

COMMONWEALTH PORTS AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH
OF THE NORTHERN MARIANA ISLANDS)

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2018

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
Commonwealth Ports Authority:

We have audited, in accordance with the 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 the Commonwealth Ports Authority (CPA), a component unit of the Commonwealth of the Northern Mariana Islands, which comprise the statement of net position as of September 30, 2018, 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 December 30, 2019. 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 CPA's financial statements.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CPA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002.

CPA's Response to Findings

CPA's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. CPA'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

December 30, 2019

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
Commonwealth Ports Authority:

Report on Compliance for Each Major Federal Program

We have audited the Commonwealth Ports Authority's (CPA's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on CPA's sole major federal program for the year ended September 30, 2018. CPA's major federal program is 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for CPA's sole major federal program 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 CPA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for CPA's sole major federal program. However, our audit does not provide a legal determination of CPA's compliance.

Basis for Qualified Opinion on Sole Major Federal Program

As described in the accompanying Schedule of Findings and Questioned Costs, CPA did not comply with requirements regarding CFDA Program 20.106 Airport Improvement Program as described in item 2018-002 for Equipment and Real Property Management. Compliance with such requirements is necessary, in our opinion, for CPA to comply with the requirements applicable to that program.

Qualified Opinion on Sole Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, CPA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA Program 20.106 Airport Improvement Program for the year ended September 30, 2018.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-003. Our opinion on CPA's sole major federal program is not modified with respect to these matters.

CPA's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. CPA'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 CPA 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 CPA'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 CPA'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 item 2018-002 to be a material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2018-003 to be significant deficiencies.

CPA's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. CPA'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 CPA as of and for the year ended September 30, 2018, and have issued our report thereon dated December 30, 2019, 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 CPA'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

December 30, 2019

COMMONWEALTH PORTS AUTHORITY

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Other Identification Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of the Interior Pass-Through Program From: CNMI Government - Economic, Social, and Political Development of the Territories - Tinian Terminal Improvement	15.875		D12AP00022-BU5629 D12AP00095-BU5629A	\$ 210,985
<i>Total U.S. Department of the Interior</i>				\$ 210,985
U.S. Department of Transportation Direct Program Airport Improvement Program	20.106			\$ 6,069,040
<i>Total U.S. Department of Transportation</i>				\$ 6,069,040
U.S. Department of Homeland Security Direct Programs National Explosives Detection Canine Team Program (NEDCTP)	97.072			\$ 188,570
TSA Recapitalization Program	97.U01	HSTS04-17-H-CT1012		63,140
Saipan International Airport - Reimbursement Agreement	97.U02	HSTS0208HSLR157		<u>71,528</u>
<i>Subtotal U.S. Department of Homeland Security Direct Programs</i>				323,238
U.S. Department of Homeland Security Pass-Through From: CNMI Government - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		FEMA-4235-DR-MP	<u>103,780</u>
<i>Total U.S. Department of Homeland Security</i>				<u>427,018</u>
Total Expenditures of Federal Awards				\$ 6,707,043
Reconciliation:				
Expenditures per Statement of Revenues, Expenses and Changes in Net Position:				
Capital contributions				\$ 6,499,821
Contribution from the CNMI (Marianas Visitors Authority)				(52,875)
Other grant revenues and contributions				<u>260,097</u>
				<u>\$ 6,707,043</u>

See accompanying notes to the schedule of expenditures of federal awards.

COMMONWEALTH PORTS AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards Year Ended September 30, 2018

(1) Scope of Audit

CPA was established as a public corporation by the CNMI by Public Law 2-48, effective November 8, 1981. All significant operations of CPA are included in the scope of the Single Audit. The U.S. Department of the Interior's Office of the Inspector General has been designated as CPA's cognizant 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 CPA under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of CPA, it is not intended to and does not present the financial position, changes in net position or cash flows of CPA.

(3) Summary of Significant Accounting Policies

a. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. All expenses and capital outlays are reported as expenditures. 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. Pass-through entity identifying numbers are presented where available. CPA does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance.

b. Matching Requirements

In allocating project expenditures between the federal share and the local share, a percentage is used based upon local matching requirements, unless funds are specifically identified to a certain phase of the project.

COMMONWEALTH PORTS AUTHORITY
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|--|-----------|
| 1. Type of report the auditors 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? | Yes |
| 4. Noncompliance material to the 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 program: | |
| <u>CFDA Number</u> <u>Name of Federal Program</u> | |
| 20.106 Airport Improvement Program | |
| 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>
2018-001	Schedule of Expenditures of Federal Awards
2018-002	Equipment and Real Property Management

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2018-002	20.106	Equipment and Real Property Management	\$ -
2018-003	20.106	Reporting	\$ -

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Schedule of Expenditures of Federal Awards

Finding No. 2018-001

Criteria: In accordance with applicable federal regulations, the auditee shall prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. At a minimum, the schedule shall provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

Condition: The September 30, 2018 SEFA is overstated by \$469,888 of federal expenditures. The amount relates to prepaid items that were expensed during the subsequent fiscal year.

Cause: The cause of the above condition is the lack of awareness and incorporation of applicable regulations.

Effect: The effect of the above condition is noncompliance with federal SEFA requirements. CPA corrected the SEFA as a result of the audit to reflect actual expenditures incurred in fiscal year 2018.

Recommendation: We recommend that the SEFA be prepared in accordance with Federal requirements.

Views of Auditee and Corrective Action Plan:

CPA describes corrective action in the Corrective Action Plan.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-002
 Federal Agency: U.S. Department of Transportation
 CFDA Program: 20.106 Airport Improvement Program
 Federal Award Nos.: All AIP Grants
 Area: Equipment and Real Property Management
 Questioned Costs: \$-0-

Criteria: In accordance with applicable equipment and real property management requirements, a State must use, manage and dispose of equipment acquired under a Federal award by the State in accordance with State laws and procedures.

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal of the property;
- (2) A physical inventory of the property must be taken and the results reconciled with the property records annually; and
- (3) A control system must be developed to confirm adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

Condition: Tests of equipment and real property noted the following:

1. CPA performed a capital assets inventory during fiscal year 2018; however, a reconciliation was not performed. Total fixed asset additions capitalized and related to CPA's major program amounted to \$-0-, \$596,050, \$3,560,235, \$-0- and \$167,272 during fiscal years 2018, 2017, 2016, 2015 and 2014, respectively.

Of one hundred and two items tested, we noted deficiencies, as follows:

2. We were unable to determine the existence of three (or 3%) as the capital asset subledger lacks sufficient description to identify the location and condition. Furthermore, the corresponding Federal Aviation Administration (FAA) grant number was not documented for all assets tested.

General Ledger Asset Account No.	System No.	Description	In Service Date	Acquisition Cost	Net Book Value
1510-111	000891	4160 VAC Caterpillar Alternator	03/01/09	\$ 90,895	\$ -
1530-111	000825	John Deere Tractor	01/31/08	\$ 29,325	\$ -
1590-111	000809	ARFF Auxillary Equipment	10/01/07	\$ 347,726	\$ -

3. One item (or 1%) could not be verified against pictures provided as the asset detail report lacks sufficient description.

FAA Grant No.	General Ledger Asset Account No.	System No.	Description	In Service Date	Acquisition Cost	Net Book Value
Not available	1520-211	000694	ROTA VISUAL GUIDANCE	10/01/05	\$ 207,235	\$ -

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-002, Continued
Federal Agency: U.S. Department of Transportation
CFDA Program: 20.106 Airport Improvement Program
Federal Award Nos.: All AIP Grants
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

Condition, Continued:

4. Five items (or 5%) have been replaced; as such, assets should have been written-off.

FAA Grant No.	General Ledger Asset Account No.	System No.	Description	In Service Date	Acquisition Cost	Net Book Value
Not available	1510-111	000094	SECURITY ACCESS CONTROL SYSTEM	10/01/97	\$ 1,134,655	\$ -
Not available	1510-111	000025	Generator - SPN	04/01/87	\$ 1,419,119	\$ -
Not available	1510-111	000027	WATER CATCHMENT - SPN	07/01/88	\$ 439,529	\$ -
Not available	1520-111	000044	REIL/SECURITY FENCING	02/02/79	\$ 55,163	\$ -
Not available	1520-111	000049	RUNWAY GROVING (FAA) - SPN	09/01/81	\$ 270,405	\$ -

5. Thirteen items (or 12%) were not tagged to indicate they were federally funded. Further, the serial number or the vehicle identification number (VIN) was not documented in the entity's records, except for System Nos. 001208, 001210 001170, 001168, 001206.

FAA Grant No.	General Ledger Asset Account No.	System No.	Description	In Service Date	Acquisition Cost	Net Book Value
Not available	1510-111	000984	PUBLIC ADDRESS SYSTEM	08/11/11	\$ 198,206	\$ 20,646
Not available	1570-111	000757	INCINERATOR (2006)	10/01/06	\$ 211,965	\$ -
Not available	1590-111	000808	ARFF Truck	10/01/07	\$ 594,773	\$ -
Not available	1590-311	000663	Tinian ARFF Truck	10/01/04	\$ 593,256	\$ -
Not available	1590-211	000733	ROTA ARFF TRUCK	10/01/05	\$ 644,452	\$ -
Not available	1530-211	000060	EMERGENCY GENERATOR	07/01/94	\$ 232,429	\$ -
Not available	1530-311	000959	Challenger Tractor Mower	09/30/10	\$ 64,766	\$ -
3-69-0003-24	1550-211	001208	RUNWAY SWEEPER	09/01/16	\$ 359,188	\$ 252,286
3-69-0011-25	1550-311	001210	RUNWAY SWEEPER	09/01/16	\$ 359,189	\$ 252,287
Not available	1570-311	000863	Pavement Stripping Machine	09/01/09	\$ 56,015	\$ -
3-69-0003-22	1590-211	001170	1,500 GALLON ARFF TRUCK	05/01/16	\$ 627,247	\$ 475,662
3-69-0002-85	1590-111	001168	1,500 GALLON ARFF TRUCK	05/01/16	\$ 619,010	\$ 469,416
3-69-0002-80	1550-111	001206	RUNWAY SWEEPER	09/01/16	\$ 340,840	\$ 239,399

6. One item (or 1%) was tagged; however, the tag number and the serial number or the vehicle identification number (VIN) were not documented in the entity's records.

FAA Grant No.	General Ledger Asset Account No.	System No.	Description	In Service Date	Acquisition Cost	Net Book Value
Not available	1590-111	000616	ARFF WATER TANKER	10/01/04	\$ 199,575	\$ -

7. One item (or 1%) was completely broken. Moreover, asset was decommissioned.

FAA Grant No.	General Ledger Asset Account No.	System No.	Description	In Service Date	Acquisition Cost	Net Book Value
Not available	1590-111	000761	RAPID INTERVENTION VEHICLE	10/01/06	\$ 427,461	\$ -

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-002, Continued
Federal Agency: U.S. Department of Transportation
CFDA Program: 20.106 Airport Improvement Program
Federal Award Nos.: All AIP Grants
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

Condition, Continued:

8. Federally funded FAA assets could not be easily differentiated from other federally funded non-FAA assets in the entity's schedule.

Cause: CPA lacks controls such as oversight responsibility and monitoring over compliance with equipment and real property management requirements.

Effect: CPA is in noncompliance with applicable equipment and real property management requirements.

Recommendation: CPA should adhere to property management requirements such as performing monitoring activities to ascertain that the results of the annual physical inventory reconcile to the property records and that sufficient details are included in the capital assets subledger to specifically identify individual assets.

Identification as a Repeat Finding: Finding 2017-001.

Views of Auditee and Corrective Action Plan:

CPA describes corrective action in the Corrective Action Plan.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-003
Federal Agency: U.S. Department of Transportation
CFDA Program: 20.106 Airport Improvement Program
Area: Reporting
Questioned Costs: \$-0-

Criteria: In accordance with applicable reporting requirements, SF-425, Federal Financial Report for cash status, should be supported by applicable accounting records.

Condition: For 2 (or 10%) of 20 reporting requirements tested in the SF-425, we noted incorrect amounts reported for Total recipient share required and Remaining recipient share to be provided for the reporting period ended 09/30/18, as follows:

Federal Award No: 3-69-0011-28		Per SF-425	Per Audit	Variance
Recipients Share	10i. Total Recipient Share Required	\$ 158,834	\$ 216,884	\$ 58,050
	10j. Recipient Share of Expenditures	\$ 58,050	\$ 58,050	\$ -
	10k. Remaining Recipient Share to be provided	\$ 100,783	\$ 158,834	\$ 58,051

Federal Award No: 3-69-0011-29		Per SF-425	Per Audit	Variance
Recipients Share	10i. Total Recipient Share Required	\$ 77,910	\$ 97,905	\$ 19,995
	10j. Recipient Share of Expenditures	\$ 1,721	\$ 1,721	\$ -
	10k. Remaining Recipient Share to be provided	\$ 76,189	\$ 96,185	\$ 19,996

Cause: CPA did not effectively monitor reports for compliance with applicable reporting requirements.

Effect: CPA is in noncompliance with grant reporting requirements. No questioned costs are reported as the reports have been subsequently corrected.

Recommendation: The responsible personnel should perform supervisory reviews so that reports accurately reflect the required recipient share and remaining recipient share in accordance with related grant agreements.

Views of Auditee and Corrective Action Plan:

CPA describes corrective action in the Corrective Action Plan.



COMMONWEALTH PORTS AUTHORITY

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Finding No 2018-001

Name of Contact Person: Skye Lynn L. Aldan Hofschneider

Corrective Action:

The overstatement in the SEFA is due to a timing issue. The funds were received at the end of Fiscal Year 2018, and the item was fully paid. CPA expensed the asset in FY 2019. CPA will review and monitor federal funds received to ensure that assets are expensed in the proper fiscal year.

Proposed Completion Date: Resolved.

Finding No 2018-002

Name of Contact Person: Skye Lynn L. Aldan Hofschneider

Corrective Action:

Condition 1: CPA is continuing physical inventory efforts into FY 2019 and anticipates proposed adjustments to update/reconcile results to the property records. Some adjustments to reconcile the fixed asset sub ledger to the general ledger were completed in fiscal year 2018 for both the Airports and the Seaports. CPA recognizes that these adjustments only partially address this finding in that not all inventory items were reconciled to the general ledger.

Condition 2, 3, 5: CPA has implemented additional requirements for entering capital assets into its fixed asset system. For each asset entered, CPA includes the serial number, VIN number, or other identification number and the specific location within the CPA premises. Although this will resolve the identification issue moving forward, CPA notes that the assets entered into the system previously still lack sufficient detail to be properly identified. The CPA Accounting Department is working with the Engineering Department to identify and match the assets in the fixed asset system to the project files. When assets are matched to the files, the associated grant number, VIN/Serial number, vendor, and other identifying information are entered into the system.

Condition 4: CPA will submit a request to the Federal grantor to remove these assets from its fixed asset system.

Condition 6: The tag number, VIN number, and grant number associated with fixed asset number 616 has been entered into the fixed asset system.

Condition 7: CPA has submitted a request to the grantor to remove this asset from the fixed asset system.

Condition 8: The CPA Accounting Department is inputting the federal grantor agency into each federally funded asset to easily identify which assets have been federally funded.

Proposed Completion Date: Fiscal Year 2020

Finding No 2018-003

Name of Contact Person: Skye Lynn L. Aldan Hofschneider

Corrective Action:

There was an error in the calculation of the recipient share for grants 3-69-0011-28 and 3-69-0011-29 in the original reports submitted. The error was corrected in the SF-425 for both grants in the next reporting period.

Proposed Completion Date: Resolved.