 for contract no. 683101-OC. Additionally, Part II, Contracting Opportunities, at Block 1, Item D was also not completed.
2. Form HUD 60002 Section 3 Summary Report for grant award no. B-17-ST-69-0001 for contract no. 675782-OC 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.

Identification as a Repeat Finding: Finding No. 2019-004

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

Views of Responsible Officials:

NMHC's Corrective Action Plan describes affirmations and corrective actions.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-005
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.239 HOME Investment Partnerships Program
Federal Award Nos.: M02ST690203, M03ST690203, M04ST690203, M05ST690203,
M06ST690203, M07ST690203, M08ST690203, M09ST690203,
M10ST690203, M11ST690203, M12ST690203, M14ST690203,
M15ST690203 and M16ST690203
Area: Eligibility
Questioned Costs: \$338,177

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.
3. All existing borrowers whose loans have been partially or entirely deferred prior to or on December 31, 2007, shall cease to be recertified for financial and eligibility requirement purposes. This provision shall apply and be made effective after each borrower(s) has/have been recertified for his/her/their last annual recertification due date and completed prior to or on July 28, 2018; and shall therefore be considered the last and final financial and eligibility recertification.

Application Requirements:

4. 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, income from assets 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.
5. NMHC must determine an applicant's credit worthiness and repayment ability. NMHC shall request and obtain a written credit report from a recognized credit bureau. Poor repayment of credit obligations shall be considered a credit risk and shall be a reason for denial of assistance.
6. All approved applicants must attend a counseling session that will be provided by NMHC. The counseling session shall coincide with the day that NMHC issues a Commitment Letter to the applicant. Failure to attend a counseling session is grounds for denial of the assistance.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-005, Continued
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.239 HOME Investment Partnerships Program
 Federal Award Nos.: M02ST690203, M03ST690203, M04ST690203, M05ST690203,
 M06ST690203, M07ST690203, M08ST690203, M09ST690203,
 M10ST690203, M11ST690203, M12ST690203, M14ST690203,
 M15ST690203 and M16ST690203
 Area: Eligibility
 Questioned Costs: \$338,177

Criteria, Continued:

- HOME rehabilitation activities to be undertaken by NMHC are subject to the environmental review requirements at 24 CFR Part 58. Environmental review and assessment forms must be documented in the Environmental Review Record as evidence of compliance before HOME funds are committed to a specific project site.

Condition: Of twenty loan files tested for compliance with annual requirements, aggregating \$802,754 of a total population of \$6,444,232, we noted deficiencies, as enumerated below. Questioned costs, if any, are based on outstanding loan balances as of September 30, 2020 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.

- For three (or 15%), the homeowner's property insurance coverages were not on file.

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Date of Certificate of Occupancy</u> | <u>Loan Amount</u> | <u>Outstanding Loan Amounts and Questioned Costs</u> |
|-----------------|-------------------------------|---|--------------------|--|
| DHNC-460 | 04/08/11 | 07/21/11 | \$ 56,000 | \$ 56,000 |
| HL-180 | 03/23/05 | 08/12/05 | \$ 50,000 | 46,385 |
| HL-199 | 07/19/05 | 11/18/05 | \$ 50,000 | <u>34,958</u> |
| | | | | <u>\$ 137,343</u> |

- For three (or 15%), the homeowner's property insurance coverage was obtained; however, the property was partially insured.

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Loan Amount</u> | <u>Outstanding Loan Amount</u> | <u>Insurance Coverage Limit</u> |
|-----------------|-------------------------------|--------------------|--------------------------------|---------------------------------|
| DHP-529 | 06/05/12 | \$ 47,830 | \$ 47,830 | \$ 40,000 |
| DHNC-500 | 03/27/12 | \$ 54,400 | \$ 54,400 | \$ 54,000 |
| HR-499 | 01/27/12 | \$ 40,000 | \$ 31,795 | \$ 25,540 |

No questioned costs are presented for DHNC-500 and HR-499 as the property insurance coverages were increased to \$54,400 and \$45,540, when the property insurance policies were renewed on December 29, 2021 and June 9, 2021, respectively, and the insurance policy for DHP-529 was subsequently amended on February 18, 2022 to increase the insurance coverage to \$47,830.

- For one (or 5%), the property's description on the homeowner's property insurance policy differ from the description on the loan agreement and the property's warranty deed.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-005, Continued
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.239 HOME Investment Partnerships Program
 Federal Award Nos.: M02ST690203, M03ST690203, M04ST690203, M05ST690203,
 M06ST690203, M07ST690203, M08ST690203, M09ST690203,
 M10ST690203, M11ST690203, M12ST690203, M14ST690203,
 M15ST690203 and M16ST690203
 Area: Eligibility
 Questioned Costs: \$338,177

Condition, Continued:

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Property Description on Insurance Policy</u> | <u>Property Description on Loan Agreement and Warranty Deed</u> | <u>Loan Amount</u> |
|-----------------|-------------------------------|---|---|--------------------|
| DHP-529 | 06/05/12 | 010K 226 | H226NEW-1-R1 | \$ 47,830 |

No questioned costs are presented as the insurance policy was subsequently amended on December 30, 2021 to correct the property description as H226NEW-1-R1.

4. For one (or 5%), NMHC was not able to substantiate that the borrower is not required to obtain homeowner's property insurance coverage.

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Loan Amount</u> | <u>Outstanding Loan Amount and Questioned Costs</u> |
|-----------------|-------------------------------|--------------------|---|
| DHL-242 | 02/22/07 | \$ 30,000 | \$ 30,000 |

5. For four (or 20%), affidavits of principal residence signed by the borrowers or the borrower's surviving relatives were not on file. NMHC conducted a field visit on June 15, 2020 for DHNC-460; however, NMHC was not able to substantiate that the surviving relative is residing at the property at the time the field visit was conducted.

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Loan Amount</u> | <u>Outstanding Loan Amounts and Questioned Costs</u> |
|-----------------|-------------------------------|--------------------|--|
| HR-634 | 04/15/16 | \$ 40,000 | \$ - |
| DHNC-460 | 04/08/11 | \$ 56,000 | - |
| DHP-596 | 09/22/15 | \$ 57,000 | - |
| PIHL-33 | 06/29/05 | \$ 25,000 | <u>11,619</u> |
| | | | \$ <u>11,619</u> |

No questioned costs are presented for HR-634 and DHP-596 as NMHC subsequently performed the recertifications of principal residence on August 23, 2021 and March 1, 2021, respectively, for which the borrowers affirmed to have been residing at the HOME assisted properties as their principal residence during FY2020 and NMHC subsequently was able to substantiate that the living relative of the deceased borrower for DHNC-460 has been residing at the HOME assisted property based on a court document dated September 8, 2021 (Civil Action No 19-0366).

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-005, Continued
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.239 HOME Investment Partnerships Program
 Federal Award Nos.: M02ST690203, M03ST690203, M04ST690203, M05ST690203,
 M06ST690203, M07ST690203, M08ST690203, M09ST690203,
 M10ST690203, M11ST690203, M12ST690203, M14ST690203,
 M15ST690203 and M16ST690203
 Area: Eligibility
 Questioned Costs: \$338,177

Condition, Continued:

6. For two (or 10%), documentation substantiating that the borrowers, whose loans have been partially or entirely deferred prior to or on December 31, 2007, were recertified for financial and eligibility requirement purposes prior to or on July 28, 2018, were not on file. Accordingly, NMHC was not able to substantiate that the last and final financial and eligibility recertifications were performed.

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Last Financial and Eligibility Recertification on File</u> | <u>Loan Amount</u> | <u>Outstanding Deferred Loan Amounts and Questioned Costs</u> |
|-----------------|-------------------------------|---|---|---|
| HL-237 | 01/25/07 | 02/01/16 | \$ 30,000 | \$ 6,000 |
| PIHL-33 | 06/29/05 | 03/07/14 | \$ 25,000 | <u>10,900</u> |
| | | | | 16,900 |
| | | | Less amount questioned at Condition 5 for PIHL-33 | <u>(10,900)</u> |
| | | | | \$ <u>6,000</u> |

7. For one (or 5%), the signed affidavit of principal residence was signed by a surviving household member on February 12, 2020, however, the borrower passed away since April 9, 2016 and documentation of the status of the property's probate was not on file or equivalent documentation to substantiate that the surviving household member has legal rights to the property and/or whether the surviving household member can assume the HOME grant assistance.

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Loan Amount</u> | <u>Outstanding Loan Amount and Questioned Costs</u> |
|-----------------|-------------------------------|--------------------|---|
| DHR-505 | 02/17/12 | \$ 40,000 | \$ 40,000 |

8. For one (or 5%), the annual recertification was not performed as the borrower is not residing at the HOME-funded home/property as the principal residence, as documented by NMHC on a memo to file dated November 9, 2017. Grantor approval was not provided.

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Loan Amount</u> | <u>Outstanding Loan Amount</u> |
|-----------------|-------------------------------|--------------------|--------------------------------|
| HL-199 | 07/19/05 | \$ 50,000 | \$ 34,958 |

No questioned costs are presented as the amount is questioned at Condition 1.

Of twenty-two loan files tested for compliance with application requirements, aggregating \$786,790 of a total population of \$6,444,232, we noted the following:

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-005, Continued
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.239 HOME Investment Partnerships Program
 Federal Award Nos.: M02ST690203, M03ST690203, M04ST690203, M05ST690203,
 M06ST690203, M07ST690203, M08ST690203, M09ST690203,
 M10ST690203, M11ST690203, M12ST690203, M14ST690203,
 M15ST690203 and M16ST690203
 Area: Eligibility
 Questioned Costs: \$338,177

Condition, Continued:

9. For one (or 5%), the household income per third party verifications on file exceeded the income limit and borrower is therefore ineligible for HOME loan assistance; the loan review conclusion report indicated that the borrower had satisfactory credit history; however, the borrower had prior delinquent loans per the third party credit history report; and the Letter of Tax Compliance was not on file.

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Total Household Income Per Third Party Verifications</u> | <u>Income Limit Threshold</u> | <u>Loan Amount</u> | <u>Outstanding Loan Amount and Questioned Costs</u> |
|-----------------|-------------------------------|---|-------------------------------|--------------------|---|
| PIHL-42 | 11/14/06 | \$ 39,337 | \$ 37,800 | \$ 30,000 | \$ 30,000 |

10. For two (or 9%), the potential household income does not agree with third party verifications on file.

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Household Income Per NMHC's Calculation</u> | <u>Household Income per Third Party Income Verification</u> | <u>Loan Amount</u> | <u>Outstanding Loan Amounts</u> |
|-----------------|-------------------------------|--|---|--------------------|---------------------------------|
| PIHL-42 | 11/14/06 | \$ 15,794 | \$ 39,337 | \$ 30,000 | \$ 30,000 |
| HL-210 | 08/30/05 | \$ 42,612 | \$ 45,186 | \$ 50,000 | \$ 31,636 |

No questioned costs are presented as the amount is questioned at Condition 9 for PIHL-42 and the potential household income per third party verifications on file for HL-210 is within the income limit.

11. For one (or 5%), the property's lot number 011 G 996 on the appraisal report and environmental review and assessment form differ from lot number 011 G 966 on the land document and loan agreements.

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Loan Amount</u> | <u>Outstanding Loan Amount</u> |
|-----------------|-------------------------------|--------------------|--------------------------------|
| PIHL-33 | 06/29/05 | \$ 25,000 | \$ 11,619 |

No questioned costs are presented as NMHC subsequently corrected the lot number on the appraisal report and environmental review and assessment form on January 18, 2022.

12. For one (or 5%), the property title report or equivalent documentation substantiating that the property was owned by NMHC at the time NMHC sold the property to the borrower was not on file. In addition, the lender title policy insuring NMHC's interest on the property was also not on file.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-005, Continued
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.239 HOME Investment Partnerships Program
 Federal Award Nos.: M02ST690203, M03ST690203, M04ST690203, M05ST690203,
 M06ST690203, M07ST690203, M08ST690203, M09ST690203,
 M10ST690203, M11ST690203, M12ST690203, M14ST690203,
 M15ST690203 and M16ST690203
 Area: Eligibility
 Questioned Costs: \$338,177

Condition, Continued:

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Loan Amount</u> | <u>Outstanding Loan Amount and Questioned Costs</u> |
|-----------------|-------------------------------|--------------------|---|
| HP-636 | 03/04/16 | \$ 56,000 | \$ 51,579 |

13. For two (or 9%), the environmental review and assessment forms were not on file.

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Loan Amount</u> |
|-----------------|-------------------------------|--------------------|
| HL-199 | 07/19/05 | \$ 50,000 |
| HL-210 | 08/30/05 | \$ 50,000 |

No questioned costs are presented as the properties are not located on restrictive locations based on the environmental review and assessment process that were subsequently performed for the properties on February 22, 2022.

14. For two (or 9%), third-party income verifications from the Social Security Administration (SSA) were not on file.

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Loan Amount</u> | <u>Household Members</u> | <u>Outstanding Loan Amounts and Questioned Costs</u> |
|-----------------|-------------------------------|--------------------|---|--|
| PIHL-42 | 11/14/06 | \$ 30,000 | Spouse and two dependents | \$ 30,000 |
| HL-210 | 08/30/05 | \$ 50,000 | Borrower, co-borrower and two dependents | <u>31,636</u> |
| | | | | 61,636 |
| | | | Less amount questioned at Condition 9 for PIHL-42 | <u>(30,000)</u> |
| | | | | \$ <u>31,636</u> |

15. For three (or 14%), the borrowers declared cash in bank on the loan applications, however, third-party verifications were not in file; therefore, NMHC was not able to substantiate whether the borrowers had potential income from assets that should be included in the household income for PIHL-42 and HL-210. For PIHL-33, NMHC included \$50 as income from assets in the household income; however, no third-party verification was on file to substantiate the amount.

| <u>Loan No.</u> | <u>Date of Loan Agreement</u> | <u>Amount Declared</u> | <u>Loan Amount</u> | <u>Outstanding Loan Amounts</u> |
|-----------------|-------------------------------|------------------------|--------------------|---------------------------------|
| PIHL-42 | 11/14/06 | \$ 10 | \$ 30,000 | \$ 30,000 |
| HL-210 | 08/30/05 | \$ 26,000 | \$ 50,000 | \$ 31,636 |
| PIHL-33 | 06/29/05 | \$ 5,083 | \$ 25,000 | \$ 11,619 |

No questioned costs are presented as amounts are questioned at Condition 9 for PIHL-42, at Condition 14 for HL-210 and at Condition 5 for PIHL-33.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-005, Continued
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.239 HOME Investment Partnerships Program
 Federal Award Nos.: M02ST690203, M03ST690203, M04ST690203, M05ST690203,
 M06ST690203, M07ST690203, M08ST690203, M09ST690203,
 M10ST690203, M11ST690203, M12ST690203, M14ST690203,
 M15ST690203 and M16ST690203
 Area: Eligibility
 Questioned Costs: \$338,177

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 | \$ 137,343 |
| 4 | 30,000 |
| 5 | 11,619 |
| 6 | 6,000 |
| 7 | 40,000 |
| 9 | 30,000 |
| 12 | 51,579 |
| 14 | <u>31,636</u> |
| | \$ <u>338,177</u> |

Identification as a Repeat Finding: Finding No. 2019-005

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

Views of Responsible Officials:

NMHC's Corrective Action Plan describes affirmations and corrective actions, but includes disagreements, as follows:

Condition 4:

Response: The effective policy and loan agreement did not require procurement of insurance policy. Although commitment letter for DHL-242 isn't in file, the format for all commitment letters for loans made during the time did not indicate the requirement. (Sample of Commitment Letter for HL-237 is provided herewith to prove so). In any case, the effective policy should be the prevailing guidance in determining whether an insurance policy is required or not.

Corrective Action: Findings unjustifiable; Effective policy as reflected in the loan agreement did not require insurance coverage for this loan. No action is necessary and NMHC requests that this finding and question cost be removed.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-005, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.239 HOME Investment Partnerships Program
Federal Award Nos.: M02ST690203, M03ST690203, M04ST690203, M05ST690203,
M06ST690203, M07ST690203, M08ST690203, M09ST690203,
M10ST690203, M11ST690203, M12ST690203, M14ST690203,
M15ST690203 and M16ST690203
Area: Eligibility
Questioned Costs: \$338,177

Views of Responsible Officials, Continued:

Condition 9:

Response: HUD Income Limits for 2006 was \$34,020 (60%) for household of 3 persons. Request to remove question cost as borrower would still be income eligible for assistance. Affirm derogatory items on credit report including NMHC account of not more than 3 payments past due (13). Affirm that tax compliance is not in file, however Borrower's filed 1040 was provided and such items will not have a profound effect on income eligibility.

Corrective Action: No actions warranted since client was eligible for assistance based on household size per loan write-up. Further, NMHC affirms all other findings.

Condition 12:

Response: NMHC has provided a copy of the Quitclaim Deed showing ownership of the property through a foreclosure sale. The lender's title policy does not show ownership of the property, rather, it covers claims that affect the lender's loan. NMHC does not request for a lender's title policy with any property it owns because all mortgages it makes the agency requires that a Preliminary Title Research (PTR) be completed before it assists any client. When the agency extended a mortgage loan to the previous owners (DFHL-1497), it requested for a PTR to ensure that there were no liens against the property. Any other filings with respect to the property after NMHC had mortgaged the same up until it foreclosed on it will be considered null and void as NMHC had first rights to it.

Corrective Action: NMHC has provided documentation showing ownership of the property on January 25, 2022.

Auditor Response:

Condition 4: Without the commitment letter, we are unable to determine the borrower's requirement for Homeowner's property insurance coverage.

Condition 9: The household income of \$39,337 per third party verifications on file also exceeded the disputable income limit provided by NMHC of \$34,020 for a household of three. Borrower is therefore ineligible for HOME loan assistance.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-005, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.239 HOME Investment Partnerships Program
Federal Award Nos.: M02ST690203, M03ST690203, M04ST690203, M05ST690203,
M06ST690203, M07ST690203, M08ST690203, M09ST690203,
M10ST690203, M11ST690203, M12ST690203, M14ST690203,
M15ST690203 and M16ST690203
Area: Eligibility
Questioned Costs: \$338,177

Auditor Response, Continued:

Condition 12: In addition to the quitclaim deed, NMHC utilizes third party verification such as a property title report to verify the legal owner of the property and whether the property has lien against it. Although the quitclaim deed, dated 01/27/15, stated the property was deeded to NMHC, it was also stated on the deed that another borrower (DFHL-1497) mortgaged the property to NMHC back on 08/27/98 for which the CNMI Superior Court entered a judgment against the borrower in favor of NMHC on 03/21/12 and subsequently entered an order on 03/28/14, approving the sale of the property to NMHC. However, the judgment and order from the CNMI Superior Court was not provided. In addition, the property title report substantiating that the borrower (DFHL-1497) is the legal owner of the property and had no lien against it at the time the property was mortgaged to NMHC on 08/27/98, was not provided. Accordingly, other than the quitclaim deed dated 01/27/15, NMHC was not able to substantiate that it has legal rights to the property at the time NMHC sold the property to HP-636 on 03/04/16.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-006
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: \$-0-

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

Condition: For one (or 3%) of thirty-one HAP rental expenses tested, aggregating \$26,951 of a total population of \$2,674,341, HAP rental payments amounting to \$4,517 (Batch ID 56177, dated 07/23/20) pertain to October 2018 HAP rent expenses; however, the expenses were not recorded in FY2019 and instead were recorded as FY2020 expenses in July 2020, resulting in an understatement and overstatement of FY2019 and FY2020 SEFA, respectively. No questioned costs are presented as amounts received from HUD for October 2018 and July 2020 HAP rental payments agreed to HUD's monthly disbursements schedule.

Cause: NMHC processed the October 2018 rent payments on 09/28/18 and recorded the amount as FY2018 rent expense and later reclassified the amount to deferred outflow on 09/30/18 with the intention to later reclass the amount to rent expense in October 2018. However, it was not until July 2020 when NMHC discovered that the expense was still recorded as deferred outflow while performing a reconciliation of its general ledger accounts. NMHC reclassified the amount from deferred outflow and recorded the amount as FY2020 HAP rent expense. NMHC lacks monitoring controls over timely reconciliation of its general ledger accounts.

Effect: The effect of the above condition is the understatement and overstatement of federal expenditures amounting to \$4,517 for FY2019 and FY2020, respectively. Finding is reportable as the projected questioned costs exceeded the \$25,000 threshold.

Recommendation: We recommend that NMHC timely reconciles its general ledger accounts and record expenses in the period incurred. We further recommend that NMHC properly monitor and account for federal program expenditures.

Views of Responsible Officials:

NMHC's Corrective Action Plan describes affirmations and corrective actions.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-007
 Federal Agency: U.S. Department of Housing and Urban Development
 CFDA Program: 14.871 Section 8 Housing Choice Vouchers
 Area: Eligibility
 Questioned Costs: \$59,429

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

1. Information provided by the applicant will be verified including information related to family composition, income, allowances and deductions, assets, eligible immigration status, full-time student status and other factors related to preferences, eligibility and rent calculation.
2. 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. In addition, at the annual reexamination, PHAs use the same procedures for obtaining and verifying information that were used at admission.
3. 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.
4. Use current balance in saving accounts and the average monthly balance in checking accounts for last 6 months to verify current net family assets.
5. 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 \$28,863 of a total population of \$2,921,179, we noted deficiencies. Resulting questioned costs are based on the monthly HAP amount and number of months certified during fiscal year 2020.

1. For one (or 3%), the annual recertification was not timely performed, resulting in an excess HAP amount for two months.

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Certification Effective</u> | <u>Type of Action</u> | <u>Date Recertification Performed</u> | <u>Effective HAP Amount</u> | <u>HAP Amount Provided</u> | <u>Variance</u> | <u>Questioned Costs</u> |
|-----------------|----------------------|--------------------------------|-----------------------|---------------------------------------|-----------------------------|----------------------------|-----------------|-------------------------|
| H01564 | 11/20/19 | 07/01/19 | Annual | 08/28/19 | \$ 663 | \$ 796 | \$ 133 | \$ 266 |

2. For three (or 8%), dates of signed affidavits/statements supporting family income exceeded the 60 days preceding the dates of when the certifications/recertifications were performed and/or 120 days from the effective recertification date.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-007, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Eligibility
Questioned Costs: \$59,429

Condition, Continued:

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Certification Effective Date</u> | <u>Type of Action</u> | <u>Date Certification Performed</u> | <u>Third-Party Verification Date</u> | <u>HAP Amount</u> | <u>Questioned Costs</u> |
|-----------------|----------------------|-------------------------------------|-----------------------|-------------------------------------|--------------------------------------|--|-------------------------|
| H01882 | 05/01/20 | 02/10/20 | New admission | 02/10/20 | 05/31/19 | \$318 for 3 months/\$601 for 5 months | \$ 3,959 |
| H01889 | 01/01/20 | 10/15/19 | New admission | 10/15/19 | 04/24/19 | \$390 for 3 months /\$600 for 9 months | 6,570 |
| H01101 | 11/01/19 | 11/01/19 | Annual | 09/13/19 | 09/09/18 | \$396 | - |
| | | | | | | | <u>\$ 10,529</u> |

Outdated documents include signed affidavits/statements of zero income, child support, childcare expenses, and statement of unemployment for H01882 and H01889 and childcare expenses for H01101.

No questioned costs result for H01101 as no childcare allowance was claimed.

3. For one (or 3%), the EIV income report for household #5 was not on file.

| <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> |
|-----------------|----------------------|-------------------------------------|-----------------------|-------------------|-------------------------|
| H01285 | 11/20/19 | 08/01/19 | Annual | \$ 736 | \$ 8,832 |

4. For four (or 10%), the EIV reports were either not signed by adult household members and/or the adult household members were not included in the EIV reports.

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Certification Effective Date</u> | <u>Type of Action</u> | <u>Deficiency</u> | <u>HAP Amount</u> | <u>Questioned Costs</u> |
|-----------------|----------------------|-------------------------------------|-----------------------|--|-------------------|-------------------------|
| H01564 | 11/20/19 | 07/01/19 | Annual | Adult household #5 did not sign and is also not included in the EIV report | \$ 663 | \$ 7,956 |
| H01769 | 12/03/19 | 09/01/19 | Annual | Adult household #4 did not sign and is also not included in the EIV report | \$ 900 | 10,800 |
| H01885 | 07/01/20 | 07/01/20 | Annual | Adult household #2 did not sign the EIV report | \$ 559 | - |
| H01334 | 01/01/20 | 01/01/20 | Annual | Adult household #3 is not included in the EIV report | \$ 680 | <u>6,120</u> |
| | | | | | | 24,876 |
| | | | | | | <u>(266)</u> |
| | | | | | | <u>\$ 24,610</u> |

No questioned costs are presented for H01885 as the household member was included in the EIV reports.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-007, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Eligibility
Questioned Costs: \$59,429

Condition, Continued:

5. For seven (or 18%), NMHC obtained the tenant's most recent savings account and the last six months checking account bank statements; however, NMHC only used the most recent savings and checking account bank statements to determine the tenant's current net family assets instead of averaging the checking account balances for the last six months, which resulted in a variance of the net family assets and/or potential income from assets.

| Unit No. | Period Tested | Certification Effective Date | Type of Action | Total Family Assets Per NMHC | Total Family Assets Per Third-Party Verification | Variance | Potential Income from Assets Per NMHC | Potential Income from Assets Per Third Party Verification | Variance |
|----------|---------------|------------------------------|----------------------|------------------------------|--|----------|---------------------------------------|---|----------|
| H01882 | 05/01/20 | 05/01/20 | Interim | \$ 81 | \$ 164 | \$ 83 | \$ - | \$ - | \$ - |
| H01885 | 07/01/20 | 07/01/20 | Annual | \$ 220 | \$ 471 | \$ 251 | \$ 1 | \$ 1 | \$ - |
| H01783 | 12/18/19 | 11/01/19 | Annual | \$ 120 | \$ 127 | \$ 7 | \$ - | \$ - | \$ - |
| H01042 | 12/01/19 | 12/01/19 | Interim | \$ 5,386 | \$ 10,472 | \$ 5,086 | \$ 108 | \$ 209 | \$ 101 |
| H01795 | 05/01/20 | 05/01/20 | Interim | \$ 114 | \$ 915 | \$ 801 | \$ - | \$ - | \$ - |
| H01809 | 05/01/20 | 05/01/20 | Interim | \$ 1 | \$ 41 | \$ 40 | \$ - | \$ - | \$ - |
| H01693 | 09/01/20 | 09/01/20 | Other Change of Unit | \$ 69 | \$ 264 | \$ 195 | \$ - | \$ - | \$ - |

No questioned costs are presented as the potential income from assets per third party verifications would still be within the income limit.

6. For three (or 8%), only one checking account bank statement was obtained to determine the tenant's current net family assets.

| Unit No. | Period Tested | Certification Effective Date | Type of Action | HAP Amount | Questioned Costs |
|----------|---------------|------------------------------|----------------|------------|------------------|
| H01597 | 08/01/20 | 08/01/20 | Annual | \$ 532 | \$ 1,064 |
| H01785 | 08/25/20 | 10/01/19 | Annual | \$ 600 | 7,200 |
| H01526 | 06/01/20 | 06/01/20 | Annual | \$ 670 | <u>2,680</u> |
| | | | | | \$ <u>10,944</u> |

7. For two (or 5%), documentation on the validity of the immigration status of a household member, who is a non-U.S. citizen and is receiving federal benefits, was not on file.

| Unit No. | Period Tested | Certification Effective Date | Type of Action | HAP and Utility Reimbursement Amount Per NMHC | Prorated HAP and Utility Reimbursement Amount Per Audit Expectation | Variance | Questioned Costs |
|----------|---------------|------------------------------|----------------------|---|---|----------|------------------|
| H01179 | 01/01/20 | 01/01/20 | Annual | \$ 940 | \$ 630 | \$ 310 | \$ 310 |
| H01179 | 06/17/20 | 01/08/20 | Other change of unit | \$ 743 | \$ 498 | \$ 245 | <u>1,960</u> |
| | | | | | | | \$ <u>2,270</u> |

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-007, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Eligibility
Questioned Costs: \$59,429

Condition, Continued:

8. For one (or 3%), deductions claimed included an allowance for one dependent which is not the legal child of the household head/co-head. There was no court order (appointed legal guardianship by the court) on file approving such legal guardianship for the minor, only an appointment of guardianship from the biological parent.

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Certification Effective Date</u> | <u>Type of Action</u> | <u>Household Member</u> | <u>HAP Amount</u> |
|-----------------|----------------------|-------------------------------------|-----------------------|-------------------------|-------------------|
| H01042 | 12/01/19 | 12/01/19 | Interim | 4 | \$ 1,100 |

No questioned costs are presented as the total household income would still be within the income limit if the allowance was not claimed.

9. For one (or 3%), a deduction claimed includes a disabled allowance for which a third party verification was not on file.

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Certification Effective Date</u> | <u>Type of Action</u> | <u>Allowance Claimed</u> | <u>HAP and Utility Reimbursement Amount Per NMHC</u> | <u>HAP and Utility Reimbursement Amount Per Audit Expectation</u> | <u>Variance</u> |
|-----------------|----------------------|-------------------------------------|-----------------------|---------------------------|--|---|-----------------|
| H01285 | 11/20/19 | 08/01/19 | Annual | Disabled for household #3 | \$ 736 | \$ 736 | \$ - |

No questioned costs result as the third-party disability verification was subsequently obtained on July 20, 2021 covering the August 1, 2019 certification effective date.

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

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Certification Effective</u> | <u>Type of Action</u> | <u>Unverifiable Dependents Claimed (Household Member Ref No.)</u> | <u>HAP Amount Per NMHC</u> | <u>HAP Amount Per Audit Expectation</u> | <u>Variance</u> | <u>Questioned Costs</u> |
|-----------------|----------------------|--------------------------------|-----------------------|---|----------------------------|---|-----------------|-------------------------|
| H01212 | 10/01/19 | 10/01/19 | Annual | 4 and 5 | \$ 866 | \$ 842 | \$ 24 | \$ 288 |

11. For two (or 5%), the effective utility allowance for a three-bedroom unit at the time recertifications were performed was \$198; however, \$199 was reported on form HUD 50058, resulting in an overage in monthly utility reimbursements.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-007, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Eligibility
Questioned Costs: \$59,429

Condition, Continued:

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Certification Effective</u> | <u>Type of Action</u> | <u>Excess Monthly Utility Reimbursement Amount</u> | <u>Questioned Costs</u> |
|-----------------|----------------------|--------------------------------|-----------------------|--|-------------------------|
| H01098 | 07/20/20 | 07/01/20 | Interim | \$ 1 | \$ 3 |
| H01145 | 12/01/19 | 12/01/19 | Annual | \$ 1 | <u>10</u> |
| | | | | | \$ <u>13</u> |

12. For one (or 3%), the signed affidavits/signed statements of zero income, child support, childcare expenses, criminal history and fraud, statement of unemployment and family obligation to report interim change was not on file for an adult household member.

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Certification Effective Date</u> | <u>Type of Action</u> | <u>Household Member</u> | <u>HAP Amount</u> | <u>Questioned Costs</u> |
|-----------------|----------------------|-------------------------------------|-----------------------|-------------------------|-------------------|-------------------------|
| H01885 | 07/01/20 | 07/01/20 | Annual | 2 | \$ 559 | \$ 1,677 |

13. For one (or 3%), due to data input typographically error in the EIV system, the social security number for one household member was not found in the Social Security Administration records as noted on the EIV income report dated April 16, 2020; and accordingly, verification of the household member was noted as "failed" on the EIV summary report.

| <u>Unit No.</u> | <u>Period Tested</u> | <u>Certification Effective Date</u> | <u>Type of Action</u> | <u>Household Member</u> | <u>HAP Amount</u> |
|-----------------|----------------------|-------------------------------------|-----------------------|-------------------------|-------------------|
| H01882 | 05/01/20 | 05/01/20 | Interim | 2 | \$ 318 |

No questioned cost is presented as NMHC subsequently corrected and verified the social security number in the EIV system on October 8, 2020 and January 28, 2021, respectively.

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:

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-007, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Eligibility
Questioned Costs: \$59,429

Effect, Continued:

| <u>Condition</u> | <u>Questioned Costs</u> |
|------------------|-------------------------|
| 1 | \$ 266 |
| 2 | 10,529 |
| 3 | 8,832 |
| 4 | 24,610 |
| 6 | 10,944 |
| 7 | 2,270 |
| 10 | 288 |
| 11 | 13 |
| 12 | <u>1,677</u> |
| | \$ <u>59,429</u> |

Identification as a Repeat Finding: Finding No. 2019-007

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

Views of Responsible Officials:

NMHC's Corrective Action Plan describes affirmations and corrective actions, but includes disagreements with Conditions 2, 3, 4, 6, 8, 10, 12 and 13, as follows:

Condition 2:

Response: Finding should be removed. Certification form (color sheet) was completed, signed & notarized during the eligibility interview, and HS did obtain updated income documents (pay stubs and employment certification) prior to Admission. Certification form is only done once a year, therefore, should still be valid. Certification forms is used during eligibility and annual re-certifications.

Corrective Action: Housing Specialists and Field Office Representative must review and verify all inputted information including dates of affidavits/signed statements and/or third-party verifications supporting family income and assets within the time allotted of 60 days preceding dates of when the certifications/re-certifications were performed and/or 120 days from the effective recertification date. All income information that are outdated must be updated to determined continued eligibility. Special Assistant for Program and Housing will assist in quality check/control of completed documents.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-007, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Eligibility
Questioned Costs: \$59,429

Views of Responsible Officials, Continued:

Condition 3:

Response: Finding should be removed. EIV report printed in timely manner on 06/24/2019, however EIV system did not print out HHM #5's income information. Possibly system glitch. However previous EIV report dated 04/26/2018 and EIV reported dated 04/16/2020 did print HHM #5's income information.

Corrective Action: Housing specialist must review all printed EIV report to determine all household members' information and income are completed. In the event of a glitch, Housing Specialist must go back and reprint the most current EIV report.

Condition 4:

H01564 - Finding should be removed. Adult member #5 was a New Household Member at the time, therefore, the household member's name/information will not appear right away on the EIV report, which is why HS did not have the individual sign the report.

H01769 - Finding should be removed. Adult member #4 was a New Household Member at the time, therefore, the household member's name/information will not appear right away on the EIV report, which is why HS did not have the individual sign the report.

Corrective Action: H01564 & H01769: Housing specialist must review all printed EIV report to determine all household members' information and income are verified/completed within 120 days.

H01885 - Finding should be removed. Recertification completed on a timely manner along with EIV report. However, Household Member did not sign due to limited face to face appointments with clients. When family subsequently came in to sign, HOH reported that HHM had move off island. Finding should be removed as family would have signed had face-to-face interaction not been limited due to pandemic.

Corrective Action: H01885: Housing specialist must inquire from the tenant if any of the household members had relocated or moved out from the unit. Furthermore, an affidavit from the head should be obtained as to when the household member left the unit. As outreach to tenants, Housing Specialist/Field Office Representatives will educate head of household about the reporting immediately of household members moving/relocating and will no longer be participating in the HCV Program.

H01334 - Finding should be removed. Adult member #3 was a New Household Member at the time, therefore, the household member's name/information will not appear right away on the EIV report.

Corrective Action: Housing specialist must review all printed EIV report within 120 days to determine all household members' information and income are completed. Also, Housing Specialist must review all certification forms that requires signatures of all HCV Adult members.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-007, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Eligibility
Questioned Costs: \$59,429

Views of Responsible Officials, Continued:

Condition 6:

Response: H01597 - Finding should be removed. Families were not able to procure additional statements, due to Covid-19 lockdown of the community, and there was limited access to businesses.

Corrective Action: NMHC Housing Specialist & Field Office Representative will reach out to tenants to provide with the required additional bank statements to determine if income will be adjusted during their annual re-certifications. Special Assistant for Program and Housing will assist in quality check/control of completed documents.

Response: H01526 - Finding should be removed. Families were not able to procure additional statements, due to Covid-19 lockdown of the community, and there was limited access to businesses.

Corrective Action: NMHC Housing Specialist & Field Office Representative will reach out to tenants to provide with the required additional bank statements to determine if income will be adjusted during their annual re-certifications. Special Assistant for Program and Housing will assist in quality check/control of completed documents.

Condition 8:

Response: Finding should be removed. Household member #4 has been in the household since 11/2007. Appointment of guardianship/Power of Attorney was acceptable during the time and continued to be allowed thereafter.

Corrective Action: A notice will be issued out to the head of hold to obtain the required court appointed guardianship. Failure for the tenant to obtain the required court appointed guardianship will result in termination of the participant. 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.

Condition 10:

Response: Finding should be removed for 1 Dependent. HHM#5 has the correct order of the HoH's (mother) name, whereas HHM#4 is the opposite.

Corrective Action: NMHC will further inquire from the HoH to correct the information on the dependents identified as the biological parent. Furthermore, NMHC will require the HoH to provide legal documentation if the information does not match. 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.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-007, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Eligibility
Questioned Costs: \$59,429

Views of Responsible Officials, Continued:

Condition 12:

Response: Finding should be removed. Recertification completely in timely manner along with EIV report. However, HHM did not sign due to limited face to face appointments with clients. When family subsequently came in to sign, HOH reported that HHM had move off island. Finding should be removed as family would have signed had face-to-face interaction not been limited due to pandemic.

Corrective Action: Housing specialist must inquire from the tenant if any of the household members had relocated or moved out from the unit. Furthermore, an affidavit from the head should obtained as to when the household member left the unit. As outreach to tenants, Housing Specialist/Field Office Representatives will educate head of household about the reporting immediately of household members moving/relocating and will no longer be participating in the HCV Program.

Condition 13:

Response: Finding should be removed. SSN Erroneously inputted by Housing Specialist 02/10/2020. Housing Specialist ran EIV verification report on 04/16/2020 and found that CoH SSN information flagged as "FAILED". Housing Specialist would have still had time to correct SSN within 120 days' time frame from new admission however EIV website not accessible from 04/30/2020 until 07/28/2020 due to non-recertification of users. Correction subsequently ran and applied 10/08/2020.

Corrective Action: 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.

Auditor Response:

Condition 2:

Per Section 8 Administrative Plan, §100-90-330 Changes in Eligibility Prior to Signing of HAP Contract, changes that occur during the period between placement on the waiting list and issuance of a voucher may affect the family's eligibility or Total Tenant Payment (TIP). For example, if a family exceeds the income limit prior to lease up (getting housed), the applicant will no longer be eligible for the assistance under program. In addition, the initial term of a voucher must be at least 60 calendar days.

For H01882, the voucher that was issued on 06/28/19 had exceeded the 60 calendar days and although the term of the voucher was extended up through 12/25/19, the outdated documents dated 05/31/19, affecting the adjusted income eligibility determination, which include the signed affidavits/statements of zero income, child support, childcare expenses and the statement of unemployment should have also been updated when NMHC performed an updated adjusted income eligibility determination on 02/10/20 prior to housing the tenant on 02/10/20.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-007, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Eligibility
Questioned Costs: \$59,429

Auditor Response, Continued:

Condition 2, Continued:

For H01889, the voucher that was issued on 07/05/19 expired on 09/03/19 and although the tenant submitted the Request for Tenancy Approval on 08/27/19, prior to the expiration date of the voucher, the outdated documents dated 04/24/19, affecting the adjusted income eligibility determination, which include the signed affidavits/statements of zero income, child support, childcare expenses and the statement of unemployment should have also been updated when NMHC performed an updated adjusted income eligibility determination on 10/15/19 prior to housing the tenant on 10/15/19.

For H01101, period tested pertains to annual recertification. The outdated document was dated 09/09/18, while the annual recertification was performed on 09/13/19.

Condition 3:

No printed EIV report for the 08/01/19 recertification period was provided.

Condition 4:

H01564 and H01769 - For new admission, PHA is required to review the EIV Income Report to confirm/validate family-reported income within 120 days of the PIC submission date and print and maintain a copy of the EIV Income Reports in the tenant's file.

H01885 - Period tested is for the 07/01/20 annual recertification that was performed on 05/28/20, while the tenant's email correspondence dated 05/25/21, notifying NMHC that adult household #2 had relocated off-island, was for the 07/01/21 annual recertification. The relocation date was not stated on the email correspondence.

H01334 - For new admission, PHA is required to review the EIV Income Report to confirm/validate family-reported income within 120 days of the PIC submission date and print and maintain a copy of the EIV Income Reports in the tenant's file.

Condition 6:

H01597 and H01526 - In accordance with the COVID-19 Statutory and Regulatory Waivers and Alternative Requirements, Notices PIH 2020-05 and PIH 2020-13, all annual recertifications due in Calendar Year (CY) 2020 must be completed by December 31, 2020. Accordingly, the required additional checking account bank statements should have been obtained by December 31, 2020 for NMHC to determine any impact to the tenant's adjusted income.

Condition 8:

Only an appointment of guardianship from the biological parent was on file. There was no documentation on file that NMHC performed further verification that the child is a valid dependent. In addition, for similar finding raised in previous audits, NMHC stated in its corrective action plan that NMHC will ensure that only court appointed guardianship documentation will be accepted and that specific instructions have been given to the PHD Housing Specialists and Field Office Representatives to only accept court appointed guardianship documentation and that all allowances and deductions are verified.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-007, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Eligibility
Questioned Costs: \$59,429

Auditor Response, Continued:

Condition 10:

The date of birth on the birth certificate for the head of household is 10/14/78 whereas the date of birth of the biological parent on the birth certificates for dependents #4 and #5 is 10/25/78. NMHC was not able to substantiate that both dependents are the biological children of the head of household.

Condition 12:

H01885 - Period tested is for the 07/01/20 annual recertification that was performed on 05/28/20, while the tenant's email correspondence dated 05/25/21, notifying NMHC that adult household #2 had relocated off-island, was for the 07/01/21 annual recertification. The relocation date was not stated on the email correspondence.

Condition 13:

Since the EIV website was accessible after 07/28/2020, the correction and verification should have been completed by 08/16/2020, instead of in October.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-008
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Reporting (HUD-52681-B, Voucher for Payment of Annual Contributions and Operating Statement)
Questioned Costs: \$-0-

Criteria: The PHA submits HUD-52681-B form monthly to HUD electronically via the VMS. HUD uses VMS data to determine renewal funding levels and for other funding, monitoring, and SEMAP-related decisions.

Condition: Tests of HAP rental expenses noted NMHC erroneously did not record October 2018 HAP rent expense amounting to \$4,517 (Batch ID 56177, dated 07/23/20) in fiscal year 2019, and instead, recorded the amount as a fiscal year 2020 expense in July 2020, resulting in an underreporting and overreporting of HAP rent expenses in VMS for the months of October 2018 and July 2020, respectively. No questioned costs are presented as amounts received from HUD for October 2018 and July 2020 HAP rental payments agreed to HUD's monthly disbursements schedule.

Cause: NMHC untimely reconciled the general ledger accounts.

Effect: Underreported and overreported HAP rent expenses for the months of October 2018 and July 2020, respectively. Finding is reportable as the projected questioned costs exceed the threshold.

Recommendation: NMHC should timely reconcile general ledger accounts and report HAP rental expenses in VMS in the period incurred.

Views of Responsible Officials:

NMHC's Corrective Action Plan describes affirmations and corrective actions.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-009
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Reporting (Financial Assessment Sub-system, FASS-PH)
Questioned Costs: \$-0-

Criteria: The Uniform Financial Reporting Standards require PHAs to submit timely GAAP-based unaudited financial information electronically to HUD that is accurately prepared.

Condition: Tests of the unaudited single audit financial information for the year ended September 30, 2020 that was electronically submitted to HUD noted the following.

Program Balance Sheet Summary:

| Line Item | Per REAC Submission | | | Per Underlying General Ledger | | | Variance |
|-----------|------------------------------|--------------------------------|------------|-------------------------------|--------------------------------|--------------|--------------|
| | 14.HCC HCV CARES Act Funding | 14.871 Housing Choice Vouchers | Total | 14.HCC HCV CARES Act Funding | 14.871 Housing Choice Vouchers | Total | |
| 111 | \$ - | \$ 644,009 | \$ 644,009 | \$ - | \$ 481,337 | \$ 481,337 | \$ 162,672 |
| 113 | \$ 159,496 | \$ 8,122 | \$ 167,618 | \$ 159,496 | \$ 170,794 | \$ 330,290 | \$ (162,672) |
| 124 | \$ - | \$ - | \$ - | \$ - | \$ 239,356 | \$ 239,356 | \$ (239,356) |
| 120 | \$ - | \$ 25,755 | \$ 25,755 | \$ - | \$ 265,111 | \$ 265,111 | \$ (239,356) |
| 150 | \$ 159,496 | \$ 677,886 | \$ 837,382 | \$ 159,496 | \$ 917,242 | \$ 1,076,738 | \$ (239,356) |
| 290 | \$ 159,496 | \$ 698,125 | \$ 857,621 | \$ 159,496 | \$ 937,481 | \$ 1,096,977 | \$ (239,356) |
| 333 | \$ - | \$ 81,184 | \$ 81,184 | \$ - | \$ 240,680 | \$ 240,680 | \$ (159,496) |
| 342 | \$ - | \$ - | \$ - | \$ 159,496 | \$ - | \$ 159,496 | \$ (159,496) |
| 310 | \$ - | \$ 81,184 | \$ 81,184 | \$ 159,496 | \$ 240,680 | \$ 400,176 | \$ (318,992) |
| 300 | \$ - | \$ 81,184 | \$ 81,184 | \$ 159,496 | \$ 240,680 | \$ 400,176 | \$ (318,992) |
| 511.4 | \$ 159,496 | \$ 8,122 | \$ 167,618 | \$ - | \$ 170,794 | \$ 170,794 | \$ (3,176) |
| 512.4 | \$ - | \$ 588,580 | \$ 588,580 | \$ - | \$ 505,768 | \$ 505,768 | \$ 82,812 |
| 513 | \$ 159,496 | \$ 616,941 | \$ 776,437 | \$ - | \$ 696,801 | \$ 696,801 | \$ 79,636 |
| 600 | \$ 159,496 | \$ 698,125 | \$ 857,621 | \$ 159,496 | \$ 937,481 | \$ 1,096,977 | \$ (239,356) |

Program Revenue and Expense Summary:

| Line Item | Per REAC Submission | | | Per Underlying General Ledger | | | Variance |
|-----------|------------------------------|--------------------------------|--------------|-------------------------------|--------------------------------|--------------|--------------|
| | 14.HCC HCV CARES Act Funding | 14.871 Housing Choice Vouchers | Total | 14.HCC HCV CARES Act Funding | 14.871 Housing Choice Vouchers | Total | |
| 70600 | \$ 159,496 | \$ 3,127,580 | \$ 3,287,076 | \$ - | \$ 3,366,936 | \$ 3,366,936 | \$ (79,860) |
| 71500 | \$ - | \$ 20,670 | \$ 20,670 | \$ - | \$ 21,556 | \$ 21,556 | \$ (886) |
| 70000 | \$ 159,496 | \$ 3,155,416 | \$ 3,314,912 | \$ - | \$ 3,395,658 | \$ 3,395,658 | \$ (80,746) |
| 97000 | \$ 159,496 | \$ 2,652,599 | \$ 2,812,095 | \$ - | \$ 2,892,851 | \$ 2,892,851 | \$ (80,756) |
| 97300 | \$ - | \$ 2,921,179 | \$ 2,921,179 | \$ - | \$ 2,916,662 | \$ 2,916,662 | \$ 4,517 |
| 90000 | \$ - | \$ 3,436,373 | \$ 3,436,373 | \$ - | \$ 3,431,856 | \$ 3,431,856 | \$ 4,517 |
| 10000 | \$ 159,496 | \$ (280,957) | \$ (121,461) | \$ - | \$ (36,198) | \$ (36,198) | \$ (85,263) |
| 11040 | \$ - | \$ 160,382 | \$ 160,382 | \$ - | \$ (4,517) | \$ (4,517) | \$ 164,899 |
| 11170 | \$ - | \$ 608,819 | \$ 608,819 | \$ - | \$ 526,007 | \$ 526,007 | \$ 82,812 |
| 11180 | \$ - | \$ 8,122 | \$ 8,122 | \$ - | \$ 170,794 | \$ 170,794 | \$ (162,672) |

Amount of \$(4,517) that should have been reported on FDS line item 11040 pertains to October 2018 HAP rent expense that was not recorded as a FY2019 expense, but was instead recorded as an FY2020 expense in July 2020, resulting in an under- and over-reporting of HAP rent expense in fiscal year 2019 and 2020, respectively. This also explains the variance of \$4,517 noted on FDS Line 97300 and 90000.

NORTHERN MARIANAS HOUSING CORPORATION

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2020

Finding No.: 2020-009, Continued
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Program: 14.871 Section 8 Housing Choice Vouchers
Area: Reporting (Financial Assessment Sub-system, FASS-PH)
Questioned Costs: \$-0-

Condition, Continued:

For the \$159,496 reported under 14.HCC HCV CARES Act Funding column for FDS line item 70600, amount pertains to Cares Act HCV Funding that NMHC received in FY2020, however, did not incur eligible expenses and have not expended the Cares Act HCV funding as of 09/30/20. Accordingly, since there were no eligible associated expenses incurred in FY2020, the Cares Act HCV funding should not be reported as grant revenue but rather as unearned revenue at FDS Line 342 per the revenue recognition guideline on HUD's Notice PIH-2020-24 and the \$3,127,580 reported under 14.871 Housing Choice Vouchers column did not include \$239,356 in accrued revenues, which also resulted in variances for the Admin Equity, HAP Equity and Net Positions FDS Line items.

No questioned costs are presented as variances pertain to misallocations of the amounts within the FDS line items and amounts received from HUD for October 2018 and July 2020 HAP rental payments agreed to HUD's monthly disbursements schedule.

Cause: The cause of the above condition is the lack of monitoring controls over the Uniform Financial Reporting Standards reporting and untimely reconciliation of its general ledger accounts. In addition, NMHC not including the accrued revenues at FDS Line 70600 is due to comments that NMHC received from REAC reviewer that the FDS and VMS should totally agree or closely match. Accordingly, as the VMS reporting is on a cash basis, amount reported at FDS Line 70600 was based on a modified cash basis to agree amounts to the VMS reporting and facilitate approval from the REAC reviewer.

Effect: NMHC is in noncompliance with the Uniform Financial Reporting Standards reporting requirements.

Recommendation: NMHC should strengthen controls over compliance with applicable Uniform Financial Reporting Standards reporting requirements and the timely reconciliation of its general ledger accounts. We also recommend for NMHC to seek clarification and/or concurrence from the REAC reviewers as to whether the amount to report at FDS Line 70600 should be on accrual basis or modified cash basis.

Views of Responsible Officials:

NMHC's Corrective Action Plan describes affirmations and 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 2020-001

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

Condition: Of forty tenant files tested, aggregating \$41,957 of a total population of \$1,371,555, we noted deficiencies. Any resulting questioned cost is based on the monthly HAP amount and the number of months certified during fiscal year 2020.

Condition 1

K04

Response: Finding Remains

Corrective Action: Housing Specialist must properly calculate total income. All certifications, interview sheets must be signed and dated by tenant.

Proposed Completion Date: Immediately

Condition 2

R17

Response: Findings remains. NMHC staff oversight to have other adult member no. 11 visit the office to fill out all annual recertification forms. Member did not show-up and PHA overlook the non-compliance of household member. Staff representative filed all certifications without verifying that all adult members completed the Certification forms.

Corrective Action: Field Office Representative must review document before finalizing and filing. Special Assistant will assist in quality check of completed documents.

Proposed Completion Date: Immediately

Condition 3

T20

Response: Finding Remains. The interim was to report that the tenant had loss of income because of school closure due to COVID-19. Tenant signed NMHC's affidavit of child support of \$200 per month (our threshold to report income if \$200 or more increase per month).

Corrective Action: Field Office Representative must review document before finalizing and filing. Special Assistant will assist in quality check of completed documents.

Proposed Completion Date: Immediately

“NMHC is an equal employment and fair housing public agency”

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

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

Condition 4**T20**

Response: The affidavit of support was not dated but it was signed on the same day as the other documents because we do process all documents on the same date. A copy of the notary public journal would have been evidence that it was signed on June 22, 2020 (have to be present in front of notary public). Field Office Representative (FOR) oversight. The document was not stamped and notarized. FOR must review all certification documents before finalizing.

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

Proposed Completion Date: Immediately

Condition 5**K08**

Response: Finding stays.

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

Proposed Completion Date: Immediately

Condition 6 -**M30, T19, K08, K20, K20, T19, K03, K11, K04, M15, M08,**

Response: Finding Remains - Affidavits as to assets were not notarized due to Covid-19.

Corrective Action: FOR/Housing Specialist must review document before finalizing. A follow-up must be done within a reasonable time for documents to be notarized. Special Assistant will assist in quality check of completed documents.

Proposed Completion Date: Immediately

Condition 7**K16**

Response: finding stays, income calculated 12 months should be 52 weeks

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

Proposed Completion Date: Immediately

Condition 8 Remain**R17**

Response: Finding stays, Staff did not re-verify the information before finalizing and submitting of certification. Questioned costs remained: \$5,985

“NMHC is an equal employment and fair housing public agency”

K25 Finding Remains

Response: Error was corrected during field work. No questioned cost.

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

Proposed Completion Date: Immediately

Finding 2020-002

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

Condition: NMHC did not complete the utility analysis schedule for FY 2020 within a reasonable period before the family's next reexamination. The analysis was submitted to the grantor in May 2021 which resulted in untimely gross rent changes affecting all projects.

Response: Finding Remains

Corrective Action: NMHC will follow-up and document that the requests from CUC is made on a timely manner. The information provided by CUC was delayed on this case and is beyond NMHC's control. Once information was received from CUC it will be analyzed and sent to HUD for Review and approval.

Proposed Completion Date: Immediately

Finding 2020-003

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

Condition: Of forty tenant files tested, aggregating \$40,041 of a total population of \$1,371,555, we noted the following deficiencies, resulting in questioned costs based on the monthly HAP amount and the number of months certified during fiscal year 2020:

Condition 1

T12

Response: Finding remains.

Corrective Action: Field Office Representative must conduct an Annual Inspection, even while the unit is under work order. Work order are not considered inspection. Memorandum will be issued to remind all inspectors on the required annual inspection .

Proposed Completion Date: Immediately

T19

“NMHC is an equal employment and fair housing public agency”

Response: Finding stays. After Super typhoon Yutu (October 2018), an assessment was done after staff returned back to work. An assessment was done for all units and work orders were issued by Rota Rep since power was out on 11/09/2018. Work started but due to the substantial damages sustained by the typhoon, the contractor had not completed the repairs (by typhoon) by the time the annual inspection was due. An annual inspection was completed but the damages or repairs needed were the same as the assessment since repairs were not completed. If staff had issued a work order during the annual inspection, it would have been duplicated. Therefore, when staff conducted the annual inspection, the staff referred the damages to the previous work order which was issued on November 9, 2018. An inspection report was in file, therefore, the annual inspection did occur but did not issue another work order in order to avoid.

Corrective Action: Field Office Representative must conduct an Annual Inspection, even while the unit is under work order. Work order are not considered inspection. Memorandum will be issued to remind all inspectors on the required annual inspection .

Proposed Completion Date: Immediately

Finding 2020-004

Name of Contact Person: Jacob Jon Muna, Office Manager/Procurement Officer

Condition: 1. Part 111, Summary of Efforts, was left blank of the Section 3 Summary Report and not certified for grant award no. B-19-ST-69-0001 for contract no. 683101-OC. Additionally, Part 11, Contracting Opportunities, at Block 1, Item D was also not completed.

2. Form HUD 60002 Section 3 Summary Report for grant award no. B-17-ST-69-0001 for contract no. 675782-OC was not prepared and submitted to HUD.

Response: Admin Division will accept the finding, please see corrective action.

Corrective Action: The Administrative shall maintain a log of all contracts whether it be issued by NMHC or another agency that is receiving funds from NMHC program. Quarterly review of all contract logs will be implemented so that we do not miss any contracts.

Proposed Completion Date: Immediately

Finding 2020-005

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

Condition 1:

1. For three (or 15%), the homeowner's property insurance coverage were not on file.

Response: Affirm finding that no insurance was in file for DHNC-460, HL-180, and HL-199. For DHNC-460 borrower is deceased and probate is on-going. For HL-180 the account was forwarded to Attorney Michael A.

“NMHC is an equal employment and fair housing public agency”

White and was in the foreclosure process. For HL-199 we have been unable to reach borrower to request for the procurement of insurance.

Corrective Action: For DHNC-460 probate decree has identified heir, therefore NMHC will be working with the heir for the assumption of loan. For HL-180 the Certificate of Sale has been issued to NMHC. NMHC will procure insurance for the unit. For HL-199 NMHC will contact the borrower and/or tenant to procure insurance.

Proposed Completion Date: Immediately

Condition 2:

2. For three (or 15%), the homeowner's property insurance coverage was obtained; however, the property was partially insured.

Response: For DHNC-500 and HR-499 NMHC Affirmed findings and has been corrected. DHP-529 – insurance amount is only \$40K compared to \$47,830.20 loan amount. NMHC has procured the additional coverage of \$7,830.20 to address this finding.

Corrective Action: Findings have been addressed.

Proposed Completion Date: Findings have been addressed.

Condition 3:

3. For one (or 5%), the property's description on the homeowner's property insurance policy differ from the description on the loan agreement and the property's warranty deed.

Response: NMHC has requested for an endorsement of the policy to reflect the correct lot number.

Corrective Actions: Policy has been amended to reflect the correct lot number.

Proposed Completion Date: Corrections has been addressed. NMHC requests to remove finding.

Condition 4:

4. For one (or 5%), NMHC was not able to substantiate that the borrower is not required to obtain homeowner's property insurance coverage.

Response: The effective policy and loan agreement did not require procurement of insurance policy. Although commitment letter for DHL-242 isn't in file, the format for all commitment letters for loans made during the time did not indicate the requirement. (Sample of Commitment Letter for HL-237 is provided herewith to prove so). In any case, the effective policy should be the prevailing guidance in determining whether an insurance policy is required or not.

“NMHC is an equal employment and fair housing public agency”

Corrective Action: Findings unjustifiable; Effective policy as reflected in the loan agreement did not require insurance coverage for this loan. No action is necessary and NMHC requests that this finding and question cost be removed.

Proposed Completion Date: Not applicable; should not be a finding to begin with.

Condition 5:

5. For four (or 20%), affidavits of principal residence signed by the borrowers or the borrower's surviving relatives were not on file. NMHC conducted a field visit on June 15, 2020 for DHNC-460; however, NMHC was not able to substantiate that the surviving relative is residing at the property at the time the field visit was conducted.

Response: For HR-634 and DHP-596 The annual recertifications were untimely. For DHNC-460 - NMHC conducted a field visit on 06/15/2020 and had indicated that the house was maintained. A third party court document was provided stating that the living relative continues to reside at the deceased borrower's house. NMHC affirms finding for PIHL-33 as borrower was incarcerated and then released to a third-party custodian per court orders.

Corrective Action: No actions needed for HR-634, DHP-596, for DHNC-460 since a third party court document (usually a sworn statement) was provided, this should equate to an affidavit that relative was residing at the property and that no action is further needed. For PIHL-33 NMHC will collect deferred portion of assistance since borrower cannot comply with annual recertification requirements.

Proposed Completion Date: PIHL-33 Account has been forwarded to Attorney Michael A. White for collection.

Condition 6:

6. For two (or 10%), documentation substantiating that the borrowers, whose loans have been partially or entirely deferred prior to or on December 31, 2007, were recertified for financial and eligibility requirement purposes prior to or on July 28, 2018, were not on file. Accordingly, NMHC was not able to substantiate that the last and final financial and eligibility recertification were performed.

Response: NMHC affirms findings.

Corrective Action: NMHC will continue to ensure that clients are recertified annually per principal residency requirements.

Completion Date: On-going

Condition 7:

7. For one (or 5%), the signed affidavit of principal residence was signed by a surviving household member on February 12, 2020, however the borrower passed away since April 9, 2016 and documentation of the status of the property's probate was not on file or equivalent documentation to substantiate that the

“NMHC is an equal employment and fair housing public agency”

surviving household member has legal rights to the property and/or whether the surviving household member can assume the HOME grant assistance.

Response: NMHC affirms findings. Surviving household member was part of household at the time to present and was the court appointed legal guardian for borrower, legal rights will be determined when probate is finalized. Legal guardian and household member to borrower is residing at the property and therefore, NMHC requests that this questioned costs be removed.

Corrective action: Account was referred to Attorney Michael White on February 4, 2022 for probate initiation.

Completion Date: Corrections has been addressed.

Condition 8:

8. For one (or 5%), the annual recertification was not performed as the borrower is not residing at the HOME-funded home/property as the principal residence, as documented by NMHC on a memo to file dated November 9, 2017. Grantor approval was not provided.

Response: NMHC Affirms this finding.

Corrective Action: NMHC will obtain grantor approval for low income family to reside at the unit.

Completion Date: Immediately

Condition 9:

9. For one (or 5%), the household income per third party verifications on file exceeded the income limit and borrower is therefore ineligible for HOME loan assistance; the loan review conclusion report indicated that the borrower had satisfactory credit history; however, the borrower had prior delinquent loans per the third party credit history report; and the Letter of Tax Compliance was not on file.

Response: HUD Income Limits for 2006 was \$34,020 (60%) for household of 3persons. Request to remove question cost as borrower would still be income eligible for assistance. Affirm derogatory items on credit report including NMHC account of not more than 3 payments past due (I3). Affirm that tax compliance is not in file, however Borrower's filed 1040 was provided and such items will not have a profound effect on income eligibility.

Corrective Actions: No actions warranted since client was eligible for assistance based on household size per loan write-up. Further, NMHC affirms all other findings.

Completion Date: Not applicable

Condition 10:

10. For two (or 9%), the potential household income does not agree with third party verifications on file.

Response: NMHC Affirms findings for PIHL-42 and HL-210. Although third party verifications did not agree, HL-210 was within the income eligibility requirements.

“NMHC is an equal employment and fair housing public agency”

Corrective Actions: Corrective actions for PIHL-42 is not applicable since the assistance have already been extended.

Completion Date: Not applicable

Condition 11:

11. For one or (5%), the property's lot number 011 G 996 on the appraisal report and environmental review and assessment for differ from lot number 011 G 966 on the land document and loan agreements.

Response: The lot numbers indicated in the appraisal and environmental review are typographical errors hand-written by staff. NMHC Affirms that the recorded mortgage documents reflected the correct lot numbers as indicated in the Quitclaim Deed.

Corrective Actions: NMHC staff who conducted the appraisal and environmental review has confirmed that the reviews were for lot number 011 G 966 and has made the proper corrections on the appraisal and the environmental review.

Completion Date: Corrections have been addressed.

Condition 12:

12. For one or (5%), the property title report or equivalent documentation substantiating that the property was owned by NMHC at the time NMHC sold the property to the borrower was not on file. In addition, the lender title policy insuring NMHC's interest on the property was also not on file.

Response: NMHC has provided a copy of the Quitclaim Deed showing ownership of the property through a foreclosure sale. **The lender's title policy does not show ownership of the property, rather, it covers claims that affect the lender's loan.** NMHC does not request for a lender's title policy with any property it owns because all mortgages it makes the agency requires that a Preliminary Title Research (PTR) be completed before it assist any client. When the agency extended a mortgage loan to the previous owners (DFHL-1497), it requested for a PTR to ensure that there were no liens against the property. Any other filings with respect to the property after NMHC had mortgaged the same up until it foreclosed on it will be considered null and void as NMHC had first rights to it.

Corrective Actions: NMHC has provided documentation showing ownership of the property on January 25, 2022.

Completion Date: Corrections has been addressed.

“NMHC is an equal employment and fair housing public agency”

Condition 13:

13. For two or (9%), the environmental review and assessment forms were not on file.

Response: NMHC affirms this finding.

Corrective Actions: NMHC has completed and provided the Environmental Reviews for both files. We request that this findings be removed.

Completion Date: Completed

Condition 14:

14. For two (or 9%), the third-party income verifications from the Social Security Administration (SSA) were not on file.

Responses: NMHC affirms this finding.

Corrective Actions: Corrective actions are not applicable since the assistance have already been extended and SS benefits (if any) at the time are not available since it has been more than ten years ago.

Completion Date: Not applicable

Condition 15:

15. For three (or 14%), the borrowers declared cash in bank on the loan applications, however, third-party verifications were not in file; therefore, NMHC is not able to substantiate whether the borrower had potential income from assets that should be included in the household income for PIHL-42 and HL-210. For PIHL-33, NMHCS included \$50 as income from assets in the household income; however, no third-party verifications was on file to substantiate the amount.

Responses: NMHC affirms this finding.

Corrective Actions: Corrective actions are not applicable since the assistance have already been extended and documentations are not available since it has been more than ten years ago.

Completion Date: Not applicable

Finding 2020-006

Name of Contact Person: Roger A. Dris, Chief Accountant, Jeffrey Q. Deleon Guerrero, CFO

For one (or 3%) of thirty-one HAP rental expenses tested, aggregating \$26,951 of a total population of \$2,674,341, HAP rental payments amounting to \$4,517 (Batch ID 56177, dated 07/23/20) pertain to October 2018 HAP rent expenses; however, the expenses were not recorded in FY2019 and instead were recorded as FY2020 expenses in July 2020, resulting in an understatement and overstatement of FY2019 and FY2020

“NMHC is an equal employment and fair housing public agency”

SEFA, respectively. No questioned costs are presented as amounts received from HUD for October 2018 and July 2020 HAP payments agreed to HUD's monthly disbursements schedule.

Response: NMHC will do the timely reconciliation of the general ledger accounts and record expenses in the period incurred and properly monitor the accounts that applies for federal program expenditures.

Corrective Action: NMHC will do the monthly reconciliation of the accounts that applies for the federal program expenditures.

Proposed Completion Date: Immediately

Finding 2020-007

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

Condition: Of forty tenant files tested, aggregating \$28,863 of a total population of \$2,921,179, we noted deficiencies. Resulting questioned costs are based on the monthly HAP amount and number of months certified during fiscal year 2020.

Condition 1

H01564

Response: Findings remains. Late Annual Re—examination. This is an oversight by the Housing Specialist.

Questioned Cost: \$266

Corrective Action: Housing Specialist must complete all Annual Re-examination before the effective of the annual re-examination. Special Assistant for Program and Housing will assist in quality check/control of completed documents.

Proposed Completion Date: Immediately

Condition 2

H01882

Response: Finding should be removed. Certification form (color sheet) was completed, signed & notarized during the eligibility interview, and HS did obtain updated income documents (pay stubs and employment certification) prior to Admission. Certification form is only done once a year, therefore, should still be valid. Certification forms is used during eligibility and annual re-certifications.

H01889

Response: Finding should be removed. Certification form (color sheet) was completed, signed & notarized during the eligibility interview, and HS did obtain updated income documents (pay stubs and employment certification) prior to Admission. Certification form is only done once a year, therefore, should still be valid. Certification forms is used during eligibility and annual re-certifications.

Corrective Action: Housing Specialists and Field Office Representative must review and verify all inputted information including dates of affidavits/signed statements and/or third-party verifications supporting family income and assets within the time allotted of 60 days preceding dates of when the certifications/re-certifications

“NMHC is an equal employment and fair housing public agency”

were performed and/or 120 days from the effective recertification date. All income information that are outdated must be updated to determined continued eligibility. Special Assistant for Program and Housing will assist in quality check/control of completed documents.

Proposed Completion Date: Immediately

H01101

Response: Finding should be removed. Certification form (color sheet) was completed, signed & notarized during the eligibility interview, and HS did obtain updated income documents (pay stubs and employment certification) prior to Admission. Certification form is only done once a year, therefore, should still be valid. Certification forms is used during eligibility and annual re-certifications.

Corrective Action: Housing Specialists and Field Office Representative must review and verify all inputted information including dates of affidavits/signed statements and/or third-party verifications supporting family income and assets within the time allotted of 60 days preceding dates of when the certifications/re-certifications were performed and/or 120 days from the effective recertification date. All income information that are outdated must be updated to determined continued eligibility. Special Assistant for Program and Housing will assist in quality check/control of completed documents.

Proposed Completion Date: Immediately

Condition 3

H01285

Response: Finding should be removed. EIV report printed in timely manner on 06/24/2019, however EIV system did not print out HHM #5's income information. Possibly system glitch. However previous EIV report dated 04/26/2018 and EIV reported dated 04/16/2020 did print HHM #5's income information.

Corrective Action: Housing specialist must review all printed EIV report to determine all household members' information and income are completed. In the event of a glitch, Housing Specialist must go back and reprint the most current EIV report.

Proposed Completion Date: Immediately

Condition 4

H01564

Response: Finding should be removed. Adult member #5 was a New Household Member at the time, therefore, the household member's name/information will not appear right away on the EIV report, which is why HS did not have the individual sign the report.

H01769

Response: Finding should be removed. Adult member #4 was a New Household Member at the time, therefore, the household member's name/information will not appear right away on the EIV report, which is why HS did not have the individual sign the report.

Corrective Action: H01564 & H01769: Housing specialist must review all printed EIV report to determine all household members' information and income are verified/completed within 120 days.

“NMHC is an equal employment and fair housing public agency”

Proposed Completion Date: Immediately

H01885

Response: Finding should be removed. Recertification completed on a timely manner along with EIV report. However, Household Member did not sign due to limited face to face appointments with clients. When family subsequently came in to sign, HOH reported that HHM had move off island.

Finding should be removed as family would have signed had face-to-face interaction not been limited due to pandemic.

Corrective Action: H01885: Housing specialist must inquire from the tenant if any of the household members had relocated or moved out from the unit. Furthermore, an affidavit from the head should obtained as to when the household member left the unit. As outreach to tenants, Housing Specialist/Field Office Representatives will educate head of household about the reporting immediately of household members moving/relocating and will no longer be participating in the HCV Program.

Proposed Completion Date: Immediately

H01334

Response: Finding should be removed. Adult member #3 was a New Household Member at the time, therefore, the household member's name/information will not appear right away on the EIV report.

Corrective Action: Housing specialist must review all printed EIV report within 120 days to determine all household members' information and income are completed. Also, Housing Specialist must review all certification forms that requires signatures of all HCV Adult members.

Proposed Completion Date: Immediately

Condition 5

H01882

Response: Finding stays

H01885

Response: Finding stays. Latest SVS acct information used is correction, however not for Checking account.

H01783

Response: Finding Stays. HS used the current balance on the BOG checking statement.

H01042

Response: Finding Stays. HS used the ending balance on the BOH checking statement instead of using the average balance.

H01795

Response: Finding stays

“NMHC is an equal employment and fair housing public agency”

H01809**Response:** Finding stays**H01693****Response:** Finding stays

Corrective Action: NMHC Housing Specialist & Field Office Representative will average out the balances for the last six months of the savings/checking account. Special Assistant for Program and Housing will assist in quality check/control of completed documents.

Proposed Completion Date: Immediately

Condition 6**H01597**

Response: Finding should be removed. Families were not able to procure additional statements, due to Covid-19 lockdown of the community, and there was limited access to businesses.

Corrective Action: NMHC Housing Specialist & Field Office Representative will reach out to tenants to provide with the required additional bank statements to determine if income will be adjusted during their annual re-certifications. Special Assistant for Program and Housing will assist in quality check/control of completed documents.

Proposed Completion Date: Immediately

H01785

Response: Finding remains.

Corrective Action: NMHC Housing Specialist & Field Office Representative will reach out to tenants to provide with the required additional bank statements to determine if income will be adjusted during their annual re-certifications. Special Assistant for Program and Housing will assist in quality check/control of completed documents.

Proposed Completion Date: Immediately

H01526

Response: Finding should be removed. Families were not able to procure additional statements, due to Covid-19 lockdown of the community, and there was limited access to businesses.

Corrective Action: NMHC Housing Specialist & Field Office Representative will reach out to tenants to provide with the required additional bank statements to determine if income will be adjusted during their annual re-certifications. Special Assistant for Program and Housing will assist in quality check/control of completed documents.

Proposed Completion Date: Immediately

Condition 7

“NMHC is an equal employment and fair housing public agency”

H01179

Response: Finding Stays. HS tried numerous times to obtain documents of current immigration status from the head of household, but was unsuccessful.

Corrective Action: As implemented all participants must obtain and provide current immigration status to NMHC. Failure will result in the termination process.

Proposed Completion Date: Immediately

Condition 8**H01042**

Response: Finding should be removed. Household member #4 has been in the household since 11/2007. Appointment of guardianship/Power of Attorney was acceptable during the time, and continued to be allowed thereafter.

Corrective Action: A notice will be issued out to the head of hold to obtained the required court appointed guardianship. Failure for the tenant to obtained the required court appointed guardianship will result in termination of the participant. 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 9**H01285**

Response: Finding corrected

Condition 10**H01212**

Response: Finding should be removed for 1 Dependent. HHM#5 has the correct order of the HoH's (mother) name, whereas HHM#4 is the opposite.

Corrective Action: NMHC will further inquire from the HoH to correct the information on the dependents identified as the biological parent. Furthermore, NMHC will require the HoH to provide legal documentation if the information does not match. 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 11**H01098**

“NMHC is an equal employment and fair housing public agency”

Response: Finding stays. Utility Analysis calculation was inadvertently rounded up when calculated which subsequently added an additional \$1.00 to Utility allowance.

H01145

Response: Finding Stays. Incorrect UA.

Corrective Action: H01098 & H01098: 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.

Proposed Completion Date: Immediately

Condition 12

H01885

Response: Finding should be removed. Recertification completely in timely manner along with EIV report. However, HHM did not sign due to limited face to face appointments with clients. When family subsequently came in to sign, HOH reported that HHM had move off island.

Finding should be removed as family would have signed had face-to-face interaction not been limited due to pandemic.

Corrective Action: H01885: Housing specialist must inquire from the tenant if any of the household members had relocated or moved out from the unit. Furthermore, an affidavit from the head should obtained as to when the household member left the unit. As outreach to tenants, Housing Specialist/Field Office Representatives will educate head of household about the reporting immediately of household members moving/relocating and will no longer be participating in the HCV Program.

Proposed Completion Date: Immediately

Condition 13

H01882

Response: Finding should be removed. SSN Erroneously inputted by Housing Specialist 02/10/2020. Housing Specialist ran EIV verification report on 04/16/2020 and found that CoH SSN information flagged as "FAILED". Housing Specialist would have still had time to correct SSN within 120 days' time frame from new admission however EIV website not accessible from 04/30/2020 until 07/28/2020 due to non-recertification of users. Correction subsequently ran and applied 10/08/2020.

Corrective Action: 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.

Proposed Completion Date: Immediately

Finding 2020-008

Name of Contact Person: Roger A. Dris, Chief Accountant, Jeffrey Q. Deleon Guerrero, CFO

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

Condition: Tests of HAP rental expenses noted NMHC erroneously did not record October 2018 HAP rent expense amounting to \$4,517 (Batch ID 56177, dated 07/23/20) in fiscal year 2019, and instead, recorded the amount as a fiscal year 2020 expense, resulting in an underreporting and overreporting of HAP rent expenses in VMS for the months of October 2018 and July 2020, respectively. No questioned costs are presented as amounts received from HUD for October 2018 and July 2020 HAP rental payments agreed to HUD's monthly disbursements schedule.

Response: NMHC will do the timely reconciliation of the general ledger accounts and record expenses in the period incurred and properly monitor the accounts that applies for federal program expenditures.

Corrective Action: NMHC will do the monthly reconciliation of the accounts that applies for the federal program expenditures.

Proposed Completion Date: Immediately

Finding 2020-009

Name of Contact Person: Roger A. Dris, Chief Accountant, Jeffrey Q. Deleon Guerrero, CFO

Condition: Tests of the unaudited single audit financial information for the year ended September 30, 2020 that was electronically submitted to HUD noted the following.

| Line Item | Per REAC Submission | | | Per Underlying General Ledger | | | Variance |
|-----------|------------------------------|--------------------------------|------------|-------------------------------|--------------------------------|--------------|--------------|
| | 14.HCC HCV CARES Act Funding | 14.871 Housing Choice Vouchers | Total | 14.HCC HCV CARES Act Funding | 14.871 Housing Choice Vouchers | Total | |
| 111 | \$ - | \$ 644,009 | \$ 644,009 | \$ - | \$ 481,337 | \$ 481,337 | \$ 162,672 |
| 113 | \$ 159,496 | \$ 8,122 | \$ 167,618 | \$ 159,496 | \$ 170,794 | \$ 330,290 | \$ (162,672) |
| 124 | \$ - | \$ - | \$ - | \$ - | \$ 239,356 | \$ 239,356 | \$ (239,356) |
| 120 | \$ - | \$ 25,755 | \$ 25,755 | \$ - | \$ 265,111 | \$ 265,111 | \$ (239,356) |
| 150 | \$ 159,496 | \$ 677,886 | \$ 837,382 | \$ 159,496 | \$ 917,242 | \$ 1,076,738 | \$ (239,356) |
| 290 | \$ 159,496 | \$ 698,125 | \$ 857,621 | \$ 159,496 | \$ 937,481 | \$ 1,096,977 | \$ (239,356) |
| 333 | \$ - | \$ 81,184 | \$ 81,184 | \$ - | \$ 240,680 | \$ 240,680 | \$ (159,496) |
| 342 | \$ - | \$ - | \$ - | \$ 159,496 | \$ - | \$ 159,496 | \$ (159,496) |
| 310 | \$ - | \$ 81,184 | \$ 81,184 | \$ 159,496 | \$ 240,680 | \$ 400,176 | \$ (318,992) |
| 300 | \$ - | \$ 81,184 | \$ 81,184 | \$ 159,496 | \$ 240,680 | \$ 400,176 | \$ (318,992) |
| 511.4 | \$ 159,496 | \$ 8,122 | \$ 167,618 | \$ - | \$ 170,794 | \$ 170,794 | \$ -(3,176) |
| 512.4 | \$ - | \$ 588,580 | \$ 588,580 | \$ - | \$ 505,768 | \$ 505,768 | \$ 82,812 |
| 513 | \$ 159,496 | \$ 616,941 | \$ 776,437 | \$ - | \$ 696,801 | \$ 696,801 | \$ 79,636 |
| 600 | \$ 159,496 | \$ 698,125 | \$ 857,621 | \$ 159,496 | \$ 937,481 | \$ 1,096,977 | \$ (239,356) |

Program Revenue and Expense Summary:

| Line Item | Per REAC Submission | | | Per Underlying General Ledger | | | Variance |
|-----------|------------------------------|--------------------------------|--------------|-------------------------------|--------------------------------|--------------|--------------|
| | 14.HCC HCV CARES Act Funding | 14.871 Housing Choice Vouchers | Total | 14.HCC HCV CARES Act Funding | 14.871 Housing Choice Vouchers | Total | |
| 70600 | \$ 159,496 | \$ 3,127,580 | \$ 3,287,076 | \$ - | \$ 3,366,936 | \$ 3,366,936 | \$ (79,860) |
| 71500 | \$ - | \$ 20,670 | \$ 20,670 | \$ - | \$ 21,556 | \$ 21,556 | \$ (886) |
| 70000 | \$ 159,496 | \$ 3,155,416 | \$ 3,314,912 | \$ - | \$ 3,395,658 | \$ 3,395,658 | \$ (80,746) |
| 97000 | \$ 159,496 | \$ 2,652,599 | \$ 2,812,095 | \$ - | \$ 2,892,851 | \$ 2,892,851 | \$ (80,756) |
| 97300 | \$ - | \$ 2,921,179 | \$ 2,921,179 | \$ - | \$ 2,916,662 | \$ 2,916,662 | \$ 4,517 |
| 90000 | \$ - | \$ 3,436,373 | \$ 3,436,373 | \$ - | \$ 3,431,856 | \$ 3,431,856 | \$ 4,517 |
| 10000 | \$ 159,496 | \$ (280,957) | \$ (121,461) | \$ - | \$ (36,198) | \$ (36,198) | \$ (85,263) |
| 11040 | \$ - | \$ 160,382 | \$ 160,382 | \$ - | \$ (4,517) | \$ (4,517) | \$ 164,899 |
| 11170 | \$ - | \$ 608,819 | \$ 608,819 | \$ - | \$ 526,007 | \$ 526,007 | \$ 82,812 |
| 11180 | \$ - | \$ 8,122 | \$ 8,122 | \$ - | \$ 170,794 | \$ 170,794 | \$ (162,672) |

“NMHC is an equal employment and fair housing public agency”

Response: NMHC will strengthen controls over compliance with applicable uniform financial reporting standards reporting requirements, and responsible personnel will timely reconcile the general ledger accounts.

Corrective Action: At present, NMHC Fiscal Division staff is already reconciling the Voucher management system, Financial Assessment of Public Housing (FASS-PH REAC) data information reported versus the general ledger accounts.

Proposed Completion Date: Immediately

“NMHC is an equal employment and fair housing public agency”

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

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



NORTHERN MARIANAS HOUSING CORPORATION

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

Email: nmhc@nmhc.gov.mp

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

Telephone number: 670-234-7689



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SEPTEMBER 30, 2020

| CFDA Ref. No. | CFDA No. | Findings | Questioned Costs | Status | Corrective Action Plan | Remarks | QC Resolved | \$Amt Bal Carry Forward |
|-------------------------|----------|--------------------------|------------------|--|---|--|-------------|-------------------------|
| Fiscal Year 2017 | | | | | | | | |
| 2017-001 | n/a | Loans Receivable | \$0 | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (09/05/18) of the FY2017 audit in the Federal Audit Clearinghouse. QC has been removed. | To continue on the path to progress in decreasing the delinquency rate. NMHC recently created and filled a Collector position. Due to the increased oversight and collection efforts from this addition to the NMHC team, we are now in an improved position to perform evaluation of loans and whether legal action should be taken for those considered unserviceable. We agree with the audit adjustment to correct the allowance and in conjunction with the corrective action noted in Finding No. 2017-002, adjustments to allowances will occur on a quarterly basis. Finding closed, as two years have passed since 09/15/2018, date of acceptance of the FY 2017 audit in the Federal Audit Clearinghouse. | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (09/05/18) of the FY2017 audit in the Federal Audit Clearinghouse. QC has been removed. | | |
| 2017-002 | n/a | Loan Guaranty Agreements | \$0 | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (09/05/18) of the FY2017 audit in the Federal Audit Clearinghouse. QC has been removed. | The CFO, MCD Manager and Chief Accountant will develop a quarterly loan guaranty reserve analysis based on: 1. Current period reports available from financial institutions. 2. Loan delinquencies, foreclosure notices, and estimated settlements for the current period provided by the MCD Manager or his designate. 3. Delinquency performance and settlements for previous 5 years. 4. Monthly collectability meetings with the CFO, Chief Accountant, MCD Manager and Collector. NMHC began the review process on a test basis for May 2018. The first quarterly review will be in place for September 2018. Finding closed, as two years have passed since 09/15/2018, date of acceptance of the FY 2017 audit in the Federal Audit Clearinghouse. | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (09/05/18) of the FY2017 audit in the Federal Audit Clearinghouse. QC has been removed. | \$ - | \$ - |
| 2017-003 | 14.195 | Eligibility | \$0 | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (09/05/18) of the FY2017 audit in the Federal Audit Clearinghouse. QC has been removed. | NMHC will ensure that the Resident Rights and Documentation brochure is provided to tenants at annual recertification. NMHC has made a drastic improvements from last year's findings related to the condition (94% of the files tested in FY 16 resulted in a finding and for FY 17, only 57% of the files tested resulted in a finding). Further, NMHC will ensure that original Document Packages are in file for all tenants. NMHC will also ensure EIV reports are included in the tenant file. NMHC has concluded that the finding will close, as two years have passed, since September 5, 2018, the date of acceptance of the FY 2017 audit in the Federal Audit Clearinghouse. | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (09/05/18) of the FY2017 audit in the Federal Audit Clearinghouse. QC has been removed. | \$ - | \$ - |
| | | | | | | | \$ - | \$ - |



NORTHERN MARIANAS HOUSING CORPORATION

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

Email: nmhc@nmhc.gov.mp

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

Telephone number: 670-234-7689



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2020

| CFDA Ref. No. | CFDA No. | Findings | Questioned Costs | Status | Corrective Action Plan | Remarks | QC Resolved | \$Amt Bal Carry Forward |
|---------------|----------|----------------|------------------|--|--|--|------------------|-------------------------|
| 2017-006 | 14.239 | Eligibility | \$183,995 | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (09/05/18) of the FY2017 audit in the Federal Audit Clearinghouse. QC has been removed. | Condition 1 - The Mortgage and Credit Division (MCD) have subsequently taken the necessary corrective actions to retrieve or provide the required insurance policy, thus removing the associated questioned costs. For those specific item findings, DHR-368 and HNC-367 will not be disputed and will remain a stay. Condition 5 - MCD had subsequently provided a declaration and statement of unemployment for loan client/account number DHL-240, QC amount of \$30,000 in support to remove questioned cost amount. This supporting documentation was provided to the auditor in the June 28, 2018 email and attachment. Condition 11 - For the two files, the environmental review docs were subsequently obtained/found and submitted for the auditor's review in the June 28, 2018 email and attachment in support of removing the QC and the entire condition. MCD will work to ensure that continuing compliance requirements as those findings in annual recertifications and homeowner insurance policy are carefully tracked and monitored for timeliness and that the information and documents are reflected in the borrower loan file. This shall require advanced notices, demand letters, as well as appropriate client contacts and field visits as appropriate. NMHC has concluded that the finding will close, as two years have passed, since September 5, 2018, the date of acceptance of the FY 2017 audit in the Federal Audit Clearinghouse. | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (09/05/18) of the FY2017 audit in the Federal Audit Clearinghouse. QC has been removed. | | \$0 |
| 2017-007 | 14.239 | Program Income | \$70,976 | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (09/05/18) of the FY2017 audit in the Federal Audit Clearinghouse. QC has been removed. | We agree with this finding. NMHC will follow the HUD requirement to record the receipt in IDIS and the local account when received. The finding was noted previously in the Fiscal Year 2016 audit; whereupon, NMHC agreed with the finding and implemented the corrective plan. This was evidenced by no exceptions noted subsequent to December 5, 2016. NMHC has concluded that the finding will close, as two years have passed, since September 5, 2018, the date of acceptance of the FY 2017 audit in the Federal Audit Clearinghouse. | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (09/05/18) of the FY2017 audit in the Federal Audit Clearinghouse. QC has been removed. | \$ 183,995 | \$0 |
| | | | | | | | \$ 70,976 | |
| | | | | | | | \$311,703 | \$0 |



NORTHERN MARIANAS HOUSING CORPORATION

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

Email: nmhc@nmhc.gov.mp

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

Telephone number: 670-234-7689



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SEPTEMBER 30, 2020

| CFDA Ref. No. | CFDA No. | Findings | Questioned Costs | Status | Corrective Action Plan | Remarks | QC Resolved | \$Amt Bal Carry Forward |
|-------------------------|----------|---|------------------|--|---|--|-------------|-------------------------|
| Fiscal Year 2018 | | | | | | | | |
| 2018-002 | 14.195 | Eligibility | \$37,321 | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (06/25/19) of the FY2018 audit in the Federal Audit Clearinghouse. QC has been removed. | The Program and Housing Division (PHD) will develop and implement a checklist to verify the tenant's files are complete with related signoffs during the annual recertification. NMHC continues to show great improvements from last year's findings. NMHC has concluded that the finding will close, as two years have passed, since June 25, 2019, the date of acceptance of the FY 2018 audit in the Federal Audit Clearinghouse. | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (06/25/19) of the FY2018 audit in the Federal Audit Clearinghouse. QC has been removed. | | \$0 |
| 2018-003 | 14.195 | Special Tests and Provisions- Housing Quality Standards | \$10,841 | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (06/25/19) of the FY2018 audit in the Federal Audit Clearinghouse. QC has been removed. | PHD manager will work with AMD Manager to develop procedures to improve ongoing monitoring and ensure: Work orders indicate damage is due to tenant negligence or wear and tear, and charged for the cost of damage if tenant related, work orders are completed within 30 days after inspection, fixed and corrected deficiencies are closed in the system. PHDM will obtain the latest HUD HQS compliance supplement to ensure guidance related to multifamily is incorporated in future policy. NMHC notes the number of files tested showing exceptions remains consistent with prior year; however, the questioned costs dropped from \$56,732 in FY 2017 to \$10,841 in FY 2018 which indicates reduced deficiencies in the tested files. NMHC has concluded that the finding will close, as two years have passed, since June 25, 2019, the date of acceptance of the FY 2018 audit in the Federal Audit Clearinghouse. | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (06/25/19) of the FY2018 audit in the Federal Audit Clearinghouse. QC has been removed. | \$ 37,321 | \$0 |
| 2018-004 | 14.239 | Eligibility | \$172,669 | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (06/25/19) of the FY2018 audit in the Federal Audit Clearinghouse. QC has been removed. | MCD Manager will develop a checklists to address deficiencies in the finding. MCD staff will update checklists regularly on a shared drive and update status as needed. On a monthly basis, or more often as deemed necessary, the MCD Manager will review the checklists to ensure timely follow up and/or provide guidance to staff on resolving deficiencies or missing support. NMHC notes questioned costs have dropped from \$183,995 in FY 2017 to \$172,669 in FY 2018. NMHC also notes that substantially most of the findings and related questioned costs are prior to NMHC's Home Policies and Procedures implemented July 23, 2009. MCD will use the checklists to review previous files, assess noted deficiencies, and document the results of their research in completing compliance requirements. NMHC believes the action plan will ensure NMHC can improve file monitoring and resolution of related potential deficiencies. NMHC has concluded that the finding will close, as two years have passed, since June 25, 2019, the date of acceptance of the FY 2018 audit in the Federal Audit Clearinghouse. | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (06/25/19) of the FY2018 audit in the Federal Audit Clearinghouse. QC has been removed. | \$ 10,841 | \$0 |

\$ 172,669



NORTHERN MARIANAS HOUSING CORPORATION

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

Email: nmhc@nmhc.gov.mp

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

Telephone number: 670-234-7689



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2020

| Ref. No. | CFDA No. | Findings | Questioned Costs | Status | Corrective Action Plan | Remarks | QC | \$Amt Bal |
|----------|----------|---|------------------|--|--|--|----------|---------------|
| | | | | | | | Resolved | Carry Forward |
| 2018-005 | 14.239 | Period of Availability of Federal Funds | \$0 | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (06/25/19) of the FY2018 audit in the Federal Audit Clearinghouse. | The Chief Accountant will contact the CFO as needed to review CFR and related guidelines under such circumstances as described in the findings. The CFO notes NMHC appreciates Deloitte's due diligence in identifying such potential weaknesses; however, the circumstances around the finding should be considered: 1) NMHC provided emails showing the almost constant communication with HUD Hawaiiing reviewing the committment 2) During the period of time of the subsequent drawdowns, HUD was unavailable for guidance or review as the Federal government was shut down for 35 days starting December 21st, 2018. The website was online for such drawdowns and deadlines were not changed. Prior to, and subsequently after the shutdown gap, NMHC and HUD were wholly focused on recovery activities related to Super Typhoon Yutu. NMHC has concluded that the finding will close, as two years have passed, since June 25, 2019, the date of acceptance of the FY 2018 audit in the Federal Audit Clearinghouse. | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (06/25/19) of the FY2018 audit in the Federal Audit Clearinghouse. | | \$0 |
| 2018-006 | 14.239 | Reporting | \$0 | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (06/25/19) of the FY2018 audit in the Federal Audit Clearinghouse. QC has been removed. | Office Manager will ensure to submit the required report timely. NMHC has concluded that the finding will close, as two years have passed, since June 25, 2019, the date of acceptance of the FY 2018 audit in the Federal Audit Clearinghouse. | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (06/25/19) of the FY2018 audit in the Federal Audit Clearinghouse. | \$ - | \$0 |
| 2018-007 | 14.871 | Eligibility | \$52,227 | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (06/25/19) of the FY2018 audit in the Federal Audit Clearinghouse. QC has been removed. | The 60-day timeframe is NMHC's policy, accordingly, the Corporate Director and PHDM will revisit the policy to determine if it is still reasonable with the timely completion of eligibility reviews and associated risks related to an extension; the PHDM will remind housing staff 60 days applies unless a new time frame has been determined. NMHC has concluded that the finding will close, as two years have passed, since June 25, 2019, the date of acceptance of the FY 2018 audit in the Federal Audit Clearinghouse. | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (06/25/19) of the FY2018 audit in the Federal Audit Clearinghouse. QC has been removed. | \$ - | \$0 |

\$ 52,227



NORTHERN MARIANAS HOUSING CORPORATION

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

Email: nmhc@nmhc.gov.mp

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

Telephone number: 670-234-7689



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SEPTEMBER 30, 2020

| CFDA Ref. No. | CFDA No. | Findings | Questioned Costs | Status | Corrective Action Plan | Remarks | QC Resolved | \$Amt Bal Carry Forward |
|-------------------------|----------|--|------------------|-----------------|--|---|-------------|-------------------------|
| 2018-008 | 14.871 | Special Tests and Provisions-Utility Allowance | \$0 | Finding closed. | The PHDM will remind PHD staff that six stubs are required; and, any deficiencies or exceptions are to be approved by the PHDM, documented and retained in file. NMHC has concluded that the finding will close, as two years have passed, since June 25, 2019, the date of acceptance of the FY 2018 audit in the Federal Audit Clearinghouse. | Finding closed. NMHC has concluded that the finding will close as two years has passed from the date of acceptance (06/25/19) of the FY2018 audit in the Federal Audit Clearinghouse. | | \$0 |
| | | | \$273,058 | | | | \$ - | \$0 |
| Fiscal Year 2019 | | | | | | | | |
| 2019-001 | 14.195 | Eligibility | \$6,224 | Unresolved | NMHC will ensure the following: 1) Certification forms will be revised to remove the applicable or not applicable wording, and the tenant will initial the "fill-in" blanks and initial certification forms. 2) Field Office representatives review documents before finalizing. Additionally, the Special Assistant will assist in quality checks of completed documents. | Unresolved | | \$6,224 |
| 2019-002 | 14.195 | Special Tests and Provisions-Housing Quality Standards | \$7,120 | Unresolved | Field Office Representatives will confirm that all appliances are in working order before any new tenant moves in. The FOR will also ensure that work orders indicate whether the tenant deficiencies were corrected and charged properly. | Unresolved | \$ - | \$7,120 |
| 2019-003 | 14.225 | Equipment and Real Property Management | \$0 | Unresolved | NMHC will ensure the following: 1) inventory records reconciliations are completed timely 2) Inventory master listing in the Fiscal Division reflects all costs 3) Subrecipient monitoring, specifically related to federally-funded inventory are strengthened | Unresolved | \$ - | |
| 2019-004 | 14.225 | Reporting | \$0 | Unresolved | NMHC will submit the HUD Form 60002 Section 2 Summary Report on a timely basis | Unresolved | \$ - | \$ - |
| 2019-005 | 14.239 | Eligibility | \$60,923 | Unresolved | NMHC will ensure the following: 1) Accounts with the lack of cooperation be referred to the collection attorney 2) Insurance information is included in the MCD annual recertification monitoring to ensure there is no future oversight in coverage 3) MCD will be proactive in conducting field visits prior to annual recertification deadline, "if the required completed form has not been provided". For Condition 4, NMHC has done corrective measures to ensure that the forms in question are obtained for all loan applications, accordingly | Unresolved | \$ - | \$60,923 |
| | | | | | | | \$ - | |



NORTHERN MARIANAS HOUSING CORPORATION

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

Email: nmhc@nmhc.gov.mp

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

Telephone number: 670-234-7689



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SEPTEMBER 30, 2020

| Ref. No. | CFDA No. | Findings | Questioned Costs | Status | Corrective Action Plan | Remarks | QC Resolved | \$Amt Bal Carry Forward |
|---------------------------------|----------|--|------------------|------------|--|------------|------------------|-------------------------|
| 2019-006 | 14.871 | Allowance Cost/Cost Principles | \$149 | Unresolved | NMHC will ensure that recordkeeping controls are in accordance with applicable allowable costs/cost principle requirements. NMHC also stated that no further action is necessary since this was corrected within FY 2019. | Unresolved | | \$149 |
| 2019-007 | 14.871 | Eligibility | \$74,632 | Unresolved | NMHC will ensure the following: 1) The Housing Specialists and Field Office Representatives 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. 2) EIV summary and income report will be printed out and place in file 3) The Housing Specialists and Field Office Representatives will review and and verify all third party verifications before finalizing. 4) The Housing Specialists and Field Office Representatives will review and use all reported income to determine family income. Employment verifications, affidavit of child support, notarized in-kind monetary contribution and check stubs will be used to verify all income 5) Tenants will be informed of any corrections that must be made to their forms in order to continue in the program 6) The Housing Specialists and Field Office Representatives will review and verify all inputted information before finalizing. | Unresolved | \$ - | \$74,632 |
| 2019-008 | 14.871 | Special Tests and Provisions-Rolling Forward Equity Balances | \$0 | Unresolved | NMHC will timely monitor, review, and reconcile revenues and expenditure 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. | Unresolved | \$ - | \$ - |
| | | | | | | | \$ - | \$ - |
| | | | | | | | <u>\$0</u> | <u>\$149,048</u> |
| Summary for FY 2017, 2018, 2019 | | | <u>\$733,809</u> | | | | <u>\$584,761</u> | <u>\$149,048</u> |