

**NORTH DAKOTA HOUSING FINANCE AGENCY  
BISMARCK, NORTH DAKOTA**

FEDERAL AWARDS REPORT

FOR THE YEAR ENDED JUNE 30, 2025

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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Governor Kelly Armstrong  
The Legislative Assembly  
State of North Dakota  
Bismarck, North Dakota

## **Report on Compliance for Each Major Federal Program**

### ***Opinion on Each Major Federal Program***

We have audited North Dakota Housing Finance Agency’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of North Dakota Housing Finance Agency’s major federal programs for the year ended June 30, 2025. North Dakota Housing Finance Agency’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

The Agency’s major programs and the related direct and material compliance requirements are as follows:

<u>Name of Major Program</u>	<u>Direct and Material Compliance Requirements</u>
Federal Housing Commission Division Mortgage Insurance – Homes: AL 14.117	Special Tests and Provisions: Quality Control Plan, Delinquent Loans, Insurance Claims and Escrow Accounts
Ginnie Mae Issuers of Mortgage – Backed Securities: AL 14.UNK and & 64.UNK	Special Tests: Federal Financial Reports, Eligibility to Issue Mortgage-Backed Securities, Review of Custodial Documents, Issuer’s Administration of Pooled Mortgage, Review of Monthly Accounting Reports and Quarterly Submissions, Securities and Trading Practices.
Home Investment Partnerships Program AL 14.239	Activities Allowed or Unallowed, Allowable Costs/Costs Principles, Eligibility, Program Income, Subsequent Monitoring, Special Tests and Provisions – Wage Rate Requirements, Special Tests and Provisions – Maximum Per-Unit Subsidy, , Special Tests and Provisions – Underwriting Requirements, Special Tests and Provisions – Drawdowns of HOME/HOME-ARP Funds, Special Tests and Provisions – Housing Quality Standards

In our opinion, North Dakota Housing Finance Agency 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 June 30, 2025.

### ***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of North Dakota Housing Finance Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of North Dakota Housing Finance Agency's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to North Dakota Housing Finance Agency's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on North Dakota Housing Finance Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about North Dakota Housing Finance Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding North Dakota Housing Finance Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of North Dakota Housing Finance Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 North Dakota Housing Finance Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on North Dakota Housing Finance Agency's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. North Dakota Housing Finance Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*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. *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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Agency's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule and findings and questioned costs.

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 the business-type activities of the North Dakota Housing Finance Agency as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Job Service North Dakota's basic financial statements. We issued our report thereon dated November 24, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**BRADY MARTZ**  
**BISMARCK, NORTH DAKOTA**

December 10, 2025

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

<u>Federal Grantor/Federal Agency</u> <u>/Pass through Agency/Program</u>	<u>Federal</u> <u>AL</u> <u>Number</u>	<u>Passed</u> <u>Through to</u> <u>Subrecipients</u>	<u>Expenditures</u>
<u>Department of Housing and Urban Development</u>			
Federal Housing Commission Division			
Direct programs			
Previous year balance of loans on which there are continuing compliance requirements	14.117		\$ 839,496,530
FHA loan principal disbursed during the fiscal year			<u>172,217,185</u>
Total			<u>1,011,713,715</u>
Ginnie Mae - Mortgage Insurance - Homes			
Previous year balance of loans on which there are continuing compliance requirements	14.UNK		118,299,900
Rent Supplements - Rental Housing for Lower Income Families	14.149		14,724,221
Housing Counseling Assistance Program	14.169	\$ 32,384	32,384
Housing Trust Fund	14.275		6,991,775
Community Planning and Development Division			
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation/Section 8 Project-Based Cluster			
	14.856		342,955
Community Development Block Grants	14.228		6,056
Emergency Solutions Grants Program	14.231	479,383	515,683
Continuum of Care - Planning	14.267		100,633
HOME Investment Partnership Program	14.239	426,111 *	6,294,939
HOME ARP	14.239	<u>113,127 *</u>	<u>1,799,509</u>
Total Department of Housing and Urban Development		<u>1,051,005</u>	<u>1,160,821,770</u>
<u>Department of Veterans Affairs</u>			
Veterans Benefits Administration Division			
Veterans Housing - Guaranteed and Insured Loans			
Previous year balance of loans on which there are continuing compliance requirements	64.114		115,510,185
VA loan principal disbursed during the fiscal year	64.114		<u>41,054,295</u>
Total			<u>156,564,480</u>
Ginnie Mae - Veterans Housing Guaranteed and Insured Loans			
Previous year balance of loans on which there are continuing compliance requirements	64.UNK		<u>9,709,369</u>
Total Department of Veteran Affairs			<u>166,273,849</u>
TOTAL		<u>\$ 1,051,005</u>	<u>\$1,327,095,619</u>

\*Total AL #14.239 = \$8,094,448

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule of expenditures of federal awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement.

**NOTE 2 INDIRECT COST RATE**

North Dakota Housing Finance Agency has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

**NOTE 3 BASIS OF PRESENTATION**

The accompanying Schedule includes the federal award activity of North Dakota Housing Finance Agency under programs of the federal government for the year ended June 30, 2025. 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 of Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of North Dakota Housing Finance Agency, it is not intended to and does not present the financial position, change in net position, or cash flows of North Dakota Housing Finance Agency.

**NOTE 4 LOAN GUARANTEES AND INSURANCE**

The following is the balance of federal loan guarantees and insurance outstanding for the loan programs which appear on the schedule of expenditures of federal awards as of June 30, 2025.

		2025
Mortgage Insurance - Homes	14.117	943,955,270
Ginnie Mae -Mortgage Insurance - Homes	14.UNK	104,479,255
Veterans Housing - Guaranteed and Insured Loans	64.114	144,218,530
GinnieMae - Veterans Housing Guaranteed and Insured Loans	64.UNK	8,283,309
		<b>\$1,200,936,364</b>

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

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

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>      </u> yes	<u>  x  </u> no
Significant deficiency(ies) identified?	<u>      </u> yes	<u>  x  </u> none reported
 Noncompliance material to financial statements noted?	 <u>      </u> yes	 <u>  x  </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u>      </u> yes	<u>  x  </u> no
Significant deficiency(ies) identified?	<u>  x  </u> yes	<u>      </u> none reported
 Type of auditor's report issued on compliance for major programs:	 <u>Unmodified</u>	
 Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)?	 <u>  x  </u> yes	 <u>      </u> no

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.117	Mortgage Insurance – Homes
14.UNK / 64.UNK	Ginnie Mae – Mortgage Insurance – Homes
	Ginnie Mae - Veterans Housing Guaranteed and Insured Loans
14.239	HOME Investment Partnerships Program

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$1,215,526</u>
 Auditee qualified as a low-risk auditee?	 <u>  x  </u> yes <u>      </u> no

**Section II - Financial Statement Findings**

There are no findings which are required to be reported under this section.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2025**

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

**2025-001: Special Tests: Escrow Surplus Not Paid Within 30 Days – Significant Deficiency**

AL 14.117 Federal Housing Commission Division Mortgage Insurance

Criteria

The Agency is required to return to the borrower any escrow surplus within 30 days of the loan payoff date.

Condition

Of the 25 loan payoffs tested, we noted one instance where the escrow surplus was not returned to the borrower within 30 days of the loan payoff.

Cause

The Agency updated loan tracking software in the current year. There was an issue with the 'next due date' on the payoff screen not updating once a payoff quote has been saved.

Effect

Borrowers are potentially not receiving escrow surpluses in a timely manner.

Questioned Costs

\$0

Recommendation

We recommend the Agency review its procedures to monitor any escrow surpluses that need to be returned after loans have been paid off.

Views of Responsible Officials

We acknowledge the finding that an escrow surplus related to a loan payoff was not fully released to the borrower within 30 days as required. The lapse occurred due to a system error that caused excess funds to be retained for PMI at payoff, as well as delays in reconciliation and manual processing workflows, and not due to intentional noncompliance. Management recognizes the importance of adhering to RESPA and internal policy requirements to ensure borrowers receive timely refunds and avoid compliance risk.

Repeat Finding

This is a new finding.



**Corrective Action Plan:**

1. **System Remediation:** Our servicing software payoff logic has been corrected to ensure no excess escrow mortgage insurance funds are held back at payoff.

Fix date: August 12, 2025

2. **Staff Training:** Provide training to escrow and payoff staff on the updated process and system changes, emphasizing regulatory requirements for escrow refund timeliness.
3. **Monitoring:** The existing control report used to identify escrow surpluses post-payoff will now be run on a bi-monthly basis instead of monthly.
4. **Accountability:** The Servicing Coordinator will oversee corrective actions and provide periodic reporting to compliance and senior management.

**Target Completion Date:** October 30, 2025

**Responsible Party:** Austin Ketterling, Servicing Coordinator