

NORTHERN MARIANAS COLLEGE

---

REPORT ON THE AUDIT OF  
FINANCIAL STATEMENTS  
IN ACCORDANCE WITH  
OMB CIRCULAR A-133

YEAR ENDED SEPTEMBER 30, 1999

---

NORTHERN MARIANAS COLLEGE

TABLE OF CONTENTS  
September 30, 1999

<u>Item</u>	<u>Page No.</u>
I. COMPREHENSIVE FINANCIAL STATEMENTS	
A. Independent Auditor's Report on Financial Statements	1
Balance Sheet	2
Statement of Revenues, Expenditures and Other Changes	3
Statement of Changes in Fund Balances	4
Notes to Financial Statements	5
B. Combining Financial Statements	
Unrestricted Funds:	
Combining Balance Sheet	10
Combining Statement of Revenues, Expenditures and Other Changes	11
Restricted Funds:	
Combining Balance Sheet	12
Combining Statement of Revenues, Expenditures and Other Changes	13
C. Supplementary Information	
Schedule of Expenditures of Federal Awards	14
Notes to the Schedule of Expenditures of Federal Awards	16
II. SINGLE AUDIT	
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting in Accordance with Government Auditing Standards	17
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular 1-133	19
Summary of Auditor's Results	21
Summary Schedule of Prior Audit Findings	54
III. SUMMARY OF UNRESOLVED QUESTIONED COSTS	68
IV. AUDITEE GENERAL RESPONSE ON UNRESOLVED QUESTIONED COSTS	69

NORTHERN MARIANAS COLLEGE  
INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 1999

J. Scott Magliari  
COMPANY

CERTIFIED PUBLIC ACCOUNTANT

SAIPAN:  
PMB 297 PPP Box 10000 • SAIPAN, MP 96950  
TEL: (670) 233-1837 • FAX: (670) 233-8214

GUAM:  
P. O. Box 12734 • TAMUNING, GUAM 96931  
TEL: (671) 472-2680 • FAX: (671) 472-2686

INDEPENDENT AUDITOR'S REPORT

To the Board of Regents  
Northern Marianas College

I was engaged to audit the accompanying balance sheet of the Northern Marianas College (NMC), a component unit of the Commonwealth of the Northern Marianas Islands, as of September 30, 1999 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 NMC's management.

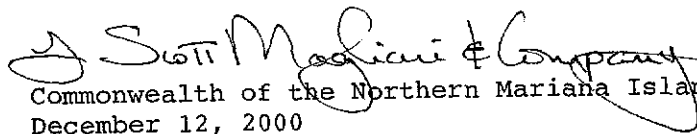
Because of inadequacies in NMC's accounting records and internal control structure, I was unable to form an opinion regarding current funds assets, liabilities, fund balances, revenues, expenditures and other changes in fund balances as of and for the year ended September 30, 1999.

Because of the matters discussed in the preceding paragraph, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements referred to in the first paragraph.

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, I have also issued a report, dated December 12, 2000 on my consideration of NMC's internal control structure and a report dated, December 12, 2000 on its compliance with laws, regulations, contracts, and grants.

My 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 expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations", and is not a required part of the basic financial statements. The accompanying combining balance sheet, combining statement of current unrestricted funds revenues, expenditures and other changes, presented on pages 10 and 11, and the combining balance sheet, combining statement of current restricted funds revenues, expenditures and other changes, presented on pages 12 and 13, which are also the responsibility of the management of the College, are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the Northern Marianas College. Because of the matters discussed in the second paragraph of this report, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the schedule of expenditures of federal awards or on the combining financial statements referred to above.

  
Commonwealth of the Northern Mariana Islands  
December 12, 2000

NORTHERN MARIANAS COLLEGE

Balance Sheet

September 30, 1999

ASSETS

Current funds:

Unrestricted:

Cash	\$	821,294
Accounts receivable, net of allowable for doubtful accounts of \$380,000		1,006,879
Due from other funds		339,606
Due from CNMI		-
Other assets		3

Total unrestricted 2,167,782

Restricted:

Cash	402,885
Accounts receivable	405,631
Due from other funds	63,041
Due from CNMI	151,634

Total restricted 1,023,191

Total current funds \$ 3,190,973

Endowment fund:

Investments	\$	3,231,874
-------------	----	-----------

Total endowment fund \$ 3,231,874

Plant fund:

Investment in plant (note 3):

Land	\$	5,579,900
Building and improvements		6,166,067
Equipment		790,275
Computer equipment		840,743
Less accumulated depreciation		(2,767,351)

Total investment in plant 10,609,634

Total plant fund \$ 10,609,634

LIABILITIES AND FUND BALANCE  
(DEFICIT)

Current funds:

Unrestricted:

Accounts payable	\$	280,858
Accrued liabilities		914,938
Deferred tuition		677,509
Due to other funds		18,186
Fund balance		276,291

Total unrestricted  
liabilities and fund  
balance 2,167,782

Restricted:

Accounts payable	346,777
Accrued liabilities	159,242
Due to other funds	80
Due to grantor	520,102
Deferred income	55,526
Deferred tuition	30,313
Fund balance (deficit)	(88,849)

Total restricted 1,023,191

Total current funds \$ 3,190,973

Endowment fund:

Contributed capital	\$	3,000,000
Fund balance		231,874

Total endowment fund \$ 3,231,874

Plant fund:

Investment in plant:

Net investment in plant	\$	10,609,634
----------------------------	----	------------

Total investment in plant 10,609,634

Total plant fund \$ 10,609,634

See accompanying notes to financial statements.

**NORTHERN MARIANAS COLLEGE**  
Statement of Revenues, Expenditures and Other Changes  
Year Ended September 30, 1999

	Current Funds		Total
	Unrestricted	Restricted	
<b>Revenues:</b>			
Educational and general:			
Governmental appropriations	\$ 6,734,309	\$ -	\$ 6,734,309
Governmental grants and contracts	-	4,996,893	4,996,893
Student tuition and fees	2,287,364	162,720	2,450,084
Other sources	384,758	541,593	926,351
<b>Total current revenues</b>	<b>9,406,431</b>	<b>5,701,206</b>	<b>15,107,637</b>
<b>Expenditures and mandatory transfers:</b>			
Educational and general:			
Personnel	6,836,574	2,874,232	9,710,806
Institutional and department research	1,528,538	2,517,179	4,045,717
<b>Total educational and general expenditures</b>	<b>8,365,112</b>	<b>5,391,411</b>	<b>13,756,523</b>
<b>Transfers for:</b>			
Renewals and replacements	40,978	255,057	296,035
<b>Total expenditures and transfers</b>	<b>8,406,090</b>	<b>5,646,468</b>	<b>14,052,558</b>
<b>Net increase in fund balance</b>	<b>\$ 1,000,341</b>	<b>\$ 54,738</b>	<b>\$ 1,055,079</b>

See accompanying notes to financial statements.

**NORTHERN MARIANAS COLLEGE**  
Statement of Changes in Fund Balances (Deficit)  
Year Ended September 30, 1999

	<u>Current Funds</u>		<u>Endowment Fund</u>	<u>Plant Fund</u>
	<u>Unrestricted</u>	<u>Restricted</u>		<u>Investment in Plant</u>
<b>Revenues and other additions:</b>				
Educational and general revenues	\$ 9,406,431	\$ -	\$ -	\$ -
Federal grants and contracts	-	5,701,206	-	-
Realized gains on investment-unrestricted	-	-	136,089	-
Unrealized gains on investment	-	-	-	-
<b>Total revenues and other additions</b>	<u>9,406,431</u>	<u>5,701,206</u>	<u>136,089</u>	<u>-</u>
<b>Expenditures and other deductions:</b>				
Depreciation of plant and equipment	-	-	-	525,912
Educational and general expenditures	8,365,112	5,391,411	179,433	-
<b>Total expenditures and other deductions</b>	<u>8,365,112</u>	<u>5,391,411</u>	<u>179,433</u>	<u>525,912</u>
<b>Transfers among funds-additions (deductions)</b>				
<b>Non-mandatory:</b>				
Renewals and replacements	(40,978)	(255,057)	-	296,035
<b>Net transfers</b>	<u>(40,978)</u>	<u>(255,057)</u>	<u>-</u>	<u>296,035</u>
<b>Net increase (decrease)</b>	1,000,341	54,738	(43,344)	(229,877)
<b>Fund balance (deficit) at beginning of year</b>	(502,205)	61,956	275,218	10,839,511
<b>Prior period adjustment (note 5)</b>	<u>(221,845)</u>	<u>(205,543)</u>	<u>-</u>	<u>-</u>
<b>Fund balance (deficit) at end of year</b>	<u>\$ 276,291</u>	<u>\$ (88,849)</u>	<u>\$ 231,874</u>	<u>\$ 10,609,634</u>

see accompanying notes to financial statements.

## NORTHERN MARIANAS COLLEGE

Notes to Financial Statements  
September 30, 1999

### (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 was 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 support to present the results of operations or the net or loss for the period, as would a statement of income or a statement of revenues and expenses.

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 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.



## NORTHERN MARIANAS COLLEGE

Notes to Financial Statements, Continued  
September 30, 1999

### (2) Summary of Significant Accounting Policies

#### Fund Accounting, continued

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.

#### 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.

NORTHERN MARIANAS COLLEGE

Notes to Financial Statements, Continued  
September 30, 1999

(2) Summary of Significant Accounting Policies

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.

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 total payroll for fiscal year 1999 was \$7,792,541, 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, 1999, 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 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, 1999

(2) Summary of Significant Accounting Policies, Continued

Retirement Plan, Continued

The Fund's October 1, 1998 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	\$ 23,249,034	\$354,316,767	\$377,565,801
Active	102,579,373	184,649,001	287,228,374
Inactive including contributions held for non-vested terminated employees	<u>1,804,694</u>	<u>2,324,064</u>	<u>4,128,758</u>
Total pension benefit obligation	127,633,101	541,289,832	668,922,933
Net assets available for benefits, at market value	<u>114,326,461</u>	<u>221,930,471</u>	<u>336,256,932</u>
Unfunded benefit obligation	<u>\$ 13,306,640</u>	<u>\$319,359,361</u>	<u>\$332,666,001</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, 1999

(3) Plant and Equipment

Summarized below is the College's investment in plant and equipment and changes for the year ended September 30, 1999:

	Balance at September <u>30, 1998</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September <u>30, 1999</u>
Land	\$ 5,579,900	\$ -	\$ -	\$ 5,579,900
Building and improvements	6,131,793	34,274	-	6,166,067
Equipment	1,369,256	261,762	-	1,631,018
Accumulated depreciation	<u>(2,241,438)</u>	<u>(525,913)</u>	<u>-</u>	<u>(2,767,351)</u>
Total	<u>\$10,839,511</u>	<u>\$ (229,877)</u>	<u>\$ -</u>	<u>\$10,609,634</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, 1999, no reserves for encumbrances were needed.

Contingency

The College participated in federal programs from the U.S. Departments of Education, Health and Human Services, Commerce, Labor, Agriculture and Interior in fiscal year 1999. Federal programs are subject to financial and compliance audits to ascertain if federal laws and guidelines have been followed. Expenditures of \$195,178 were questioned in the fiscal year 1999 audit, and \$1,858,780 of expenditures was 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.

(5) Prior Period Adjustment

Amounts pertain to adjustments on prior years interfund transfers.

NORTHERN MARIANAS COLLEGE  
Combining Balance Sheet  
Current Unrestricted Funds  
September 30, 1999

<u>ASSETS</u>	<u>Operating Fund</u>	<u>CNMI Grants</u>	<u>Total</u>
Unrestricted:			
Cash	\$ 820,829	\$ 465	\$ 821,294
Accounts receivable, net	1,006,879	-	1,006,879
Due from other funds	339,606	-	339,606
Other assets	<u>3</u>	<u>-</u>	<u>3</u>
Total unrestricted assets	<u>\$ 2,167,317</u>	<u>\$ 465</u>	<u>\$ 2,167,782</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Unrestricted:			
Accounts payable	\$ 280,801	\$ 57	\$ 280,858
Accrued liabilities	914,938	-	914,938
Deferred tuition	677,509	-	677,509
Due to other funds	18,103	83	18,186
Fund balance	<u>275,966</u>	<u>325</u>	<u>276,291</u>
Total unrestricted liabilities and fund balance	<u>\$ 2,167,317</u>	<u>\$ 465</u>	<u>\$ 2,167,782</u>

See accompanying independent auditor's report.

**NORTHERN MARIANAS COLLEGE**  
Combining Statement of Current Unrestricted Funds Revenues,  
Expenditures and Other Changes  
Year Ended September 30, 1999

	<u>Operating Fund</u>	<u>CNMI Grants</u>	<u>Total</u>
<b>Revenues:</b>			
Educational and general:			
Governmental appropriations	\$ 6,734,309	\$ -	\$ 6,734,309
Student tuition and fees	2,287,364	-	2,287,364
Other sources	384,838	(80)	384,758
Total revenues	<u>9,406,511</u>	<u>(80)</u>	<u>9,406,431</u>
<b>Expenditures and mandatory transfers:</b>			
Educational and general:			
Personnel	6,836,574	-	6,836,574
Student aid	-	-	-
Institutional and department research	1,528,502	36	1,528,538
	8,365,076	36	8,365,112
<b>Transfers for:</b>			
Renewals and replacements	40,978	-	40,978
Total expenditures and transfers	<u>8,406,054</u>	<u>36</u>	<u>8,406,090</u>
Net increase (decrease) in fund balance	\$ <u>1,000,457</u>	\$ <u>(116)</u>	\$ <u>1,000,341</u>

See accompanying independent auditor's report.

NORTHERN MARIANAS COLLEGE  
Combining Balance Sheet  
Current Restricted Funds  
September 30, 1999

<u>ASSETS</u>	<u>Federal Grant</u>	<u>Vocational Education</u>	<u>Special Funds</u>	<u>Total</u>
Unrestricted:				
Cash	\$ 330,445	\$ 23,888	\$ 48,552	\$ 402,885
Accounts receivable	27,626	8,613	369,392	405,631
Due from other funds	-	63,041	-	63,041
Due from CNMI	-	-	151,634	151,634
	<hr/>	<hr/>	<hr/>	<hr/>
Total unrestricted assets	\$ <u>358,071</u>	\$ <u>95,542</u>	\$ <u>569,578</u>	\$ <u>1,023,191</u>
 <u>LIABILITIES AND FUND BALANCE (DEFICIT)</u>				
Unrestricted:				
Accounts payable	\$ 147,806	\$ 10,271	\$ 188,700	\$ 346,777
Accrued liabilities	88,412	56,708	14,122	159,242
Due to other funds	80	-	-	80
Due to grant agency	520,102	-	-	520,102
Deferred income	55,526	-	-	55,526
Deferred tuition	-	-	30,313	30,313
Fund balance (deficit)	<u>(453,855)</u>	<u>28,563</u>	<u>336,443</u>	<u>(88,849)</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total restricted liabilities and fund balance	\$ <u>358,071</u>	\$ <u>95,542</u>	\$ <u>569,578</u>	\$ <u>1,023,191</u>

See accompanying independent auditor's report.

**NORTHERN MARIANAS COLLEGE**  
Combining Statement of Current Restricted Funds Revenues,  
Expenditures and Other Changes  
Year Ended September 30, 1999

	<u>Federal Grants Fund</u>	<u>Vocational Education</u>	<u>Special Funds</u>	<u>Total</u>
<b>Revenues:</b>				
Educational and general:				
Governmental grants and contracts	\$ 3,773,148	\$ 1,223,745 ✓	-	\$ 4,996,893
Student tuition and fees	-	-	162,720	162,720
Other sources	5,104	-	536,489	541,593
Total revenues	<u>3,778,252</u>	<u>1,223,745</u>	<u>699,209</u>	<u>5,701,206</u>
<b>Expenditures and mandatory transfers:</b>				
Educational and general:				
Personnel	1,722,095	973,575	178,562	2,874,232
Institutional and department research	<u>1,971,885</u>	<u>12,816</u>	<u>532,478</u>	<u>2,517,179</u>
	3,693,980	986,391	711,040	5,391,411
<b>Transfers for:</b>				
Renewals and replacements	<u>84,272</u>	-	<u>170,785</u>	<u>255,057</u>
Total expenditures and transfers	<u>3,778,252</u>	<u>986,391</u>	<u>881,825</u>	<u>5,646,468</u>
Net increase (decrease) in fund balance	<u>\$ -</u>	<u>\$ 237,354</u>	<u>\$ (182,616)</u>	<u>\$ 54,738</u>

See accompanying independent auditor's report.



**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 1999**

**NORTHERN MARIANAS COLLEGE**  
 Schedule of Expenditures of Federal Awards  
 Year Ended September 30, 1999

Federal Grantor/ Program Title	CFDA Number	Federal Program or Award Amount	Receivable from Grantor/ (Deferred Revenue) at September 30, 1998	Cash Receipts FY 99	Expen- ditures Transfers FY 99	Receivable from Grantor/ (Deferred Revenue) at September 30, 1999
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
Student Financial Aid Programs:						
Supplemental Educational Opportunity Grant	84.007A	\$ 25,378	\$ (12,682)	\$ 14,881	\$ 22,978	\$ (4,585)
State Student Incentive Grants	84.069A	312	-	312	312	-
College Work Study	84.033A	24,358	63,519	20,832	22,152	64,839
Pell Grant (note 3)	84.063P	1,439,073	(146,495)	724,344	808,408	(62,431)
Subtotal Student Financial Aid Programs		1,489,121	(95,658)	760,369	853,850	(2,177)
Adult Basic Education Title III - Strengthening Institution Program	84.002A	175,091	(104,909)	206,356	230,156	(81,109)
Student College Support Services	84.031A	-	(16,928)	60,719	46,626	(31,021)
	84.042A	-	10,984	-	-	10,984
State Student Incentive Grant	84.069A	-	(415)	-	-	(415)
Upward Bound (notes 3 and 4)	84.047A	688,086	(105,441)	815,317	676,068	(244,690)
Fund Improvement Post Secondary Education (FIPSE)	84.116B	-	38,855	-	10,628	49,483
Preparing Tomorrow's Teachers	84.342A	140,162	-	-	-	-
Talent Search	84.044A	227,669	30,641	233,846	242,297	39,092
Subtotal U.S. Department of Education		2,720,129	(242,871)	2,076,607	2,059,625	(259,853)
<u>U.S. Department of Health and Human Services</u>						
<u>Direct Programs</u>						
SOICC/NOICC Program	13.667	75,504	(136,688)	84,590	74,491	(146,787)
Subtotal U.S. Department of Health and Human Services		75,504	(136,688)	84,590	74,491	(146,787)
U.S. Department of Commerce						
Direct Programs						
EDA Renovation	11.300	-	(65,799)	-	-	(65,799)
Public Telecommunications Facilities program/NTIA/PTFP DI	11.550	-	72,106	-	-	72,106
Student Intern Program/RECDS	10.854	-	13,756	-	-	13,756
Economic Assessment of the Domestic Fisheries Development Potential of the CNMI	11.427	40,068	-	-	7,946	7,946
Matching Requirement	11.427	4,795	-	951	951	-
Business Incubator-RECD	11.300	-	(1,388)	-	-	(1,388)
Subtotal U.S. Department of Commerce		\$ 44,863	\$ 18,675	\$ 951	\$ 8,897	\$ 26,621

**NORTHERN MARIANAS COLLEGE**  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1999

Federal Grantor/ Program Title	CFDA Number	Federal Program or Award Amount	Receivable from Grantor/ (Deferred Revenue) at September 30, 1998	Cash Receipts FY 99	Expen- ditures Transfers FY 99	Receivable from Grantor/ (Deferred Revenue) at September 30, 1999
<u>U.S. Department of Agriculture</u>						
<u>Direct Programs</u>						
Cooperative State Research Education and Extension Service:						
Cooperative State Research Services (note 3)	10.205	\$ 661,515	\$ 49,213	\$ 519,510	\$ 654,251	\$ 183,954
Cooperative Extension Services (note 3)	10.205	745,736	(351,850)	705,005	677,043	(379,812)
Penalty Mail	10.500	23,523	-	4,244	5,079	835
Extension Part 3D (Smith Lever)	10.588	167,266	(57,292)	175,434	160,053	(72,673)
Resident Instructions	10.205	-	(192,491)	-	-	(192,491)
Agricultural Development in American Pacific	10.205	-	35,538	-	-	35,538
CNMI Pesticide Impact Assessment	10.200	5,800	(5,108)	-	-	(5,108)
Plant Disease Program	10.205	-	(1,680)	-	-	(1,680)
4H Program	10.205	-	71,667	-	-	71,667
Neem Tree Extract	10.205	7,125	-	-	-	-
Home Economics	10.200	-	68,877	-	-	68,877
CNMI Pesticide Impact Assessment	10.200	14,200	(8,078)	-	-	(8,078)
Subtotal Cooperative State Research, Education and Extension Service		<u>1,625,165</u>	<u>(391,204)</u>	<u>1,404,193</u>	<u>1,496,426</u>	<u>(298,971)</u>
Rural Development Cooperative Service						
CNMI Program to increase local technical and business skills	10.769	50,000	-	-	10,447	10,447
Matching Requirement	10.769	28,061	-	5,863	5,863	-
Subtotal Rural Development		<u>78,061</u>	<u>-</u>	<u>5,863</u>	<u>16,310</u>	<u>10,447</u>
Total U.S. Department of Agriculture		<u>1,703,226</u>	<u>(391,204)</u>	<u>1,410,056</u>	<u>1,512,736</u>	<u>(288,524)</u>
<u>U.S. Department of the Interior</u>						
<u>Direct Programs</u>						
OIATA-Economic Conference	15.875	200,000	-	184,440	203,220	18,780
OIATA-Planning for the CNMI's Econ Future (NMI560X06)	15.875	75,000	-	75,000	74,864	(136)
OMIP-CNMI 91-3 (Human Resources Training Assessment)	15.875	61,000	-	18,756	61,000	42,244
OMIP-Electrical Systems Assessment	15.875	40,000	-	-	9,750	9,750
OMIP-Facilities Inventory Management	15.875	60,000	-	-	-	-
Matching Requirement	15.875	263,000	-	172,750	172,750	-
Bulletin Board System	15.875	-	31,792	-	-	31,792
Subtotal U.S. Department of the Interior		<u>699,000</u>	<u>31,792</u>	<u>450,946</u>	<u>521,584</u>	<u>102,430</u>
		<u>\$5,242,722</u>	<u>\$(720,296)</u>	<u>\$4,023,150</u>	<u>\$4,177,333</u>	<u>\$(566,113)</u>

**NORTHERN MARIANAS COLLEGE**

Notes to the Schedule of Expenditures of Federal Awards  
Year Ended September 30, 1999

(1) Scope of Review

Northern Marianas College (NMC), 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. All projects of Northern Marianas College funded either directly or indirectly by U.S. Federal agencies are in the scope of the OMB Circular A-133 audit.

(2) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of NMC and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(3) Major Programs

The following are the programs tested as major programs that were subjected to audit procedures as required by OMB Circular A-133:

<u>CFDA #</u>	<u>Agency</u>	<u>Program</u>	<u>1999 Fiscal Year Expenditures</u>	<u>1999 Fiscal Year Expenditures Tested</u>	<u>Percentage of Federal Awards Tested</u>
84.063	U.S. Department of Education	Pell Grant	\$ 808,408	\$ 715,421	88%
84.047A	U.S. Department of Education	Upward Bound	676,068	249,520	37%
10.205	U.S. Department of Agriculture	Land Grant Cooperative State Research Services	654,251	123,117	19%
10.205	U.S. Department of Agriculture	Land Grant Cooperative State Extension Services	<u>677,043</u>	<u>103,391</u>	15%
		Total	<u>\$ 2,815,770</u>	<u>\$ 1,191,449</u>	

(4) Subrecipient

Of the federal expenditures presented in the schedule, NMC provided federal awards to subrecipient as follows:

<u>Program</u>	<u>CFDA #</u>	<u>Amount Provided to Subrecipient</u>
Upward Bound	84.047A	\$173,817

NORTHERN MARIANAS COLLEGE  
INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING  
IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

AND

INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

YEAR ENDED SEPTEMBER 30, 1999



CERTIFIED PUBLIC ACCOUNTANT

SAIPAN:  
PMB 297 PPP Box 10000 • SAIPAN, MP 96950  
TEL: (670) 233-1837 • FAX: (670) 233-8214

GUAM:  
P. O. Box 12734 • TAMUNING, GUAM 96931  
TEL: (671) 472-2680 • FAX: (671) 472-2686

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**  
**BASED ON AN AUDIT OF**  
**FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH**  
**GOVERNMENT AUDITING STANDARDS**

To the Board of Regents  
Northern Marianas College

I was engaged to audit the financial statements of the Northern Marianas College (NMC) as of and for the year ended September 30, 1999, in accordance with generally accepted auditing standards and with the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and have issued our report thereon dated December 12, 2000.

My report dated December 12, 2000 on the financial statements stated that because of inadequacies in NMC's accounting records and internal control structure, I was unable to form an opinion regarding current funds assets, liabilities, fund balances, revenues, expenditures and other changes in fund balances as of and for the year ended September 30, 1999.

**Compliance**

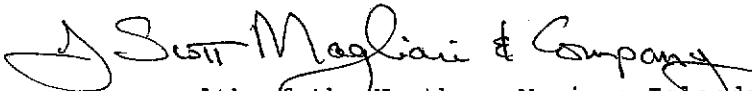
Except as described above, I performed tests of NMC's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. The objective of the tests was not to provide an opinion on overall compliance with laws, regulations, contracts, and grants, and accordingly, I do not express such an opinion. The result of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as Section II finding nos. 99-1, 99-2, 99-3, 99-4, 99-5, 99-6, 99-7, 99-8, 99-9, 99-10, 99-11, 99-12 and 99-13 and Section III finding nos. 99-14, 99-15, 99-20 and 99-22.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Northern Marianas College's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matter coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Northern Marianas College's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Section II finding nos. 99-5, 99-9, 99-11, and 99-13 and Section III finding nos. 99-14, 99-15, 99-18, 99-19, 99-20, 99-21, 99-22, 99-23, 99-24, 99-25 and 99-26.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider finding nos. 99-5, 99-8, 99-11, 99-14, 99-15, 9-20 and 99-22 to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

  
Commonwealth of the Northern Mariana Islands  
December 12, 2000

SAIPAN:  
PMB 297 PPP Box 10000 • SAIPAN, MP 96950  
TEL: (670) 233-1837 • FAX: (670) 233-8214

GUAM:  
P. O. Box 12734 • TAMUNING, GUAM 96931  
TEL: (671) 472-2680 • FAX: (671) 472-2686

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

To the Board of Regents  
Northern Marianas College

Compliance

I was engaged to audit the compliance of the Northern Marianas College (NMC) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 1999. NMC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of NMC's management.

Because of inadequacies in NMC's accounting records, and internal control structure, I was unable to form an opinion regarding NMC's compliance with the requirement described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 1999.

However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding nos. 99-1, 99-2, 99-3, 99-4, 99-5, 99-6, 99-7, 99-8, 99-9, 99-10, 99-11, 99-12, 99-13, 99-14, 99-15, 99-16, 99-17, 99-18, 99-19, 99-20, 99-21, 99-22, 99-23, 99-24, 99-25 and 99-26.

Internal Control Over Compliance

The management of Northern Marianas College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered NMC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect NMC's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs in finding nos. 99-14, 99-15, 99-20 and 99-22.



A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider finding nos. 99-14, 99-15, 99-20, and 99-22 to be material weaknesses.

Schedule of Expenditures of Federal Awards

I have audited the basic financial statements of Northern Marianas College as of and for the year ended September 30, 1999, and have issued my report thereon dated December 12, 2000. My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards on pages 14 and 15 of the basic financial statements is presented for additional analysis as required by OMB Circular A-133. Because of inadequacies of NMC's accounting records and internal control structure, I was unable to form an opinion regarding Federal Awards as of and for the year ended September 30, 1999.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

  
Commonwealth of the Northern Mariana Islands  
December 12, 2000

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
Year Ended September 30, 1999

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a disclaimer of opinion on the financial statements of Northern Marianas College (NMC) due to inadequacies in NMC's accounting records and internal control structure.
2. Fifteen reportable conditions disclosed during the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards. Of these fifteen reportable conditions, seven are considered material weaknesses.
3. Twenty-six instances of noncompliance were disclosed during the audit. Of these twenty-six instances, four are considered to be material to the financial statements of Northern Marianas College.
4. Four reportable conditions in internal control over major programs were disclosed during the audit of the major federal award programs. All of these conditions are considered to be material weaknesses.
5. The auditor's report on compliance for the major federal award programs for Northern Marianas College expresses a disclaimer of opinion on all major federal programs due to inadequacies in NMC's accounting records and internal control structure.
6. Audit findings relative to the major federal award programs for Northern Marianas College are reported in this Schedule.
7. The programs tested as major programs include:

<u>CFDA #</u>	<u>Agency</u>	<u>Program</u>
84.063	U.S. Department of Education	Pell Grant
84.047A	U.S. Department of Education	Upward Bound
10.205	U.S. Department of Agriculture	Land Grant Cooperative State Research Services
10.205	U.S. Department of Agriculture	Land Grant Cooperative Extension Services
8. The threshold for distinguishing Type A and B programs was the larger of \$300,000 or 3% (.03) of total federal awards expended.
9. Northern Marianas College was determined to be a high-risk auditee.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 99-1

Criteria

In accordance with OMB Circular A-21, accounting records should be supported by original documents that reflect the date, amount, and the nature of the transactions and the parties involved.

Condition

In one or 20% of five journal entries tested, there were no substantiating documents to support the adjustment on correction of entries per GJ9EJ101 in the amount of \$4,839.62.

Cause

NMC has not established internal control policies and procedures to ensure that transactions are properly documented prior to approval. There also appears to have been a lack of management oversight and review.

Effect

There is no material effect on the financial statements. However, it could not be determined if these transactions were entirely valid, authorized and arithmetically correct.

Recommendation

NMC should establish and implement internal control accounting policies and procedures to ensure that only properly approved and reviewed journal entries are recorded in the general ledger. All journal vouchers should be independently reviewed and approved prior to being recorded in the general ledger, numerically controlled and properly accounted for. All journal vouchers should be keyed-in the general ledger in a timely manner. Established cash disbursement procedures should be adhered to.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 99-2

Criteria

In accordance with OMB Circulars A-110 and A-21, all 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 or receipt.

Condition

In four or 5% of the eighty disbursements tested, there was no supporting documentation for the following:

<u>Date</u>	<u>Check #</u>	<u>Amount</u>
02/10/99	1113	\$ 450.00
03/31/99	1213	280.00
11/25/98	10496	63.99
03/11/99	12409	<u>234.11</u>
	Total	<u>\$ 1,028.10</u>

Cause

The College has not established internal control procedures to ensure that journal entries are properly reviewed, approved and entered into the general ledger.

Effect

Transactions are being posted to the general ledger that are not properly approved and reviewed. It cannot be determined if cash disbursements are valid, authorized and arithmetically correct.

Recommendation

NMC should establish and implement internal control accounting policies and procedures to ensure that only properly reviewed and approved journal entries are recorded in the general ledger. All journal vouchers should be independently reviewed and approved prior to being recorded in the general ledger, numerically controlled and properly accounted for. All journal vouchers should be keyed-in the general ledger in a timely manner.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 99-3

Criteria

Timesheets and employment contracts should be complete and kept on file.

Condition

In two or 5% of the forty payroll disbursements tested, timesheets and employment contracts could not be located on the following:

<u>Date</u>	<u>Check #</u>	<u>Amount</u>
11/06/98	138323	\$ 1,306.12
01/29/99	139971	<u>471.66</u>
	Total	<u>\$ 1,777.78</u>

Cause

The cause of this condition is unknown.

Effect

The potential exists for amounts to be disbursed to unauthorized personnel and at unauthorized rates of pay. There is no material effect on the financial statements as a result of this condition.

Recommendation

NMC should adhere to established policies and procedures to ensure that all timesheets are completed and employment contracts are properly accounted for prior to disbursement.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 99-4

Criteria

Employment contracts should be updated and approved before an employee salary changes.

Condition

In one or 2% of the forty payroll disbursements tested, an employee's salary did not agree with the employment contract as follows:

<u>Amount per contract</u>	<u>Amount per check</u>	<u>Difference</u>
\$1,661.11	\$1,340.55	\$270.56

Audit procedures were not extended to determine whether this condition is pervasive.

Cause

NMC has not established internal control policies and procedures over payroll to ensure that employees are paid at authorized and approved rates of pay or contractual amounts.

Effect

There is no material effect on the financial statements as a result of this condition. However, the potential exists for employees to receive more compensation than authorized.

Recommendation

NMC should establish and implement internal control policies and procedures to ensure that employees are paid at authorized and approved rates of pay or contractual amounts. Employment contracts should be updated and approved by the Human Resources Department prior to making changes to employee salaries or rates. NMC should review existing employment contracts for completeness and proper authorization.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 99-5

Criteria

Procedures for posting interfund adjustments are required to accurately report financial actions and conditions.

Condition

Of the twenty-eight "Due To" and "Due From" interfund accounts that should offset against related accounts in the Operating, CNMI Grant, Vocational Education, Federal, Special and Endowment Funds, twenty-three or 82% of these accounts did not reconcile and thus required audit adjustments ranging from \$38 to \$300,422.

Cause

NMC has not established internal control policies and procedures to reconcile interfund accounts in a periodic and timely manner.

Effect

The financial statements were adjusted to reconcile interfund accounts as a result of this condition.

Recommendation

NMC should establish internal control policies and procedures to ensure that interfund transactions and journal entries are posted in a timely manner and that account balances are reconciled on a monthly basis.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 99-6

Criteria

Generally accepted accounting principles require periodic reconciliations of detailed information with the general ledger control accounts.

Condition

As of September 30, 1999, NMC did not prepare bank reconciliations for the following inactive checking accounts:

<u>Bank Account Name</u>	<u>Account #</u>	<u>Amount</u>
Bank of Guam - Federal	103-109358	\$33,448.00
Bank of Guam - CNMI Grant	103-109385	500.00
Bank of Guam - Voc. Ed.	109-109367	<u>194.00</u>
	Total	<u>\$34,142.00</u>

Cause

Bank statements were not provided or obtained for inactive checking accounts.

Effect

Cash balances may not be correct. The bank could close inactive accounts and funds could be stolen or manipulated. However, banks are required to publish in various newspaper media all inactive or dormant accounts maintained prior to closure.

Recommendation

NMC should reconcile and close all inactive accounts. Furthermore, NMC should contact the Bank and obtain current bank statements for the above-mentioned inactive and dormant checking accounts to determine funds held by the bank on behalf of the College.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.



NORTHER MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 99-7

Criteria

Generally accepted accounting principles require periodic reconciliations of the general ledger control accounts.

Condition

NMC did not prepare periodic reconciliation of endowment funds placed in Pacific Century Trust with account number 135062800. Consequently, the investment income accounts were misstated in the amount \$44,552.20 as of September 30, 1999.

Cause

Established procedures were not adhered to.

Effect

The effect of the above condition is an adjustment of \$44,552.20 to record investments income for fiscal year ending September 30, 1999.

Recommendation

Established procedures should be adhered to. All bank accounts should be reconciled monthly.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NOTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 99-8

Criteria

NMC's policies require capitalization of fixed asset purchases of \$5,000 and above.

Condition

Acquisition of fixed assets more than \$5,000 were expensed to supplies and materials, vehicle expense and to other expense accounts. This resulted in an overstatement of restricted funds expenditures totaling \$296,035.69.

Cause

NMC did not adhere to its' capitalization policy.

Effect

NMC's plant fund assets are understated and current restricted funds expenditures are overstated in the amount of \$296,035.69. An audit adjustment of \$296,035.69 was proposed on net investments in plant funds.

Recommendation

NMC should ensure that capital fixed assets are properly accounted for in accordance with its capitalization policy.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 99-9

Criteria

In accordance with OMB Circulars A-110 and A-21, 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 or receipt.

Condition

In four or 36% of the eleven fixed asset acquisitions tested, there were no vendor invoices or vendor files to support the purchase. There was no underlying or supporting invoice documentation to substantiate the following transactions:

<u>Date</u>	<u>Description</u>	<u>Ref. #</u>	<u>Amount</u>
06/22/99	vehicle	PO #995101	\$ 20,659.00
02/22/99	computer	Check #7115	15,036.00
02/26/99	software	Check #12093	5,911.25
09/15/99	computer	PO #13919	<u>12,870.00</u>
		Total	<u>\$ 54,476.25</u>

Cause

NMC has not established internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented.

Effect

A questioned cost of \$35,695.00 exists as a result of this condition.

Recommendation

NMC should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION II -- FINANCIAL STATEMENT FINDINGS

Finding No. 99-10

Criteria

A fixed asset listing or continuity schedule should be maintained to properly account for all nonexpendable equipment and other such capital expenditures.

Condition

NMC does not maintain a properly valued register of fixed assets.

Cause

NMC has not established internal control policies and procedures to properly safeguard and account for fixed assets.

Effect

Fixed assets may be misstated as a result of this condition.

Recommendation

NMC should perform a physical inventory of all fixed assets on hand, agree the count with its records and make necessary adjustments. Fixed assets should be tagged and numbered.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 99-11

Criteria

In accordance with OMB Circular A-110, NMC should maintain a Financial Management System (FMS) to facilitate annual reconciliation of continuing federal assistance awards. The NMC's FMS should also provide for accurate and complete disclosure of the financial results of each federally sponsored project or program.

Condition

NMC is not reconciling receivable or payable balances due to/from grantor agencies on a timely basis. NMC's Schedule of Expenditures of Federal Awards contains numerous programs, which have had no current activity but maintain material receivable or payable balances from or to grantor agencies. Additionally, NMC's procedures for recording year-end receivable and payable balances did not provide an audit trail to determine actual cash receipts for tracing to federal cash reports.

Cause

NMC has not established or implemented an adequate system of reconciling receivable or payable balances to ensure that Federal cash receipts are properly accounted for.

Effect

As a result of this condition, amounts due from or due to grantor agencies and Federal revenue may be misstated.

Recommendation

NMC should establish and implement internal control policies and procedures to properly account for all amounts received from and paid to the grantor agency. An account should be established to record all such transactions. This account should be reconciled on a monthly basis to the Schedule of Expenditures of Federal Awards. Receivable and payable amounts due to and due from the federal grantor agencies, respectively, should be confirmed reconciled monthly.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 99-12

Criteria

NMC policies and generally accepted accounting principles require that collections be deposited intact on a daily basis and that all cash funds be accounted for at all times.

Condition

In twenty-six or 65% of the forty cash receipts tested, the cashier's collections were not deposited in a timely manner for the following:

<u>Date of collection</u>	<u>Amount</u>	<u>Date deposited</u>
10/14/98	\$ 18,979.00	10/16/98
11/03/98	3,651.50	11/06/98
12/04/98	4,669.99	12/08/98
12/09/98	3,042.00	12/11/98
12/03/98	9,990.75	12/08/98
01/20/99	6,199.25	01/22/99
01/29/99	14,139.00	02/04/99
02/25/99	1,460.00	03/02/99
03/11/99	2,096.00	03/19/99
03/12/99	2,858.65	03/16/99
03/23/99	2,320.93	03/26/99
03/25/99	95.00	04/02/99
04/09/99	5,184.50	04/14/99
04/16/99	87,779.42	04/20/99
04/28/99	2,067.05	04/30/99
05/10/99	19,478.00	05/12/99
05/17/99	4,347.16	05/19/99
06/10/99	639.00	06/15/99
06/16/99	972.50	06/18/99
07/01/99	2,365.85	07/16/99
07/15/99	598.50	07/20/99
08/13/99	29,558.72	08/17/99
08/18/99	25,227.50	08/20/99
09/01/99	5,106.00	09/03/99
09/17/99	5,257.00	10/07/99
09/30/99	<u>4,854.50</u>	12/14/99
Total	<u>\$ 262,937.77</u>	

Cause

The cause of the above condition is the lack of management oversight and review and a lack of established procedures.

Effect

Cash can be stolen or manipulated when cash receipts are not deposited in a timely manner and there is no management review of cash receipts. Additionally, there is the possibility of misstatement of the cash, accounts receivable and revenue balances.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 99-12, Continued

Recommendation

NMC should establish internal control policies and procedures for depositing cash to ensure that collections are deposited the next banking day and that validated deposit slips are attached to the cashier's report. Cash receipts should be used in sequential order. Management should make periodic reviews to ensure the policy is being adhered to.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 99-13

Criteria

NMC policies and generally accepted accounting principles require that collections be deposited intact on a daily basis and that all cash funds be properly accounted for.

Condition

The Office of the Public Auditor's report "Audit of the Northern Marianas College's Collections and Deposits, July to November, 1999", states that the NMC cashier failed to deposit about \$8,819.41 in cash collections from July to September, 1999.

<u>Date</u>	<u>Batch#</u>	<u>OR#</u>	<u>Amount</u>	<u>Date of deposit</u>	<u>Amount deposited</u>	<u>Difference</u>
07/23/99	9CR274	27758-27767	\$ 2,072.89	07/30/99	\$ 1,872.89	\$ 200.00
08/09/99	9CR293	27906-27962	19,829.50	08/11/99	19,295.50	534.00
08/26/99	9CR307	28647-28673	6,049.00	08/31/99	5,964.00	85.00
09/02/99	Various	Various	878.00	Various	510.00	368.00
09/03/99	9CR313	28823-28842	1,057.00	12/14/99	910.00	147.00
09/07/99	9CR313	28843-28870	2,980.45	10/15/99	2,831.45	149.00
09/09/99	9CR316	28891-28906	2,759.00	12/14/99	777.59	1,981.41
09/20/99	9CR323	29006-29032	4,854.50	12/14/99	1,221.00	3,633.50
09/21/99	9CR324	29033-29051	<u>1,921.00</u>	12/14/99	<u>199.50</u>	<u>1,721.50</u>
Total			<u>\$ 42,401.34</u>		<u>\$ 33,581.93</u>	<u>\$ 8,819.41</u>

Cause

The cause of the above condition is a lack of established internal control policies and procedures for handling cash funds.

Effect

There appears to be misappropriations of NMC funds. Additionally, there is the possibility of misstatement of cash, accounts receivable and revenue balances. The case is currently under investigation by the Office of the CNMI Attorney General.

Recommendation

The misappropriated funds should be fully investigated to determine whether an error occurred or whether funds were embezzled. NMC should establish a procedure for depositing cash to ensure that collections are deposited the next banking day and that validated deposit slips are attached to the cashier's report. Management should make periodic reviews to ensure the policy is being adhered to.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.



**NORTHERN MARIANAS COLLEGE**

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-14

Program: Land Grant Research

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

10.205

\$41,076.42

Criteria

In accordance with OMB Circulars A-110 and A-21, disbursements should be supported by various documents, including purchase orders, check vouchers or check request, a cancelled check, and a vendor invoice or receipt.

Condition

In sixteen or 37% of the forty-three disbursements tested, there were no vendor invoices to support the disbursements or official receipts from the vendor evidencing that account was paid. It could not be determined whether the goods were received or that services were actually performed for the following:

<u>PO#</u>	<u>Date</u>	<u>Amount</u>
98-85440	10/01/98	\$ 820.00
98-85499	10/27/98	5,540.35
98-85498	11/10/98	3,463.43
98-85496	11/24/98	2,205.00
99-95046	12/10/98	1,386.00
99-95127	03/18/99	5,243.34
99-95321	09/30/99	1,000.52
99-95293	09/30/99	1,274.15
99-95294	09/30/99	914.00
99-95304	09/30/99	5,270.15
99-95322	09/30/99	2,225.10
99-95305	09/30/99	1,050.00
99-95297	09/30/99	3,228.38
99-95308	09/30/99	4,680.00
99-95300	09/30/99	1,300.00
99-95299	09/30/99	<u>1,476.00</u>
Total		<u>\$ 41,076.42</u>

Cause

NMC has not established internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented.

Effect

A questioned cost exists totaling \$41,076.42, as a result of this condition.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-14, Continued

Program: Land Grant Research

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

10.205

Recommendation

NMC should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval.

Prior Year Status

Lack of internal control over supporting documents for disbursements was reported as a finding in the audit of NMC for fiscal years 1995, 1996, 1997 and 1998.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

**NORTHERN MARIANAS COLLEGE**

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-15

Program: Land Grant Research

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

10.205

\$10,042.28

Criteria

NMC's travel policies require that travel reports be filed three days after the trip with supporting documents such as airline tickets, boarding passes, original hotel receipts, car rental receipts, and seminar/workshop registration fee receipts. The policy also requires the President's review and approval of all travel advances prior to the trip.

Condition

In seven or 16% of the forty-three travel disbursements tested, a trip report was not attached for the following:

<u>TA#</u>	<u>Date</u>	<u>Amount</u>
99-019	10/28/98	\$ 1,161.00
99-020	11/10/98	1,158.00
99-351	7/12/99	1,935.00
99-357	7/12/99	1,244.26
99-304	7/12/99	2,548.30
99-351	7/21/99	1,171.02
99-472	9/30/99	<u>824.70</u>
Total		<u>\$ 10,042.28</u>

Cause

NMC did not adhere to its travel policies.

Effect

A questioned cost of \$10,042,28 exists as a result of this condition.

Recommendation

NMC's travel policy should be strictly enforced. The above-mentioned travel advances should be fully investigated to either obtain the missing documents or reimbursement from the traveler.

Prior Year Status

Lack of filing trip reports was reported as a finding in the audit of NMC for fiscal years 1995, 1996, 1997 and 1998.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-16

Program: Land Grant Research

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

10.205

\$ -

Criteria

The Procurement system requires 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 two or 4% of the forty-three disbursements tested, the purchase orders were dated after the date of vendor invoice for the following:

<u>PO#</u>	<u>PO Date</u>	<u>Invoice Date</u>	<u>Amount</u>
98-85399	08/28/98	08/20/98	\$ 800.00
99-95350	09/21/99	09/16/99	<u>2,243.63</u>
		Total	<u>\$3,043.63</u>

Cause

NMC staff failed to follow procurement procedures.

Effect

There is no material effect on the financial statements as a result of this condition.

Recommendation

NMC staff should comply with established procurement policies.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-17

Program: Land Grant Research

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

10.205

\$ -

Criteria

The Procurement system requires that numbering of purchase orders should begin with a new series for the new fiscal year.

Condition

In one or 2% of the forty-three disbursements tested, purchase order number 98-85500 (a FY98 P.O.# series) dated 10/08/98 amounting to \$600 was issued in fiscal year 1999.

Cause

Established procedures were not adhered to.

Effect

There is no material effect on the financial statements. Erroneous recording of expenditures in the current year.

Recommendation

NMC should comply with established procedures.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-18

Program: Land Grant Research

<u>C.F.D.A. #</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
10.205	<p><u>Criteria</u> In accordance with 7 CFR §3016.41, recipients of U.S. Department of Agriculture funding are required to file an annual financial report, FSR-269, within 90 days after the end of the fiscal year.</p> <p><u>Condition</u> NMC was unable to provide the annual financial report for fiscal year 1999 and is therefore in noncompliance with federal regulations.</p> <p><u>Cause</u> The cause of this condition is unknown.</p> <p><u>Effect</u> There is no material effect on the financial statements as a result of this condition.</p> <p><u>Recommendation</u> NMC should file federal financial reports in a timely manner and copies of these reports be maintained. NMC should establish and implement internal control policies and procedures to ensure that federal financial reporting requirements are complied within a timely manner.</p> <p><u>Prior Year Status</u> Lack of internal control over reporting was reported as a finding in the audit of NMC for fiscal years 1993, 1994, 1997 and 1998.</p> <p><u>Auditee Response/Corrective Action Plan</u> Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.</p>	\$ -

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-19

Program: Land Grant Research

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

10.205

\$ -

Criteria

In accordance with 7 CFR §3016.41, the U.S. Department of Agriculture Federal Cash Transactions Report, SF-272, is to be prepared quarterly and submitted by the grantee no later than 15 days after the reporting period ends.

Condition

Form SF-272 reports were not filed for any quarter for the year ended September 30, 1999. Therefore, NMC is in noncompliance with federal reporting requirements.

Cause

The cause is lack of adherence to the requirement and a lack of management oversight and review.

Effect

The effect of the above condition is noncompliance with the terms and conditions of the grant and the requirements set forth in 7 CFR §3016.41.

Recommendation

NMC should establish and implement internal control policies and procedures to ensure that federal financial reporting requirements are complied within a timely manner. NMC should file the Federal Cash Transaction Reports as required by 7 CFR §3016.41 and copies of these reports should be maintained in an easily retrievable manner.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-20

Program: Land Grant Extension

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

10.205

\$21,857.59

Criteria

In accordance with OMB Circulars A-110 and A-21, 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 or receipt.

Condition

In seventeen or 39% of the forty-four disbursements tested, the grantee was not able to provide vendor files, invoices or other supporting documents to substantiate the amount paid for the following transactions.

<u>Date</u>	<u>Ref.#</u>	<u>Amount</u>
10/01/98	8EI121 & 605934	\$ 889.98
10/19/98	check #6346	1,938.00
10/19/98	check #6346	1,015.00
12/22/98	9EI014 & 9995009	1,700.00
01/11/99	9EI016 & 9995058	985.25
03/20/99	9995123	600.00
07/12/99	9EI039	1,265.40
07/12/99	9EI038 & 99393	1,365.40
07/12/99	7924	143.20
07/12/99	9EI039	1,265.00
07/13/99	9EI042	1,633.40
08/18/99	9EI061	147.18
09/12/99	9EI056 & 390FL	2,410.00
09/30/99	9EI1061	113.25
10/01/98	check #6281	974.40
10/01/98	check #6316	3,750.00
09/21/99	9EI056	531.13
06/29/99	check #7791	<u>1,131.00</u>
	Total	<u>\$21,857.59</u>

Cause

NMC has not established internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly substantiated and documented.



NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-20, Continued

Program: Land Grant Extension

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

10.205

Effect

It could not be determined whether these disbursements were valid and properly authorized. Therefore, a questioned cost of \$21,857.59 exists as a result of this condition.

Recommendation

Internal control policies and procedures should be established to ensure that all disbursements are supported by vendor invoices, purchase orders with requisite approval, and filed in a manner to facilitate easy file retrieval. Management should perform the periodic internal review to ensure the system is operating as intended.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-21

Program: Land Grant Extension

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

10.205

\$ -

Criteria

In accordance with 7 CFR §3016.41, recipients of U.S. Department of Agriculture funding are required to file a Financial Status Report, FSR-269, within 90 days after the grant expires.

Condition

NMC was not able to provide the annual financial report for fiscal year 1999. Therefore, NMC is in noncompliance with federal reporting requirements.

Cause

The cause is a lack of management oversight and review to ensure compliance with federal regulations.

Effect

There is no material effect on the financial statements as a result of this condition.

Recommendation

NMC should establish and implement internal control policies and procedures to ensure that federal financial reports are filed in a timely manner and copies of these reports should be maintained. NMC should make every effort to bring reports current.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

Total questioned costs - C.F.D.A. # 10.205

\$ 72,976.29

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-22

Program: Upward Bound

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

84.047A

\$122,201.67

Criteria

In accordance with OMB Circulars A-110 and A-21, disbursements should be supported by various documents, including a purchase order, a check voucher or check request, a cancelled check, and a vendor invoice or receipt.

Condition

In sixteen or 35% of the forty-six transactions tested, there were no vendor invoices to support the disbursements or official receipts from the vendor proving that the account was paid. These were as follows:

<u>Payee</u>	<u>Batch#</u>	<u>Date</u>	<u>Amount</u>
American Samoa Comm. College	9PO170	08/10/99	\$ 17,072.30
American Samoa Comm. College	9EI055	09/15/99	11,091.52
American Samoa Comm. College	9EI066	02/23/99	12,170.16
American Samoa Comm. College	9PO148	07/20/99	50,143.95
CNMI Travel Agency	9PO183	08/24/99	3,093.96
American Samoa Comm. College	9PO148	07/20/99	8,171.07
Micronesian Telecom. Corp.	9EI067	09/30/99	645.79
NMC Book Store	9EI009	11/30/98	600.50
CNMI Travel Agency	9ED016	07/02/99	3,734.00
CNMI Travel Agency	9ED016	07/02/99	3,989.76
CNMI Travel Agency	9EI048	08/12/99	2,319.00
CNMI Travel Agency	9EI048	08/12/99	2,319.00
	9EJ341	09/30/99	1,560.00
CNMI Travel Agency	9EI022	02/22/99	1,422.50
CNMI Travel Agency	9EI029	04/27/99	1,478.40
CNMI Travel Agency	9ED016	07/02/99	<u>2,389.76</u>
	Total		<u>\$122,201.67</u>

Cause

NMC has not established internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented.

Effect

It could not be determined whether these disbursements were valid, authorized or if the goods were received. A questioned cost of \$122,201.67 exists as a result of this condition.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-22, Continued

Program: Upward Bound

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

84.047A

Recommendation

NMC should establish internal control policies and procedures over procurement and disbursement to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher, and receiving report and should be attached and filed together in a manner to facilitate easy retrieval.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-23

Program: Upward Bound

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

84.047A

\$ -

Criteria

In accordance with 34 CFR §645.3, to be eligible for participation in the Upward Bound Program, a student must:

1. Be a U.S. citizen or national of the U.S.; a permanent resident of the U.S.; is in the U.S. for other than a temporary purpose; is a permanent resident of Guam, the Northern Mariana Islands, the Freely Associated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau.
2. Be a potential first generation college student or a low-income individual.
3. Have a need for academic support as determined by the grantee.
4. Have completed the eighth grade but not entered the twelfth grade and is at least 13 years old but not older than 19 at the time of selection unless otherwise qualified by law (veterans).

The documentation required by the Upward Bound Regular Project Proposal to support a student's eligibility should include:

1. Copy of certificate of live birth or passport.
2. Two letters of recommendation (grantee and subrecipient requirement).
3. Completed Needs Assessment by grantee.
4. Verification of parental or guardian financial status.
5. Copy of high school transcripts.
6. Documentation of educational progress; tutoring; counseling by the respective Upward Bound Program.
7. Signed statement from parent or guardian supporting the participant's status as a first generation college student.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-23, Continued

Program: Upward Bound

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

84.047A

Condition

In 5 or 20% of the 25 student files tested for eligibility, there was documentation lacking as follows:

1. Three files lacked a letter of recommendation.
2. Two files lacked proof of citizenship.

Cause

Upward Bound staff failed to comply with the requirements of the *Upward Bound Regular Project Proposal* and ensure that all documentation was present to support the students eligibility.

Effect

There is no effect in the financial statements as a result of this condition.

Recommendation

The Upward Bound staff should ensure that the checklists in the files are maintained and that all the required documents supporting eligibility are in the respective student files.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-24

Program: Upward Bound

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

84.047A

\$ -

Criteria

Item 7 in the *Upward Bound Regular Project Proposal* states: "The GRANTEE Project Director (NMC) will also monitor performance at the other target area (American Samoa Community College) through reviewing monthly fiscal and progress reports submitted by the Project Director there, and will check for program compliance by visiting each project site at least once a year in each target area as noted above."

Condition

There were no monthly fiscal reports submitted by the Project Director from American Samoa Community College (ASCC). Therefore, NMC has not established internal control policies and procedures to monitor subrecipients.

Cause

The Grantee Project Director (NMC) and the Project Director of ASCC failed to follow the terms set forth in the *Upward Bound Regular Proposal, Plan of Operation*, for the period 1995-1999 and as required by the Grant Award Notification dated April 15, 1998.

Effect

It cannot be determined whether the ASCC Upward Bound Program complied with the rules and regulations regarding administrative and fiscal management of grant funds.

Recommendation

The respective Upward Bound Programs, NMC and ASCC, should adhere to the plan set forth in the *Upward Bound Regular Project Proposal* for the period 1995-1999 and as required by the Grant Award Notification dated April 15, 1998. NMC should establish and implement internal control policies and procedures to monitor subrecipients.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-25

Program: Upward Bound

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

84.047A

\$ -

Criteria

Item 4 in the Plan of Operation in the *Upward Bound Regular Project Proposal* states: "In support of the goal to promote the importance of Upward Bound in each institution, the applicants have used the following Memorandum of Understanding (MOU) to great success." A three-page copy of a "SAMPLE" MOU is included in the Plan of Operation.

Condition

There is no signed MOU between Northern Marianas College (Grantee) and the American Samoa Community College (subrecipient) for the year ending September 30, 1999.

Northern Marianas College and the American Samoa Community College failed to execute the MOU in accordance with the *Upward Bound Regular Project Proposal* in the plan dated 1995-1999 and as required by the Grant Award Notification dated April 15, 1998.

Cause

The cause of this condition is unknown.

Effect

There is no effect in the financial statements as a result of this condition.

Recommendation

The Memorandum of Understanding should be executed and signed by the Grantee and the Subrecipient.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

Total questioned costs - C.F.D.A. # 84.047A

\$122,201.67



NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-26

Program: Pell Grant

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

84.063

\$ -

Criteria

In accordance with 34 CFR §668.37 and §690.75, to be eligible for participation in the Pell Grant Program, a student must:

1. Be a U.S. citizen or eligible noncitizen.
2. Have a valid social security number.
3. Register with the Selective Service, if required.
4. Have financial need.
5. Make satisfactory academic progress.
6. Not be incarcerated in a Federal penal institution.
7. Sign a Statement of Educational Purpose.
8. Possess a high school diploma or GED, pass a test approved by the U.S. Department of Education, or meet other standards set by the State that are approved by the U.S. Department of Education.

The documentation required to support a student's eligibility should include:

1. Copy of certificate of live birth or passport.
2. Social Security Number.
3. Proof of registration with Selective Service, if required.
4. Verification of financial need, if required.
5. Copy of high school diploma, GED, or other approved documentation of secondary education.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 1999

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding No. 99-26, Continued

Program: Pell Grant

C.F.D.A. # Findings/Noncompliance

Questioned  
Costs

84.063

Condition

In 10 or 40% of the 25 student files tested for eligibility, there was documentation lacking as follows:

1. Four files were missing documentation of citizenship, secondary education, and/or registration with Selective Service.
2. One file contained an ISIR dated May 27, 1998 indicating a conflict with the social security number in the federal database and that on the student application. There was no follow-up documentation to show if and when this conflict was resolved.
3. Five files were missing the signed Statement of Educational Purpose.

Therefore, it appears that the grantee is in noncompliance with 34 CFR sections 668.37 and 690.75 student eligibility requirements.

Cause

NMC staff failed to ensure that the data in the student's files was complete.

Effect

There is no effect in the financial statements as a result of this condition.

Recommendation

NMC should adhere to student eligibility requirements pursuant to 34 CFR 668.32 and 34 CFR 690.75. The results of all eligibility determinations should be documented and filed in a manner to facilitate easy retrieval. It is also recommended that if documents are removed from the file that the tracking sheet be updated to reflect this action.

Auditee Response/Corrective Action Plan

Auditee did not respond specifically to this finding. Auditee made a general response on pages 69 and 70.

Total questioned costs - C.F.D.A. # 84.063

\$ -

Total questioned costs

\$195,177.96

NORTHERN MARIANAS COLLEGE

Summary Schedule of Prior Audit Findings  
September 30, 1999

U.S. DEPARTMENT OF EDUCATION

**Finding 98-26**

Condition: Only 24 of the 25 requested files were available for audit. Three or 12% of 24 participant files reviewed lacked the following:

1. Three files lacked a single letter of recommendation while one file did not have any letters present.
2. One file lacked proof of citizenship.

Recommendation: NMC's Upward Bound program staff should ensure that the checklists in the files are maintained and that a tracking sheet be created and used to track all documents placed in or removed from participant's files.

Current status: Unresolved.

**Finding 98-27**

Condition: For 15 or 35% of the 43 disbursements tested, there were no vendor invoices to substantiate disbursements made to the following vendors and subrecipients:

	<u>Batch#</u>		
American Samoa Comm. College	8EI109	8/24/98	\$50,138.92
American Samoa Comm. College	8EI109	8/24/98	12,990.00
CNMI Travel Agency	8EI070	4/22/98	1,371.50
CNMI Travel Agency	8EI071	4/27/98	2,310.00
Individual	8EI078	5/18/98	1,250.00
CNMI Travel Agency	8EI088	6/16/98	1,974.00
NMC Book Store	8EI105	8/10/98	1,000.00
National Office Supply	8EI097	7/15/98	741.00
American Samoa Comm. College	8EI109	8/24/98	8,454.21
CNMI Travel Agency	8EI046	2/06/98	2,248.50
CNMI Travel Agency	8EI046	2/06/98	2,248.50
American Samoa Comm. College	8EI109	8/24/98	1,683.62
American Samoa Comm. College	8EI109	8/24/98	3,088.00
American Samoa Comm. College	8EI109	8/24/98	1,015.90
American Samoa Comm. College	8EI109	8/24/98	<u>6,189.66</u>

\$96,703.81

Recommendation: Transactions should be supported by sufficient corroborating evidential documentation to substantiate disbursements inclusive of invoices, receiving reports and approved check vouchers and filed in a systematic manner that ensures and facilitates easy retrieval. Management should perform periodic internal reviews to ensure the system is operating as intended.

Current status: Unresolved.

**Finding 98-28**

Condition: There were no monthly fiscal reports submitted by the Project Director (ASCC) and no annual visit made by the Grantee Project Director (NMC) to the American Samoa Community College.

NORTHERN MARIANAS COLLEGE

Summary Schedule of Prior Audit Findings  
September 30, 1999

U.S. DEPARTMENT OF EDUCATION

**Finding 98-28, Continued**

Recommendation: The respective Upward Bound Programs, Northern Marianas College and American Samoa Community College, should adhere to the plan set forth in the *Upward Bound Regular Project Proposal* for the period 1995-1999 and as required by the Grant Award Notification dated May 20, 1997. NMC should establish and implement procedures for monitoring subrecipients to ensure financial and program compliance with federal grant regulations.

Current status: Unresolved.

**Finding 98-29**

Condition: Northern Marianas College and the American Samoa Community College, the grantee and the subrecipient, respectively, failed to adhere to the terms of the proposal set forth in the *Upward Bound Regular Project Proposal, Plan of Operation, Item 4* in the plan dated 1995-1999 and as required by the Grant Award Notification dated April 15, 1998.

Recommendation: The Memorandum of Understanding should be signed by the Grantee and the Subrecipient.

Current status: Unresolved.

**Finding 98-30**

Condition: Only 23 of the 25 requested participant files were available for review. Of the 23 files tested, the following was noted:

1. Five applicant files did not contain proof of citizenship.
2. Three files did not contain a high school diploma, GED or other approved documentation of secondary education.
3. Two files did not contain proof of registration with the Selective Service.
4. Three files did not contain the requested income verification information.
5. Two files lacked a signed Statement of Educational Purpose.

Therefore, it appears that the Grantee is in noncompliance with 34 CFR §668.37 and §690.75 student eligibility requirements.

Recommendation: NMC should adhere to student eligibility requirements pursuant to 34 CFR §668.32 and 34 CFR §690.75. The results of all eligibility determinations should be documented and filed in a manner to facilitate easy retrieval. It is also recommended that if documents are removed from the file that the tracking sheet be updated to reflect this action.

Current status: Unresolved.

**Finding 97-12**

Condition: Six student files did not contain evidence of meeting eligibility criteria.

Recommendation: NMC must follow prescribed documentation procedures.

**NORTHERN MARIANAS COLLEGE**

Summary Schedule of Prior Audit Findings  
September 30, 1999

**U.S. DEPARTMENT OF EDUCATION**

**Finding 97-12**

Current status: NMC fully agrees with the findings. NMC staff will be initiating procedures to update the student's files and make a checklist of each file to ensure that no data are missed. Better coordination will be established with the Office of Admission and Financial Aid.

**Finding 95-1**

Condition: No supporting documents were available for certain expenditures charged to federal program.

Recommendation: NMC needs to improve their filing system so documents are not misplaced.

Current status: Unresolved.

**Finding 94-1**

Condition: Lack of supporting documentation of expenditures.

Recommendation: NMC needs to improve retention and filing methods.

Current status: Unresolved.

**Finding 94-2**

Condition: NMC expended more than the allowed percentage on GED equivalency programs.

Recommendation: NMC must review expenditure to stay within grant limits.

Current status: Unresolved.

**Finding 94-3**

Condition: NMC charged students to use a Learning Skills Center, and did not record these charges as program income.

Recommendation: Report these charges as program income, offsetting the amount expended under Federal programs.

Current status: Unresolved.

**Finding 94-5**

Condition: All of one employee's salary was charged to the grant, but the personnel records indicate that only half should be charged.

Recommendation: NMC should review federal guidelines and monitor workloads or personal activity reports.

Current status: Unresolved.

NORTHERN MARIANAS COLLEGE

Summary Schedule of Prior Audit Findings  
September 30, 1999

U.S. DEPARTMENT OF EDUCATION

**Finding 94-8**

Condition: Ten student files did not contain evidence of meeting eligibility criteria.

Recommendation: NMC must follow prescribed documentation procedures.

Current status: Unresolved.

**Finding 94-9**

Condition: Advance funding is provided for American Samoa and Palau under the Upward Bound program.

Recommendation: Cash advances should be limited to the amount needed for immediate reimbursement.

Current status: Unresolved.

**Finding 94-10**

Condition: Annual SF-269 was filed late.

Recommendation: NMC should follow reporting deadlines.

Current status: Unresolved.

**Finding 94-14**

Condition: One student received a refund based on an amount in excess of the grant award.

Recommendation: Refunds should not be paid to students until the final grant amount is determined.

Current status: Unresolved.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

**Finding 94-4**

Condition: Three ineligible participants were identified.

Recommendation: Participation should be limited to eligible participants.

Current status: Unresolved.

NORTHERN MARIANAS COLLEGE

Summary Schedule of Prior Audit Findings  
September 30, 1999

U.S. DEPARTMENT OF AGRICULTURE

Finding 98-17

Condition: In twenty or 46% of the forty-three disbursements tested, there were no vendor invoices to support the disbursements or official receipts from the vendor proving that the account was paid. It could not be determined whether the goods were received or that services were actually performed for the following:

<u>P.O.#</u>	<u>Date</u>	<u>Amount</u>
98-85052	12/18/97	\$ 1,140.00
98-85099	12/30/97	2,233.00
98-85074	01/05/98	1,113.65
98-85118	02/17/98	439.00
98-85130	02/19/98	1,600.00
98-85219	04/17/98	2,511.35
98-85230	04/20/98	277.17
98-85270	06/18/98	905.97
98-85322	07/21/98	525.90
98-85366	08/31/98	1,659.50
98-85372	08/31/98	3,124.19
98-85456	09/30/98	3,013.29
98-85454	09/30/98	2,028.00
98-85461	09/30/98	1,330.00
98-85460	09/30/98	805.84
97-71527	10/29/97	1,662.00
97-71535	11/14/97	7,492.00
98-85182	03/30/98	3,725.36
98-854557	09/30/98	2,250.20
98-85458	09/30/98	<u>3,565.90</u>
Total		<u>\$41,402.32</u>

Recommendation: NMC should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval.

Current status: Unresolved.

Finding 98-18

Condition: In seven or 64% of the eleven travel advance disbursements tested, trip reports were not attached for the following travel advances:

<u>TA #</u>	<u>Date</u>	<u>Amount</u>
98-157	1/28/98	\$ 1,553.00
98-158	1/28/98	1,553.00
98-141	1/30/98	1,940.00
98-191	2/23/98	2,400.00
98-081	2/23/98	1,055.00
98-258	3/12/98	1,344.50
98-298	4/13/98	<u>865.25</u>
		<u>\$ 10,710.75</u>

NORTHERN MARIANAS COLLEGE

Summary Schedule of Prior Audit Findings  
September 30, 1999

U.S. DEPARTMENT OF AGRICULTURE

**Finding 98-18, Continued**

Recommendation: NMC's travel policy should be strictly enforced. The above-mentioned travel advances should be fully investigated to either obtain the missing documents or reimbursement of the amount due from the traveler.

Current status: Unresolved.

**Finding 98-19**

Condition: In two or 5% of forty-three disbursements tested, purchase orders were not matched with invoices as follows:

<u>Vendor</u>	<u>Amount</u>
Ace Feeds and Farm Supplies Ck# 5789 & PO# 98-0849 Invoice #25009 and 25449	\$ 718.50 <u>682.58</u>
Overpayment	<u>\$ 35.52</u>
CDW Computer Center Ck# 6000 & PO# 98-85364 Invoice# 9199302	\$ 2,569.58 <u>2,551.58</u>
Overpayment	<u>\$ 18.00</u>

Recommendation: All open purchase orders and invoices should be matched and compared to receiving reports for completeness to ensure that payments made do not exceed authorized amounts and to ensure that funds are expended only for actual goods or service received.

Current status: Unresolved.

**Finding 98-20**

Condition: Payroll journal entry number 8EJ269 for \$42,570.92 lacked supporting documentation to substantiate the transaction and basis for recording in the general ledger.

Recommendation: NMC should establish internal control policies and procedures to ensure that all journal entries are properly documented, reviewed, and approved by a designated independent individual prior to approval and recording in the general ledger.

Current status: Unresolved.

**Finding 98-21**

Condition: For one or 17% of six payroll disbursements tested, personnel files did not include a form W-4.



NORTHERN MARIANAS COLLEGE

Summary Schedule of Prior Audit Findings  
September 30, 1999

U.S. DEPARTMENT OF AGRICULTURE

**Finding 98-21, Continued**

Recommendation: Established procedures should be adhered to. NMC should exercise care in maintaining personnel files and ensure that payroll authorization forms are properly completed and updated.

Current status: Unresolved.

**Finding 98-22**

Condition: The program expenditures reported on the FSR-269 did not agree with the general ledger as follows:

<u>Program</u>	<u>Per SF-269</u>	<u>Per Ledger</u>	<u>Difference</u>
Land Grant Research	\$ 618,931	\$ 586,552	\$ 32,379

Therefore, it appears that NMC is over-reporting program expenditures to the Federal government.

Recommendation: NMC staff should prepare form SF-269 based on actual disbursements and reconcile the figures reported to the general ledger.

Current status: Unresolved.

**Finding 98-23**

Condition: The SF-272 was not filed for all the quarters. Therefore, it appears that NMC is noncompliance with Federal reporting requirements.

Recommendation: NMC must establish internal control policies and procedures to ensure that all Federal financial reporting requirements are met by ensuring financial reports are prepared and filed in a timely manner.

Current status: Unresolved.

**Finding 98-24**

Condition: For seven or 19% of the thirty-six disbursements tested, no vendor files found or invoices attached to substantiate amount paid for the following:

<u>Date</u>	<u>Particular</u>	<u>Ref. #</u>	<u>Amount</u>
10-17-97	PP#21	8EJ006	\$ 732.82
08-19-98	Salary-PP#21-16	8EJ269	41,686.92
09-24-98	benefits, FY98	8EI115	18,723.24
08-28-98	PP#17-salaries	8EI276	1,894.86
09-29-98	Individual	8EI118	149.36
03-30-98	Inv# 59510	8EI062	953.10
09-30-98	Equipment	8EI118	2,189.97
06-17-98	Furniture	ck#5540	1,258.00

NORTHERN MARIANAS COLLEGE

Summary Schedule of Prior Audit Findings  
September 30, 1999

U.S. DEPARTMENT OF AGRICULTURE

Finding 98-24, Continued

08-31-98	Other Equip.	ck#6003	1,659.50
01-20-99	Other Equip.	ck#6110	7,330.00
01-05-98	Computers-adm.	ck#2455	<u>1,113.64</u>
			<u>\$ 77,691.41</u>

Recommendation: Vendor files should be adequately maintained and invoice documentation should be obtained, verified and approved to substantiate all disbursements prior payment and filed in a manner to mitigate the loss or misplacement of documents. Management should conduct periodic internal review to ensure that the system is functioning as designed and intended.

Current status: Unresolved.

Finding 98-25

Condition: The program expenditures reported on the FSR-269 did not agree with the general ledger as follows:

<u>Program</u>	<u>Per SF-269</u>	<u>Per Ledger</u>	<u>Difference</u>
Land Grant Extension	\$716,804.52	\$694,006.00	\$22,798.52

Therefore, it appears that NMC is over-reporting program expenditures to the Federal government.

Recommendation: NMC should investigate and reconcile the discrepancy between the FSR-269 and the general ledger. Procedures should be established and implemented to ensure that all federal program expenditures are accurately reported based on actual expenditures incurred and recorded in the general ledger.

Current status: Unresolved.

Finding 97-1

Condition: Travel advances 97-134 and 97-536 (both Land Grant Research) were not signed by the President.

Recommendation: NMC staff should comply with company-established policies.

Finding 97-1

Current status: NMC has implemented the following procedures:

1. A checklist of all requirements to be attached to the documents being processed (purchase order, check request, travel authorization, travel voucher, etc.) be instituted;
2. Final review as to the completeness of the TA be made by the Business Office (A/P Section or designee);

NORTHERN MARIANAS COLLEGE

Summary Schedule of Prior Audit Findings  
September 30, 1999

U.S. DEPARTMENT OF AGRICULTURE

**Finding 97-1**

3. That no checks will be prepared and issued unless checklist on compliance is fully met; and
4. That final review of the completeness of supporting documents be made by Comptroller prior to actual disbursement of check and filing, and his initials placed thereon as evidence that the checklist is fully complied with.

**Finding 97-2**

Condition: Two purchase orders of forty-six disbursements tested on the Land Grant Research were dated after the date of the vendor invoice.

Recommendation: NMC staff should comply with company-established policies.

Current status: NMC implemented the following procedures:

1. NMC instituted a better internal control on all financial aspects of the operation, including but not limited to the use of purchase orders;
2. The use of compliance checklist, similar to that on recommended on TA processing, be instituted also in the processing of purchase order. In addition, where confirming purchase order is allowed, justification therefore will be submitted.
3. Final review is being made by the Business Office (A/P Section or designee) to ensure full compliance with supporting documentation requirement is made before checks are cut; and
4. All checks prepared are now reviewed by the Comptroller to ensure full compliance with documentation requirements is met and his initials affixed.

**Finding 97-3**

Condition: For ten of the forty-six disbursements tested, there were no vendor invoices to support the disbursement or official receipts from the vendor proving that the account was paid. For one of the disbursements, the check request form was not on file.

Recommendation: NMC needs to attach all supporting documents and file them in a manner that ensures no documents will be lost or misplaced.

Current status: NMC fully agrees with the recommendation and the following are instituted:

1. Where a checklist is required, a cursory review to ensure full compliance with documentation requirements is made by the Business Office (A/P Section or designee) before checks are cut;
2. In addition, final review is made by the Comptroller prior to actual disbursement of check, and his initial placed thereon as an evidence that this requirement is complied with;
3. Filing of documents are now done in a more secured manner to ensure that no documents are lost; and

NORTHERN MARIANAS COLLEGE

Summary Schedule of Prior Audit Findings  
September 30, 1999

U.S. DEPARTMENT OF AGRICULTURE

**Finding 97-3, Continued**

4. The present record section of the Business Office will be renovated more securely and more efficient procedures will be set up and implemented to safeguard the documents stored in this area.

**Finding 97-4**

Condition: Two of forty-six disbursements tested on the Land Grant Research C.F.D.A. # 10.205 were not in compliance with OMB Circular A-21 Section J16(b)(2) that expenditures for special purpose equipment be allowed as direct charges only with the approval in advance of the sponsoring agency.

Recommendation: NMC should follow all grant requirements. Relevant Federal government circular should be available to staff responsible for determining activities allowed and allowable costs under each federal program.

Current status: Relevant government circular are now made available to the staff responsible for determining activities allowed and allowable costs under each federal program.

**Finding 97-6**

Condition: No trip report was attached in thirteen of the travel advances disbursements tested on Land Grant Research and Extension Programs.

Recommendation: NMC staff should comply with company-established policies.

Current status: The Comptroller or his designee now reviews all travel advance liquidation reports to ensure that all required documentations, including trip reports are attached as part of the procedure to approve travel (voucher) liquidation report. Before actual disbursement, the Comptroller's initials shall be affixed on the check as evidence that the required verification was performed and complied with.

**Finding 97-7**

Condition: NMC was unable to provide the annual financial report on Land Grant Research, C.F.D.A. # 10.205, for fiscal year 1997.

Recommendation: NMC should file federal financial reports in a timely manner and that copies of the reports be maintained.

Current status: NMC agreed and fully implemented the recommendation that the annual financial reports on federal program be filed in a timely manner and copies of these reports be maintained on file.

**Finding 97-8**

Condition: NMC was unable to provide supporting documents for amounts reported as matching on Land Grant Research Programs.

Recommendation: NMC should revise its method of recording and tracking amounts, which relate to federal matching requirements.

**NORTHERN MARIANAS COLLEGE**

Summary Schedule of Prior Audit Findings  
September 30, 1999

**U.S. DEPARTMENT OF AGRICULTURE**

**Finding 97-8**

Current status: NMC has installed MIP's "NPS" fund accounting system and has trained its accounting staff to resolve the problem. The system provides for an accurate expense tracking system on a program level. Periodic training will be provided continuously as is required in fiscal automation.

**Finding 97-9**

Condition: Expenditures reported on financial status report (SF-269) Land Grant Research and Extension Program did not agree with the general ledger.

Recommendation: NMC staff should prepare form SF-269 based on actual disbursements and reconcile the figures reported to the general ledger.

Current status: NMC agreed with the finding and stated that reconciliation procedure and /or policy was in place during the period under audit. However, this procedure was not updated when there were additional entries entered in the general ledger.

**Finding 97-10**

Condition: No purchase order on three of the forty-six disbursements tested on the Land Grant Extension Program was attached, regarding verification of whether or not the list price was obtained or that the purchase was properly authorized.

Recommendation: NMC staff should comply with company-established policies.

Current status: The Business Office now performs final review to ensure the purchase order is attached where and when required. The Comptroller is tasked to verify if all pertinent supporting documents are attached; his initials affixed to the check as evidence that the required verification is performed.

**Finding 97-11**

Condition: Seven of forty-two disbursements on the Land Grant Extension were not fully supported by a purchase order, a check voucher or check request form, a cancelled check and a vendor invoice.

Recommendation: Supporting documents should be attached to the check voucher and filed in a manner that ensures no documents will be lost or misplaced.

Current status: The following procedures will be instituted:

1. Cursory review shall be made by the Business Office (A/P Section or designee) to ensure full compliance with documentation requirements before checks are cut.
2. Final review shall be made by the Comptroller to ensure that supporting documentations are secured prior to actual disbursement of check, and his initials affixed on the check as evidence that this final verification requirement was performed.

**NORTHERN MARIANAS COLLEGE**

**Summary Schedule of Prior Audit Findings  
September 30, 1999**

**U.S. DEPARTMENT OF AGRICULTURE**

**Finding 95-1**

Condition: No supporting documents were available for certain expenditures charged to a federal program.

Recommendation: NMC needs to improve their filing system so documents are not misplaced.

Current status: Unresolved.

**Finding 95-2**

Condition: NMC did not submit an annual financial report for fiscal year 1996 within the deadline.

Recommendation: NMC should file financial reports within the required deadline.

Current status: Unresolved.

**Finding 94-6**

Condition: Penalties and bank charges for insufficient funds were charged to the program.

Recommendation: NMC should review all expenditures for allowability.

Current status: Unresolved.

**Finding 94-7**

Condition: Two employees were granted retroactive pay increases that were applicable to prior years.

Recommendation: Expenditures must be reported in the applicable year.

Current status: Unresolved.

**Finding 94-12**

Condition: One Federal Cash Transaction Report was submitted 125 days late, and not SF-272 reports for the Cooperative Extension Services grant were available.

Recommendation: Federal cash transaction reports should be submitted in a timely manner.

Current status: Unresolved.

**Finding 94-13**

Condition: The Financial Status Report for the Cooperative State Research Services grant was not dated or signed. The SF-269 for Cooperative Extension Services was not available for review.

NORTHERN MARIANAS COLLEGE

Summary Schedule of Prior Audit Findings  
September 30, 1999

U.S. DEPARTMENT OF AGRICULTURE

**Finding 94-13, Continued**

Recommendation: Financial Status Reports must be submitted in a timely manner.

Current status: Unresolved.

**Finding 94-15**

Condition: NMC does not have a subgrant agreement with the University of Hawaii for an ADAP subgrant. NMC reversed all activity from its general ledger and was unable to reconstruct the balances.

Recommendation: NMC should obtain an agreement with the University of Hawaii.

Current status: Unresolved.

**Finding 94-16**

Condition: Cooperative Extension Service budget is unsigned and undated.

Recommendation: All federal reports should be properly completed and submitted on a timely basis.

Current status: Unresolved.

**Finding 94-18**

Condition: Salaries were not properly distributed between Cooperative State Research Services and Cooperative Extension Services grants.

Recommendation: NMC should implement a system to monitor workloads and allocate costs to grants.

Current status: Unresolved.

FINDINGS RELEVANT TO ALL FEDERAL AWARD PROGRAMS

**Finding 97-5**

Condition: Purchases of equipment greater than \$500 were charged to materials and supplies expense.

Recommendation: NMC should lower capitalization policy to conform to the OMB Circular A-133 rules and regulations.

Current status: NMC's capitalization policy was lowered down from \$5,000 to \$500. The change has been incorporated in the approved Procurement Regulations.

**Finding 94-11**

Condition: Receivables from grantor and payables to grantor are not reconciled with the agency on a timely basis.

NORTHERN MARIANAS COLLEGE

Summary Schedule of Prior Audit Findings  
September 30, 1999

FINDINGS RELEVANT TO ALL FEDERAL AWARD PROGRAMS

**Finding 94-11, Continued**

Recommendation: Monthly reconciliation of these balances.

Current status: Unresolved.

**Finding 94-17**

Condition: NMC does not have a system to allocate personnel costs to grants.

Recommendation: NMC should develop a system to allocate personnel costs to grants.

Current status: Unresolved.

**Finding 94-19**

Condition: NMC does not have a property management system that complies with federal requirements.

Recommendation: NMC should upgrade their property management system to comply with federal requirements.

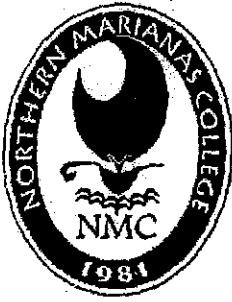
Current status: Unresolved.



NORTHERN MARIANAS COLLEGE

Summary of Unresolved Questioned Costs  
September 30, 1999

	<u>Beginning Questioned Costs</u>	<u>Costs Allowed</u>	<u>Costs Disallowed</u>	<u>Unresolved Questioned Costs</u>
Total unresolved questioned costs for fiscal year 1997	\$1,589,701.00	\$ -	\$ -	\$1,589,701.00
Total unresolved questioned costs for fiscal year 1998	<u>269,079.21</u>	<u>-</u>	<u>-</u>	<u>269,079.21</u>
Total prior year questioned costs at September 30, 1998	1,858,780.21	-	-	1,858,780.21
Questioned costs for fiscal year ending 1999	<u>195,177.96</u>	<u>-</u>	<u>-</u>	<u>195,177.96</u>
Total unresolved questioned costs at September 30, 1999	<u>\$2,053,958.17</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,053,958.17</u>



## NORTHERN MARIANAS COLLEGE

P. O. Box 501250, Saipan, MP 96950

World Wide Web Site: [www.nmcnet.edu](http://www.nmcnet.edu)

Telephone: (670) 234-3690 • Fax: (670) 234-0759

March 19, 2001

J. Scott Magliari & Company  
Certified Public Accountant  
PMB 297 PPP Box 10000  
Saipan, MP 96950

Dear Mr. Magliari,

Please consider these general statements as the Northern Marianas College response to the various audit findings for fiscal year 1997 to 1999, inclusive. In addition, each and every audit findings will be responded, and additional documents are to be furnished to you as the current external auditors, and who are engaged to perform the FY 2000 financial audit.

Northern Marianas College agrees with the audit findings and the following corrective fiscal measures had been taken even before the fiscal concerns were formally advised us.

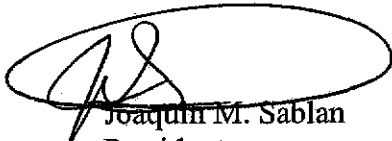
1. A new management, which includes a new President, a new Director of Finance and Administrative Services, and a largely new fiscal services team that includes a new Comptroller with more qualified and dedicated accounting personnel had been hired.
2. Adequate internal check and balance mechanism in practically all aspects of financial management functions in conjunction with approved policies had been implemented even prior to the notification of the audit findings;
3. Documents checklist for processing of Purchase Orders, Travel Authorization, Check Request and Travel Vouchers is implemented for strict adherence; Similar checklist had been implemented on student files, records relative to Pell Grant and other financial aid requirements;
4. A three-tiered review process ensures management's participation in the daily operation of the institution. Also, the record room, where a "Business-Office-Staff-Only" access policy will be implemented is now being renovated to provide more security to the documents stored therein.

J. Scott Magliari & Company

Page 2

5. Strict compliance with applicable Federal Regulations shall be ensured through a so-called "Federal Program Compliance" calendar, which is being developed, and where all reporting and related compliance requirements are highlights.
6. Updating of financial audit is being rigorously pursued, and corrective implementations are given high-level priority in resolving audit findings. Timely audits shall, henceforth, be implemented as an instrument of ensuring adherence to policies and established procedures, as well as a mechanism of detecting and preventing questionable practices.
7. All the internal control mechanisms are to be reviewed regularly, and appropriate changes are implemented as a particular need arises.

Sincerely,



Joaquim M. Sablan  
President