



NORTHERN MARIANAS COLLEGE
REPORT ON THE AUDIT OF FINANCIAL
STATEMENTS IN ACCORDANCE
WITH OMB CIRCULAR A-133
YEAR ENDED SEPTEMBER 30, 1996

NORTHERN MARIANAS COLLEGE

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 1996

INDEPENDENT AUDITORS' REPORT

Board of Regents
Northern Marianas College:

We have audited the accompanying balance sheet of the Northern Marianas College (the College), a component unit of the Commonwealth of the Northern Mariana Islands, as of September 30, 1996 and the related statements of changes in fund balances (deficit) and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northern Marianas College as of September 30, 1996, and the changes in its fund balances and its financial position for the year ended, in conformity with generally accepted accounting principles.

As discussed in Note 4 to the financial statements, the College has not complied with certain federal award requirements. The ultimate outcome of this noncompliance cannot presently be determined. Accordingly, no provision for the potential loss or disallowance of federal awards has been made in the financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated August 1, 1998 on our consideration of the College's internal control structure and a report dated August 1, 1998 on its compliance with laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Northern Marianas College taken as a whole. The accompanying combining balance sheet, combining statement of current unrestricted funds revenues, expenditures and other changes, presented on pages 11 and 12, and the combining balance sheet, combining statement of current restricted funds revenues, expenditures and other changes, presented on pages 13 and 14, which are also the responsibility of the management of the College, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the College. The information in those combining statements has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Burger & Comer, P.C.

August 1, 1998

NORTHERN MARIANAS COLLEGE

Balance Sheet

September 30, 1996

ASSETS

Current funds:

Unrestricted:

Cash	\$ 201,272
Accounts receivable, net of allowance for doubtful accounts of \$370,000	811,767
Due from other funds	334,162
Due from CNMI	<u>243,108</u>

Total unrestricted 1,590,309

Restricted:

Cash	683,986
Accounts receivable	12,000
Due from other funds	241,645
Due from CNMI government	<u>727,216</u>

Total restricted 1,664,847

Total current funds \$ 3,255,156

Plant fund:

Investment in plant (note 3):

Land	\$ 5,579,900
Building and improvements	5,653,482
Equipment	462,628
Computer equipment	585,493
Less accumulated depreciation	<u>(1,348,449)</u>

Total investment in plant 10,933,054

Total plant fund \$ 10,933,054

LIABILITIES AND FUND BALANCE (DEFICIT)

Current funds:

Unrestricted:

Accounts payable	1,216,501
Accrued liabilities	385,113
Deferred tuition	808,605
Due to other funds	104,488
Fund balance (deficit)	<u>(924,398)</u>

Total unrestricted liabilities and fund balance (deficit) 1,590,309

Restricted:

Accounts payable	740,309
Accrued liabilities	144,607
Due to other funds	461,319
Due to grantor	268,214
Fund balance	<u>50,398</u>

Total restricted 1,664,847

Total current funds \$ 3,255,156

Plant fund:

Investment in plant:

Net investment in plant	\$ <u>10,933,054</u>
Total investment in plant	<u>10,933,054</u>

Total plant fund \$ 10,933,054

See accompanying notes to financial statements.

NORTHERN MARIANAS COLLEGE

Statement of Current Funds Revenues,
Expenditures and Other Changes
Year Ended September 30, 1996

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues:			
Educational and general:			
Governmental appropriations	\$ 7,897,569	-	7,897,569
Government grants and contracts	-	6,508,321	6,508,321
Private grants and contracts	-	690,479	690,479
Student tuition and fees	2,054,398	-	2,054,398
Other sources	<u>72,228</u>	<u>-</u>	<u>72,228</u>
Total revenues	<u>10,024,195</u>	<u>7,198,800</u>	<u>17,222,995</u>
Expenditures and mandatory transfers:			
Educational and general:			
Personnel	6,235,389	3,256,245	9,491,634
Institutional and department research	2,227,420	3,135,452	5,362,872
Student aid	<u>1,299,633</u>	<u>-</u>	<u>1,299,633</u>
	9,762,442	6,391,697	16,154,139
Transfers for:			
Renewals and replacements	<u>96,442</u>	<u>891,993</u>	<u>988,435</u>
Total expenditures and transfers	<u>9,858,884</u>	<u>7,283,690</u>	<u>17,142,574</u>
Net increase (decrease) in fund balance	<u>\$ 165,311</u>	<u>(84,890)</u>	<u>(80,421)</u>

See accompanying notes to financial statements.

NORTHERN MARIANAS COLLEGE

Statement of Changes in Fund Balances (Deficit)
Year Ended September 30, 1996

	<u>Current Funds</u>		<u>Plant Fund</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Investment in Plant</u>
Revenues and other additions:			
Educational and general revenues	\$ 10,024,195	-	-
Federal grants and contracts	<u> -</u>	<u>7,198,800</u>	<u> -</u>
Total revenues and other additions	<u>10,024,195</u>	<u>7,198,800</u>	<u> -</u>
Expenditures and other deductions:			
Depreciation of plant and equipment	-	-	391,429
Educational and general expenditures	<u>9,762,442</u>	<u>6,391,697</u>	<u> -</u>
Total expenditures and other deductions	<u>9,762,442</u>	<u>6,391,697</u>	<u>391,429</u>
Transfers among funds - additions (deductions)			
Non-mandatory:			
Renewals and replacements	<u>(96,442)</u>	<u>(891,993)</u>	<u>988,435</u>
Net transfers	<u>(96,442)</u>	<u>(891,993)</u>	<u>988,435</u>
Net increase (decrease)	165,311	(84,890)	597,006
Fund balance (deficit) at beginning of year	<u>(1,089,709)</u>	<u>135,288</u>	<u>10,336,048</u>
Fund balance (deficit) at end of year	\$ <u>(924,398)</u>	<u>50,398</u>	<u>10,933,054</u>

See accompanying notes to financial statements.

NORTHERN MARIANAS COLLEGE

Notes to Financial Statements
September 30, 1996

(1) Organization

The Northern Marianas College (the College), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), was formally established as a nonprofit public corporation by CNMI Public Law 3-43 on January 19, 1983 to serve as the state agency for higher education and adult education programs. Autonomy was later granted by CNMI Public Law 4-34 (Post Secondary Education Act of 1984) effective October 1, 1985.

The College is governed by a seven member Board of Regents appointed by the Governor of the CNMI with the advice and consent of the Senate. Executive powers are vested in the College President who is appointed by the Board on a three-year term basis.

The College has been granted initial accreditation by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, at its meeting on June 11, 1985. The latest reevaluation and approval was in 1996.

(2) Summary of Significant Accounting Policies

The accounting policies of the College conform to generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounting policies of the College are as follows:

Accrual Basis

The accompanying financial statements of the College have been prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

NORTHERN MARIANAS COLLEGE

Notes to Financial Statements, continued
September 30, 1996

(2) Summary of Significant Accounting Policies, Continued

Accrual Basis, Continued

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewal and replacement, and (3) transfers of a non-mandatory nature for all other cases.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, accounts of the College are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing Board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing Board retains full control to use in achieving any of its institutional purposes.

All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

NORTHERN MARIANAS COLLEGE

Notes to Financial Statements, continued
September 30, 1996

(2) Summary of Significant Accounting Policies, Continued

Cash

For purposes of the balance sheet, the College considers cash to be cash on hand and in bank accounts. All of the College's cash is with a federally insured bank, \$100,000 of which is subject to coverage by federal insurance with the remaining balance exceeding insurable limits. The College does not require collateralization of its bank accounts and, therefore, amounts in excess of insurable limits are uncollateralized.

Investment in Plant

All buildings and equipment transferred to the College were recorded at management's estimate of fair market value at that date. Subsequent additions have been recorded at cost and/or realizable value, as estimated and provided by the College. Depreciation on plant assets is recorded on a straight line basis over the estimated useful lives of the assets. To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment, or (2) transfers to the plant fund.

Real property and certain buildings were contributed to the College by the CNMI Government; however, no appraisal has been performed to compute the fair market value of these assets. Therefore, such costs have neither been recorded as in-kind contributions or expenditures.

Revenue Recognition

Tuition and fees are recorded as deferred revenue as of the applicable enrollment date and are recognized totally within the fiscal year in which the semester is predominantly conducted. Other grants and revenues are recorded as income at the point the revenues are earned and measurable.

Functional Allocation of Expenditures

The costs of providing the various programs and other activities have been summarized on the functional basis in the statements of changes in fund balances (deficit) and current funds revenues, expenditures and other changes. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NORTHERN MARIANAS COLLEGE

Notes to Financial Statements, continued
September 30, 1996

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan

The College contributes to the Northern Mariana Islands Retirement Fund (the Fund), a defined benefit, cost-sharing multi-employer pension plan established and administered by the CNMI.

The Fund provides retirement, security and other benefits to employees, and their spouses and dependents, of the CNMI Government and CNMI agencies, instrumentalities and public corporations. Benefits are based on the average annual salary of the beneficiary over the term of credited service. Generally, benefits vest after three years of credited service. Members who retire at or after age 60, or with 25 years of vesting service, are entitled to retirement benefits. CNMI Public Law 6-17, the Northern Marianas Retirement Fund Act of 1988, is the authority under which benefit provisions are established.

The College's total payroll for fiscal year 1996 was \$9,491,634, which was covered in total by the Fund's pension plan. As a result of the Fund's most recent actuarial valuation report, it has been determined that for the year ended September 30, 1997, funding requirements for employers are 23% of covered payroll and funding requirements for employees are 6.5% and 9.0% for Class I and Class II members, respectively, of covered payroll. The cost to the College for retirement contributions was approximately \$1,633,497 for the year ended September 30, 1996.

The Fund utilizes the actuarial cost method termed "entry age normal cost" with actuarial assumptions used to compute the pension benefit obligation as follows: (a) a rate of return of 7.5% per year on the investment of present and future assets, (b) a 5% increase in employee salaries compounded annually until retirement, (c) expenses at 1.1% of total payroll, and (d) retirement age of the earlier of age 62 and 3 years of vesting service (not including 5 additional years granted after 20 years of service) for Class I or age 60 and 25 years of service for Class II members (including 5 additional years granted after 20 years of service).

The pension benefit obligation, which is the actuarial present value of credited pension benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employment service to date. The measure is intended to assist users to evaluate the Fund's funding status on a going-concern basis, and in evaluating progress made in accumulating adequate assets to pay benefits when due.

NORTHERN MARIANAS COLLEGE

Notes to Financial Statements, continued
September 30, 1996

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

The Fund's October 1, 1996 actuarial valuation determined the unfunded pension benefit obligation as follows:

	<u>Class I</u>	<u>Class II</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 11,471,601	292,111,070	303,582,671
Current employees:			
Accumulated employee contributions	19,564,869	30,183,574	49,748,443
Employer - financed vested	27,163,185	89,346,839	116,510,024
Employer - financed nonvested	<u>22,329,946</u>	<u>73,321,201</u>	<u>95,651,147</u>
Total pension benefit obligation	80,529,601	484,962,684	565,492,285
Net assets available for benefits, at market value	<u>81,551,437</u>	<u>165,964,794</u>	<u>247,516,231</u>
Unfunded benefit obligation	\$ <u>(1,021,836)</u>	<u>318,997,890</u>	<u>317,976,054</u>

The actuarial valuation did not provide a breakdown of the actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor.

Ten-year historical trend information designed to provide information about the Fund's progress in accumulating adequate assets to meet payment of benefits when due is included within the Fund's audited financial statements.

NORTHERN MARIANAS COLLEGE

Notes to Financial Statements, continued
September 30, 1996

(3) Plant and Equipment

Summarized below is the College's investment in plant and equipment and changes for the year ended September 30, 1996:

	Balance at September <u>30, 1995</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September <u>30, 1996</u>
Land	\$ 5,579,900	-	-	5,579,900
Buildings	5,490,882	162,600	-	5,653,482
Equipment	222,286	825,835	-	1,048,121
Accumulated depreciation	<u>(957,020)</u>	<u>(391,429)</u>	<u>-</u>	<u>(1,348,449)</u>
Total	\$ <u>10,336,048</u>	<u>597,006</u>	<u>-</u>	<u>10,933,054</u>

(4) Commitment and Contingency

Commitment

The College reserves fund balance, for internal purposes, for assets not expected to be available for operations in the ensuing year. At September 30, 1996, no reserves for encumbrances were needed.

Contingency

The College participated in federally assisted grants from the U.S. Departments of Education, Health and Human Services, Commerce, Labor, Agriculture and of the Interior in fiscal year 1996. Federally assisted grants can be subject to financial and compliance audits to ascertain if federal laws and guidelines have been followed. No expenditures were questioned in the fiscal year 1996 audit, and \$999,018 of expenditures were questioned in prior year audits. If these costs are ultimately denied, the unrestricted current fund could be charged for necessary reimbursement to the grantor agencies.

NORTHERN MARIANAS COLLEGE

Combining Balance Sheet
Current Unrestricted Funds
September 30, 1996

<u>ASSETS</u>	<u>Operating Fund</u>	<u>CNMI Grants</u>	<u>Total</u>
Unrestricted:			
Cash	\$ 193,496	7,776	201,272
Accounts receivable, net	811,767	-	811,767
Due from other funds	334,162	-	334,162
Other assets	<u>243,108</u>	<u>-</u>	<u>243,108</u>
 Total unrestricted assets	 \$ <u>1,582,533</u>	 <u>7,776</u>	 <u>1,590,309</u>

LIABILITIES AND FUND BALANCE (DEFICIT)

Unrestricted:			
Accounts payable	1,216,501	-	1,216,501
Accrued liabilities	382,303	2,810	385,113
Deferred tuition	808,605	-	808,605
Due to other funds	102,140	2,348	104,488
Fund balance (deficit)	<u>(927,016)</u>	<u>2,618</u>	<u>(924,398)</u>
 Total unrestricted liabilities and fund balance (deficit)	 \$ <u>1,582,533</u>	 <u>7,776</u>	 <u>1,590,309</u>

See accompanying independent auditors' report.

NORTHERN MARIANAS COLLEGE

Combining Balance Sheet
Current Restricted Funds
September 30, 1996

<u>ASSETS</u>	<u>Federal Grant</u>	<u>Vocational Education</u>	<u>Special Funds</u>	<u>Total</u>
Unrestricted:				
Cash	\$ 318,738	261,797	103,451	683,986
Accounts receivable, net	-	-	12,000	12,000
Due from other funds	95,997	17,426	128,222	241,645
Due from CNMI	<u>-</u>	<u>727,216</u>	<u>-</u>	<u>727,216</u>
 Total unrestricted assets	 \$ <u>414,735</u>	 <u>1,006,439</u>	 <u>243,673</u>	 <u>1,664,847</u>

LIABILITIES AND FUND BALANCE (DEFICIT)

Unrestricted:				
Accounts payable	29,090	637,184	74,035	740,309
Accrued liabilities	71,534	63,800	9,273	144,607
Deferred tuition	138,647	227,606	95,066	461,319
Due to grant agency	268,214	-	-	268,214
Fund balance (deficit)	<u>(92,750)</u>	<u>77,849</u>	<u>65,299</u>	<u>50,398</u>
 Total restricted liabilities and fund balance (deficit)	 \$ <u>414,735</u>	 <u>1,006,439</u>	 <u>243,673</u>	 <u>1,664,847</u>

See accompanying independent auditors' report.

NORTHERN MARIANAS COLLEGE

Combining Statement of Current Unrestricted Funds Revenues,
Expenditures and Other Changes
Year Ended September 30, 1996

	<u>Operating Fund</u>	<u>CNMI Grants</u>	<u>Total</u>
Revenues:			
Educational and general:			
Governmental appropriations	\$ 6,585,112	1,312,457	7,897,569
Student tuition and fees	2,054,398	-	2,054,398
Other sources	<u>72,228</u>	<u>-</u>	<u>72,228</u>
Total revenues	<u>8,711,738</u>	<u>1,312,457</u>	<u>10,024,195</u>
Expenditures and mandatory transfers:			
Educational and general:			
Personnel	6,235,389	-	6,235,389
Student aid	-	1,299,633	1,299,633
Institutional and dept. research	<u>2,227,226</u>	<u>194</u>	<u>2,227,420</u>
	8,462,615	1,299,827	9,762,442
Mandatory transfers for:			
Renewals and replacements	<u>96,442</u>	<u>-</u>	<u>96,442</u>
Total expenditures and mandatory transfers	<u>8,559,057</u>	<u>1,299,827</u>	<u>9,858,884</u>
Net increase (decrease) in fund balance	\$ <u><u>152,681</u></u>	<u><u>12,630</u></u>	<u><u>165,311</u></u>

See accompanying independent auditors' report.

NORTHERN MARIANAS COLLEGE

Combining Statement of Current Restricted Funds Revenues,
Expenditures and Other Changes

Year Ended September 30, 1996

	<u>Federal Grants Fund</u>	<u>Vocational Education</u>	<u>Special Funds</u>	<u>Total</u>
Revenues:				
Educational and general:				
Government grants and contracts	\$ 4,233,762	2,149,457	125,102	6,508,321
Other sources	<u>1,307</u>	<u>-</u>	<u>689,172</u>	<u>690,479</u>
 Total revenues	 <u>4,235,069</u>	 <u>2,149,457</u>	 <u>814,274</u>	 <u>7,198,800</u>
Expenditures and mandatory transfers.				
Educational and general:				
Personnel	1,869,445	1,226,997	159,803	3,256,245
Institutional and dept. research	<u>2,092,961</u>	<u>462,368</u>	<u>580,123</u>	<u>3,135,452</u>
	3,962,406	1,689,365	739,926	6,391,697
Transfers for:				
Renewals and replacements	<u>357,179</u>	<u>509,614</u>	<u>25,200</u>	<u>891,993</u>
 Total expenditures and transfers	 <u>4,319,585</u>	 <u>2,198,979</u>	 <u>765,126</u>	 <u>7,283,690</u>
 Net increase (decrease) in fund balance	 \$ <u><u>(84,516)</u></u>	 <u><u>(49,522)</u></u>	 <u><u>49,148</u></u>	 <u><u>(84,890)</u></u>

See accompanying independent auditors' report.

NORTHERN MARIANAS COLLEGE

INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF FEDERAL AWARDS
AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 1996

INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF FEDERAL AWARDS

Board of Regents
Northern Marianas College:

We have audited the financial statements of the Northern Marianas College (NMC) as of and for the year ended September 30, 1996, and have issued our report thereon dated August 1, 1998. These financial statements are the responsibility of the NMC's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Northern Marianas College taken as a whole. The accompanying Schedule of Federal Awards (pages 10 and 11) for the year ended September 30, 1996, which is also the responsibility of the management of the NMC, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Burger & Comer, P.C.

August 1, 1998

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF
THE FINANCIAL STATEMENTS

Board of Regents
Northern Marianas College:

We have audited the financial statements of the Northern Marianas College (NMC) as of and for the year ended September 30, 1996 and have issued our report thereon dated August 1, 1998.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the NMC is the responsibility of the management of NMC. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the NMC's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, NMC complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that NMC had not complied, in all material respects, with those provisions.

We noted matters involving compliance with laws and regulations related to federal awards which we reported to the management of the NMC in our reports dated August 1, 1998 on compliance related to federal award programs.

This report is intended for the information of the management of the NMC, the Board of Regents and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

Burger & Comer, P.C.

August 1, 1998

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARD PROGRAMS

Board of Regents
Northern Marianas College:

We have audited the financial statements of the Northern Marianas College (NMC) as of and for the year ended September 30, 1996, and have issued our report thereon dated August 1, 1998.

We have also audited the NMC's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; cost allocation; monitoring subrecipients; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal programs, which are identified in the accompanying Schedule of Federal Awards (pages 10 and 11), for the year ended September 30, 1996. The management of the NMC is responsible for the NMC's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the NMC's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings and Questioned Costs in Findings 1 and 2. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the NMC complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; cost allocation; monitoring subrecipients; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal award programs for the year ended September 30, 1996.

This report is intended for the information of the management of the NMC, the Board of Regents and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

Burger & Comer, P.C.

August 1, 1998

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARDS

Board of Regents
Northern Marianas College:

We have audited the financial statements of the Northern Marianas College (the College) as of and for the year ended September 30, 1996, and have issued our report thereon dated August 1, 1998.

We have applied procedures to test the College's compliance with the following requirements applicable to its federal award programs, which are identified in the accompanying Schedule of Federal Awards (pages 10 and 11) for the year ended September 30, 1996:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Audits of Institutions of Higher Learning and Other Nonprofit Institutions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the College's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the College has not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings and Questioned Cost in findings 1 and 2.

This report is intended for the information of the management of the College, the Board of Regents and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

Burger & Comer, P.C.
August 1, 1998

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL AWARD PROGRAM
TRANSACTIONS

Board of Regents
Northern Marianas College:

We have audited the financial statements of the Northern Marianas College (the College) as of and for the year ended September 30, 1996, and have issued our report thereon dated August 1, 1998.

In connection with our audit of the financial statements of NMC and with our consideration of the College's internal control structure used to administer federal programs, as required by Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions", we selected certain transactions applicable to certain nonmajor federal programs for the year ended September 30, 1996.

As required by OMB Circular A-133, we performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; cost allocation; and monitoring subrecipients that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the College's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the College had not complied, in all material respects, with those requirements.

This report is intended for the information of the management of the College, the Board of Regents and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

Burger & Comer, P. C.

August 1, 1998

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS

Board of Regents
Northern Marianas College:

We have audited the financial statements of the Northern Marianas College (the College) as of and for the year ended September 30, 1996, and have issued our report thereon dated August 1, 1998. We have also audited the College's compliance with requirements applicable to major federal programs and have issued our report thereon dated August 1, 1998.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the College complied with laws and regulations, noncompliance with which would be material to a major federal program.

In planning and performing our audits for the year ended September 30, 1996, we considered the College's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the College's financial statements and on its compliance with requirements applicable to major federal programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal programs. We have addressed policies and procedures relevant to our audit of the financial statement in a separate report dated August 1, 1998.

The management of the College is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal awards programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal programs in the following categories:

Accounting Controls

- Revenue/receipts
- Purchases/disbursements
- Payroll
- External financial reporting
- Cash
- Property and equipment

Controls Used in Administering Federal Programs

General Requirements

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

Specific Requirements

- Types of services allowed or unallowed
- Eligibility
- Matching, level of effort, or earmarking
- Reporting
- Cost allocation
- Monitoring subrecipients

Claims for Advances and Reimbursements

Amounts Claimed or Used for Matching

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended September 30, 1996, the College expended 89% of its total federal awards under the eight major federal award programs listed on page 9.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements; general requirements; and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the College's major programs, which are identified in the accompanying Schedule of Federal Awards (pages 10 and 11). Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal awards program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

We also noted other matters involving the internal control structure and its operation based on our engagement to audit the financial statements that we have reported to the management in a separate letter dated August 1, 1998.

This report is intended for the information of the management of the College, the Board of Regents and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

Bryce & Conner, P.C.

August 1, 1998

NORTHERN MARIANAS COLLEGE

Schedule of Awards Selected for Auditing in
Accordance with OMB Circular A-133

Year Ended September 30, 1996

The following list specifies awards selected for detailed compliance testing in accordance with applicable A-133 requirements:

<u>Original Grantor</u>	<u>CFDA#</u>	<u>Expenditures Description</u>	<u>1996</u>
<u>Major programs</u>			
U.S. Department of Education	84.047A	Upward Bound	474,354
U.S. Department of Education	84.031A	Title III-Strengthening Institutions Program	303,929
U.S. Department of Education	84.063	Pell Grant	579,419
U.S. Department of Agriculture	10.205	Land Grant Programs	1,806,614
U.S. Department of Education	84.042A	Special Services for Disadvantaged Students	164,862
U.S. Department of Education	84.044A	Talent Search	139,134
U.S. Department of Commerce	11.550	Public Telecommunication	249,338
U.S. Department of Labor	17.502	O.S.H.A.	<u>186,510</u>
		Total program expenditures tested	<u>3,904,160</u>
		Total federal program expenditures	<u>4,379,489</u>
		% of total program expenditures tested	<u>89%</u>

NORTHERN MARIANAS COLLEGE

**Schedule of Federal Awards
Year Ended September 30, 1996**

Federal Grantor/ Program Title	CFDA Number	Federal Program or Award Amount	Receivable from Grantor (Deferred Revenue) at October 1, 1995	Cash Receipts FY 96	Expenditures FY 96	Receivable from Grantor (Deferred Revenue) at September 30, 1996
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
Student Financial Aid Programs:						
Supplemental Educational Opportunity Grant	84.007	18,384	(4,645)	35,310	35,435	(4,520)
College Work Study	84.033	12,366	40,814	18,121	19,895	42,588
Pell Grant	84.063	566,745	46,112	655,357	579,419	(29,826)
 Subtotal Student Financial Aid Programs		 597,495	 82,281	 708,788	 634,749	 8,242
Adult Basic Education	84.002	154,035	(79,159)	149,581	130,323	(98,417)
AEIEL	84.072	-	(18,299)	-	-	(18,299)
Bilingual Family English Literacy Program/literacy Resource Ctr	84.003	4,773	36,367	3,352	3,352	36,367
Cooperative Education Program	84.055A	-	(22,172)	-	-	(22,172)
Title III - Strengthening Institution Program	84.031A	336,928	(19,376)	284,514	303,929	39
Special Services for Dis- advantaged Students/Student support	84.042A	189,300	21,790	185,596	164,862	1,056
Congressional Teachers Scholarship Programs	84.069	-	1,453	-	-	1,453
State Student Incentive Grant	84.069	774	(103)	774	774	(103)
Minority Institutions						
Science Improvement Program	84.120B	-	(1,431)	-	-	(1,431)
Drug Prevention Program	84.183A	-	(9,413)	-	-	(9,413)
Upward Bound	84.047A	648,648	(131,804)	449,133	474,354	(106,583)
Education Opportunity Center	84.040	-	(2,353)	-	-	(2,353)
Educational Personnel Training	84.003R	-	19,864	-	-	19,864
Aging	84.049	-	290	-	-	290
SPRE Program	84.267A	-	200	-	-	200
National Endowment for the Humanities Fund Improvement Post	45.129	-	21,523	-	-	21,523
Secondary Ed. (FIPSE)	84.116B	80,859	27,672	66,542	69,135	30,265
University Affiliated Program	93.632	-	(24,802)	-	-	(24,802)
Talent Search	84.044A	79,960	31,104	135,431	139,134	34,807
 Subtotal U.S. Department of Education		 2,092,772	 (66,368)	 1,983,711	 1,920,612	 (129,467)
<u>U.S. Department of Health and Human Services</u>						
<u>Direct Programs</u>						
Development Disability Council Administration for Native Americans	13.600	-	(6,711)	-	-	(6,711)
SOICC/NOICC Program	13.612	122,000	(118,016)	-	81,565	(36,451)
AOA - Education Training	13.667	126,955	46,202	225,772	47,692	(131,878)
	13.668	-	(14,369)	-	-	(14,369)
 Subtotal U.S. Department of Health and Human Services		 248,955	 (92,894)	 225,772	 129,257	 (189,409)

NORTHERN MARIANAS COLLEGE

**Schedule of Federal Awards
Year Ended September 30, 1996**

Federal Grantor/ Program Title	CFDA Number	Federal Program or Award Amount	Receivable from Grantor (Deferred Revenue) at October 1, 1995	Cash Receipts FY 96	Expenditures FY 96	Receivable from Grantor (Deferred Revenue) at September 30, 1996
U.S. Department of Commerce						
<u>Direct Programs</u>						
EDA Renovation	11.300	250,000	(4,383)	93,363	61,408	(36,338)
Public Telecommunications Facilities program/NTIA/PTFP	11.550	371,624	27,120	281,950	249,338	(5,492)
Student Intern Program/RECDS	10.854	30,000	16,167	10,764	6,765	12,168
Business Incubator	11.300	-	(1,388)	-	-	(1,388)
Subtotal U.S. Department of Commerce		651,624	37,516	386,077	317,511	(31,050)
U.S. Department of Labor						
<u>Direct Programs</u>						
Job Training Partnership Act	17.246	-	(9,521)	-	-	(9,521)
OSHA	17.502	287,932	-	166,021	186,510	20,489
Subtotal U.S. Department of Labor		287,932	(9,521)	166,021	186,510	10,968
U.S. Department of Agriculture						
<u>Direct Programs</u>						
Land Grant Programs:						
Cooperative State Research Services	10.205	632,346	44,167	580,354	512,983	(23,204)
Cooperative Extension Services	10.205	670,938	(186,472)	416,791	529,876	(73,387)
Expanded Food and Nutrition Program	10.558	-	82,800	-	-	82,800
Penalty Mail	10.205	-	(9,872)	-	-	(9,872)
Extension Part 3D (Smith Lever)	10.588	210,605	-	47,309	75,431	28,122
Resident Instructions	10.205	-	(192,491)	-	-	(192,491)
Agricultural Development in American Pacific	10.205	-	35,538	-	-	35,538
Research Appropriation	10.205	-	5,396	-	-	5,396
Plant Disease Program	10.205	-	(1,680)	-	-	(1,680)
4H Program	10.205	-	71,667	-	-	71,667
Home Economics	10.205	-	68,877	-	-	68,877
Matching	10.205	-	-	635,716	635,716	-
Subtotal U.S. Department of Agriculture		1,513,889	(82,070)	1,680,170	1,754,006	(8,234)
U.S. Department of the Interior						
<u>Direct Programs</u>						
Short Wave Radio Project	15.875	-	(12,727)	-	-	(12,727)
Bulletin Board System	15.875	31,211	3,896	-	18,985	22,881
Land Use Survey Library Project	15.875	-	68,824	-	-	68,824
Subtotal U.S. Department of the Interior		31,211	59,993	-	18,985	78,978
		4,826,383	(153,344)	4,441,751	4,326,881	(268,214)

NORTHERN MARIANAS COLLEGE

Notes to Schedule of Federal Awards
Year Ended September 30, 1996

(1) Scope of Review

The Northern Marianas College (the College) was created as an autonomous public agency of the Commonwealth of the Northern Mariana Islands (CNMI) pursuant to Title 3, Division 1, Chapter 3, Article 1 of the Commonwealth Code. The College's existence is to be perpetual and it shall have all the rights and privileges of a corporation. The purpose of the College is to provide secondary educational opportunities to the people of the CNMI. The U.S. Department of the Interior has been designated as the College's cognizant agency.

a. Programs Subject to OMB A-133

The Schedule of Federal Awards presents each Federal program related to the U.S. Department of Education, U.S. Department of Health and Human Services, U.S. Department of Commerce, U.S. Department of the Interior, U.S. Department of Labor and the U.S. Department of Agriculture which are subject to OMB A-133.

(2) Summary of Significant Accounting Policies

a. Basis of Accounting

For purposes of preparation of the accompanying Schedule of Federal Awards, certain accounting procedures were followed, which help illustrate the program award amount and expenditures of the individual programs. All program award amounts represent the total allotment or grant award received. All expenses and capital outlays are reported as expenditures.

b. Cost Allocation

The College is currently allocating administrative costs to program awards based upon criteria prescribed in those program awards.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs Year ended September 30, 1996

Finding No. 1

Federal Financial Reports
U.S. Department of Labor
O.S.H.A.
(CFDA# 17.502)

Criteria: The Federal grantor agencies require the recipient to submit a Financial Status Report (SF-269 or SF-269A) no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports and 90 calendar days for annual and final reports.

Condition: The SF-269s for the following periods were filed late as follows:

<u>PROGRAM</u>	<u>Period Ended</u>	<u>Date Filed</u>	<u>Days Late</u>
O.S.H.A.	3/31/96	5/2/96	2
O.S.H.A.	6/30/96	8/9/96	10
O.S.H.A.	9/30/96	11/13/96	14

Cause: The cause of the above condition is lack of timely completion of reports.

Effect: The effect of the above condition is lack of compliance with grant terms and conditions for financial reporting.

Recommendation:

We recommend that Federal Financial Status Reports be prepared and submitted in a timely manner.

Auditee Response and Corrective Action Plan:

The College concurs with the finding. The College has hired new personnel and trained existing personnel so that these late filings will not recur.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, continued Year ended September 30, 1996

Finding No. 2

Federal Financial Reports
U.S. Department of Agriculture
Land Grant Extension
(CFDA # 10.205)

Criteria: Section L (2) of the Land Grant Extension Financial Operation Handbook states that recipients of U.S. Department of Agriculture funding are required to file an Annual Financial Report. The Smith Lever Act provides that form CSREES 15A must be submitted no later than April 1 after each fiscal year end.

Condition: The College did not submit the annual financial report for fiscal year 1996 on time.

<u>Due date</u>	<u>Date submitted</u>	<u>Number of days late</u>
April 1, 1997	August 7, 1997	99

Effect: The effect of the above condition is a lack of compliance with the terms and conditions of the grant.

Recommendation:
We recommend that College personnel file Federal Financial Reports in a timely manner and that copies of these reports be maintained for audit purposes.

Auditee Response and Corrective Action Plan:
The College concurs with the finding. The College has hired new personnel and trained existing personnel so that these late filings will not recur.

NORTHERN MARIANAS COLLEGE
INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROLS

YEAR ENDED SEPTEMBER 30, 1996

BURGER & COMER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS

Board of Regents
Northern Marianas College:

We have audited the financial statements of the Northern Marianas College (NMC) as of and for the year ended September 30, 1996 and have issued our report thereon dated August 1, 1998.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Northern Marianas College for the year ended September 30, 1996, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of NMC is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Accounting Controls

Revenue/receipts
Purchases/disbursements
Payroll
External financial reporting
Cash
Property and equipment

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters, which are presented in the accompanying Schedule of Internal Control Findings (pages 3 through 8) in Findings 1 through 6, involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the NMC's ability to record, process, summarize, and report financial data in a manner that is consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we consider Findings 3 and 6 involving the internal control structure and its operation, to be material weaknesses as defined above.

This report is intended for the information of the management of the NMC, the Board of Regents and the cognizant audit and other federal agencies. However, this report is a matter of public record and its distribution is not limited.

Bryce & Comer, P.C.

August 1, 1998

Northern Marianas College

Schedule of Internal Control Findings
Year ended September 30, 1996

Finding No. 1

Criteria

NMC's system of internal controls requires that the President of NMC sign travel advances.

Condition

In two of forty disbursements tested, the President did not sign the travel advance form. These were travel advances 96-057 and 95-528.

Cause

This was an oversight by the President.

Effect

We cannot determine whether these travel advances were properly approved.

Recommendation

We recommend that NMC staff comply with established policies.

Auditee Response and Corrective Action Plan

Auditee concurs with finding. The College continues to monitor administration of policies to minimize errors of omission such as reported in this finding.

Northern Marianas College

Schedule of Internal Control Findings, continued
Year ended September 30, 1996

Finding No. 2

Criteria

NMC's procurement system includes the use of purchase orders. Normally, purchase orders are issued to vendors after the buyer has obtained the best price and delivery terms.

Condition

In four of forty disbursements tested, the purchase order was dated after the date of the vendor invoice.

Cause

NMC staff failed to follow procurement procedures.

Effect

We can not determine whether NMC obtained the best price for the goods or whether the purchase was properly authorized.

Recommendation

We recommend that NMC staff comply with their established policies.

Auditee Response and Corrective Action Plan

Auditee concurs with findings. The College continues to monitor the procurement procedure, however there are still occasions as indicated in the findings of a confirming purchase order. In most of these cases time is a factor and quotes are obtained. We will continue to train and educate our people to follow the proper procedure.

Northern Marianas College

Schedule of Internal Control Findings, continued
Year ended September 30, 1996

Finding No. 3

Criteria

Disbursements should be supported by various documents, including a purchase order, a check voucher or check request form, a cancelled check, and a vendor invoice.

Condition

For fourteen of the forty disbursements tested, there were no vendor invoices to support the disbursement. For two of the disbursements, the check request form was not on file.

Cause

The invoices and check request forms were apparently misfiled.

Effect

We could not determine whether these disbursements were entirely valid.

Recommendation

We recommend that all supporting documents be attached to the check voucher and filed in a manner that ensures no documents will be lost or misplaced.

Auditee Response and Corrective Action Plan

Auditee concurs with finding. The College will continue to insist on compliance with procedures. Staff have again been reminded about proper attachments to check payments and check requests.

Northern Marianas College

Schedule of Internal Control Findings, continued
Year ended September 30, 1996

Finding No. 4

Criteria

NMC's procurement system includes the use of purchase orders. NMC's system requires that the expenditure authority sign purchase orders before they are released to vendors.

Condition

In one of thirty six disbursements tested, the purchase order was not signed by the expenditure authority.

Cause

NMC staff failed to follow procurement procedures.

Effect

We cannot determine whether NMC obtained the best price for the goods or whether the purchase was properly authorized.

Recommendation

We recommend that NMC staff comply with their established policies.

Auditee Response and Corrective Action Plan

Auditee concurs with the finding. The College will continue to insist on compliance with procedures and staff will again be reminded about proper procurement procedures. The missing signature is an error; however, there are additional reviews of the purchase order which insure that the purchase is appropriate.

Northern Marianas College

Schedule of Internal Control Findings, continued
Year ended September 30, 1996

Finding No. 5

Criteria

NMC's procurement policies require, in the event of sole source procurement, that the procurement officer must approve the justification.

Condition

For three of the forty disbursements tested, the procurement officer did not sign off to approve the justification for sole source procurement.

Cause

This was an oversight by the procurement officer.

Effect

We are not able to determine if NMC complied with their procurement policies.

Recommendation

All sole source justifications should be approved by the procurement officers.

Auditee Response and Corrective Action Plan

Auditee concurs with finding. The College will continue to insist on compliance with procedures and staff will again be reminded about proper procurement procedures. The missing signature is an error; however, there are additional reviews of the purchase order and the sole source document which insure that the purchase is appropriate.

Northern Marianas College

Schedule of Internal Control Findings, continued
Year ended September 30, 1996

Finding No. 6

Criteria

NMC's system of internal controls over payroll requires that the chief accountant/controller initial the check to indicate that the check is accurate.

Condition

In six of twenty six payroll checks tested, there were no initials on the check to indicate that the control was performed. In two cases, the check could not be located.

Cause

NMC staff failed to follow their internal control system's requirements.

Effect

We can not determine whether the internal control system is effective regarding the accuracy of payroll checks.

Recommendation

We recommend that NMC staff comply with their established policies.

Auditee Response and Corrective action Plan

Auditee concurs with the finding. The College will continue to insist on compliance with procedures and staff will again be reminded about proper procurement procedures.