

NORTHERN MARIANAS COLLEGE
(A COMPONENT UNIT OF THE COMMONWEALTH
OF THE NORTHERN MARIANA ISLANDS)

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2008

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

Board of Regents
Northern Marianas College:

We have audited the financial statements of the Northern Marianas College (the College), as of and for the year ended September 30, 2008, and have issued our report thereon dated June 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and one other matter that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs (pages 9 through 34) to be significant deficiencies in internal control over financial reporting as items 2008-1 through 2008-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1 and 2008-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the College in a separate letter dated June 25, 2009.

The College's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the College's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Regents, federal awarding agencies, and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Debit & Jouda LLC

June 25, 2009

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Regents
Northern Marianas College:

Compliance

We have audited the compliance of the Northern Marianas College (the College) 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, 2008. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (pages 9 through 34). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

As described in items 2008-4 through 2008-14 in the accompanying Schedule of Findings and Questioned Costs, the College did not comply with requirements regarding allowable costs/cost principles, cash management, equipment and real property management, matching, level of effort, earmarking, procurement and suspension and debarment, period of availability of federal funds and special tests and provisions that are applicable to each of its major federal programs, respectively, as described in the findings and questioned costs-major federal award programs audit section of the accompanying Schedule of Findings and Questioned Costs (page 10). Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the College complied, in all material respects, with the requirements referred to above that are applicable to its following major programs: CFDA # 10.203 Payments to Agricultural Experiment Stations Under the Hatch Act, CFDA # 10.500 Cooperative Extension Services, CFDA # 84.002 Adult Education - State Grant Program, TRIO Cluster, and CFDA # 84.031 Higher Education Institutional Aid. Also, in our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to its Student Financial Assistance Cluster for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the 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 our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *control deficiency* in the College's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the College's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2008-4 through 2008-14 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected in the College's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the College's internal control that might be significant deficiencies or material weaknesses. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2008-10, 2008-11 and 2008-14 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the College as of and for the year ended September 30, 2008, and have issued our report thereon dated June 25, 2009. Our audit was performed for the purpose of forming our opinion on the College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (pages 6 and 7) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The College's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the College's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Regents, management, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Deville & Joubert LLC

June 25, 2009

NORTHERN MARIANAS COLLEGE

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures FY08</u>
<u>U.S. Department of Education</u>		
<u>Direct Programs</u>		
Student Financial Assistance Programs:		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 35,075
Federal Work-Study Program	84.033	25,707
Federal Pell Grant Program	84.063	1,802,761
Academic Competitiveness Grant	84.375	<u>29,350</u>
Subtotal Student Financial Assistance Programs		<u>1,892,893</u>
TRIO Programs:		
Student Support Services	84.042	210,884
Talent Search	84.044	301,675
Upward Bound	84.047	<u>476,299</u>
Subtotal TRIO Programs		<u>988,858</u>
Adult Education-State Grant Program	84.002	480,089
Minority Science and Engineering Improvement	84.120	23,231
Capacity Building for Traditionally Underserved Populations	84.315	158,043
Higher Education Institutional Aid	84.031	<u>133,388</u>
Subtotal U.S. Department of Education		<u>3,676,502</u>
<u>U.S. Department of Agriculture</u>		
<u>Direct Programs</u>		
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	987,204
Cooperative Extension Services	10.500	817,612
Sustainable Agriculture Research and Education	10.215	<u>17,473</u>
Subtotal Direct Programs		<u>1,822,289</u>
<u>Indirect Programs</u>		
Resident Instruction Grants for Insular Area Activities	10.308	37,457
Grants for Agricultural Research, Special Research Grants	10.200	27
Grants for Agricultural Research, Special Research Grants	10.200	22,435
Islands of Opportunity Alliance	10.Unknown	13,997
Marketing & Value Added Workshop	10.Unknown	602
Plant and Animal Disease, Pest Control, and Animal Care	10.025	19,796
Innovative Farm Practices	10.Unknown	<u>41,124</u>

See accompanying notes to schedule of expenditures of federal awards.

NORTHERN MARIANAS COLLEGE

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2008

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures FY08</u>
<u>U.S. Department of Agriculture, Continued</u>		
<u>Indirect Programs, Continued</u>		
Plant and Animal Disease, Pest Control, and Animal Care	10.025	13,939
Integrated Programs	10.303	<u>10,145</u>
Subtotal Indirect Programs		<u>159,522</u>
Subtotal U.S. Department of Agriculture		<u>1,981,811</u>
<u>U.S. Department of the Interior</u>		
<u>Indirect Programs</u>		
Economic, Social and Political Development of the Territories - Compact Impact	15.875	307,437
Accreditation Reaffirmation Plan	15.875	<u>93,750</u>
Subtotal U.S. Department of the Interior		<u>401,187</u>
<u>U.S. Department of Health and Human Services</u>		
<u>Indirect Programs</u>		
University Centers for Excellence in Developmental Disabilities Education, Research and Service	93.632	182,196
Native American Programs	93.612	88,152
Model State-Supported Area Health Education Centers	93.107	<u>40,735</u>
Subtotal U.S. Department of Health and Human Services		<u>311,083</u>
<u>U.S. Corporation for National and Community Service</u>		
<u>Direct Programs</u>		
Learn and Serve America - Higher Education	94.005	18,005
Subtotal U.S. Corporation for National and Community Service		<u>18,005</u>
<u>U.S. Department of Commerce</u>		
<u>Direct Programs</u>		
Unallied Industry Projects	11.452	<u>395</u>
Subtotal U.S. Department of Commerce		<u>395</u>
<u>U.S. Environmental Protection Agency</u>		
<u>Direct Program</u>		
Water Quality Cooperative Agreements	66.463	<u>6,704</u>
Subtotal U.S. Environmental Protection Agency		<u>6,704</u>
Total Federal Programs		<u>\$ 6,395,687</u>

See accompanying notes to schedule of expenditures of federal awards.

NORTHERN MARIANAS COLLEGE

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2008

(1) Scope of Review

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

a. Programs Subject to OMB A-133

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

(2) Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the College 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. All program award amounts represent the total allotment or grant award received. All expenses and capital outlays are reported as expenditures.

b. Cost Allocation

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

(3) Indirect Cost Allocation

For fiscal year 2008, the College has an approved indirect cost rate of 35% for all grant programs, except for U.S. Department of Education programs, which is 8%.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | | |
|----|--|-------------|
| 1. | Type of auditors' report issued: | Unqualified |
| | Internal control over financial reporting: | |
| 2. | Material weakness(es) identified? | Yes |
| 3. | Significant deficiency(ies) identified that is not considered to be a material weakness? | Yes |
| 4. | Noncompliance material to the financial statements noted? | No |

Federal Awards

Internal control over major programs:

- | | | |
|----|--|-------------|
| 5. | Material weakness(es) identified? | Yes |
| 6. | Significant deficiency(ies) identified that is not considered to be a material weakness? | Yes |
| 7. | Type of auditors' report issued on compliance for major programs: | |
| | Student Financial Assistance Cluster | Unqualified |
| | All other major programs | Qualified |
| 8. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
| 9. | The College's major programs were as follows: | |

<u>CFDA Number</u>	<u>Federal Program</u>
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act
10.500	Cooperative Extension Services
84.002	Adult Education - State Grant Program
	TRIO Cluster:
84.042	TRIO - Student Support Services
84.044	TRIO - Talent Search
84.047	TRIO - Upward Bound
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grant
84.031	Higher Education Institutional Aid

- | | | |
|-----|--|-----------|
| 10. | Dollar threshold used to distinguish between Type A and Type B Programs, as those terms are defined in OMB Circular A-133: | \$300,000 |
| 11. | The College qualified as a low-risk auditee, as that term is defined in OMB Circular A-133? | No |

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

<u>Reference Number</u>	<u>Findings</u>	<u>Refer Page #</u>
2008-1	Receivables	11
2008-2	Property, Plant and Equipment	12
2008-3	Local Noncompliance - Travel	13

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Refer Page #</u>
2008-4	10.203	Allowable Costs/Cost Principles	\$ 11,820	14 - 15
2008-5	10.500	Allowable Costs/Cost Principles	\$ 4,133	16 - 17
2008-6	10.203	Procurement and Suspension and Debarment	\$ 18,721	18 - 19
2008-7	10.500	Procurement and Suspension and Debarment	\$ 9,192	20 - 21
2008-8	84.002	Procurement and Suspension and Debarment	\$ 16,873	22 - 23
2008-9	84.042, 84.044 and 84.047	Procurement and Suspension and Debarment	\$ 10,951	24 - 25
2008-10	84.031	Period of Availability of Federal Funds	\$ 15,826	26
2008-11	84.002	Matching, Level of Effort, Earmarking	\$ 47,502	27
2008-12	84.002	Cash Management	\$ -	28
2008-13	All Major Programs, except Student Financial Aid Cluster	Equipment and Real Property Management	\$ -	29 - 30
2008-14	84.002, 84.042, 84.044 and 84.047	Special Tests and Provisions	\$ -	31 - 32

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

**B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Receivables

Finding No. 2008-1

Criteria: Receivables should be periodically assessed for validity and collectability. Additionally, through this review process, the adequacy of the allowance for doubtful accounts should be assessed and collection efforts pursued.

Condition: Our examination of the College's receivables indicated the following:

- a. The College migrated to a new student account system during the year. Such migration resulted in improperly aged receivables. Further, the aging schedule indicated various credit balances, which made it difficult to assess current and past due accounts.
- b. The general ledger accounts receivable balance was \$38,957 greater than the balance reported on the aging schedule. The nature of the difference could not be determined.
- c. An analysis of the allowance for doubtful accounts was not performed during fiscal year 2008. An adjustment was proposed during the audit process to correct this matter.

Cause: The cause of the above condition is the lack of procedures in place to monitor and analyze receivables and inefficiencies when the College migrated to the new student account system.

Effect: The effect of the above condition is a potential misstatement of receivables. Further, interim financial statements are misstated due to an inadequate provision for doubtful receivables.

Recommendation: We recommend that the College implement procedures requiring periodic review of all receivables for validity and collectability.

Prior Year Status: Lack of review of receivables for validity and collectability was reported as a finding in the Single Audits of the College for fiscal years 2001 through 2007.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Mr. Rogelio Madriaga, Chief Financial and Administrative Officer

Corrective Action: The College agrees with this finding. In FY2008, the College migrated to a new software for its accounts receivable which is more compatible with the students admissions and records system. Unfortunately during this migration, student receivable details did not carry into the new system. The College is currently working with vendors that service the accounting and student admissions and records software to address this issue.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No. 2008-1, Continued

Auditee Response and Corrective Action Plan, Continued:

Corrective Action, Continued:

Further, the College made a concerted effort in financial year 2007 to address long outstanding receivables and, as a result, of which a significant portion of unsupported and uncollectible balances were written off.

An analysis of the allowance for doubtful accounts was not performed at September 30, 2008 but going forward, receivables will be reviewed on a periodic basis and adjustments made as warranted to the general ledger to reflect subsidiary details. An assessment of the adequacy of the allowance for doubtful accounts will also be performed on a periodic basis.

Proposed Completion Date: September 30, 2009

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Property, Plant and Equipment

Finding No. 2008-2

Criteria: The College's Property Management and Accountability Manual requires that an annual physical fixed asset inventory be taken. The fixed asset physical inventory records should be reconciled with general ledger fixed asset balances.

Condition: Tests of fixed assets noted the following:

- a. A physical inventory of property and equipment was performed in 2008; however, a reconciliation of the physical count to property asset records was not completed.
- b. Property, plant and equipment transactions were not recorded in the plant fund resulting in a proposed adjustment of \$748,244. Further, depreciation expense was not recorded for fiscal year 2008, resulting in a proposed adjustment of \$470,757.
- c. For twenty items verified for existence, two items (Asset Nos. RED009835 and RED010648) are included in the fixed asset register but are no longer in use.

Cause: The cause of the above condition is a lack of control procedures over property, plant and equipment.

Effect: The effect of the above condition is the potential misstatement of property, plant and equipment balances. Audit adjustments were proposed to correct the above condition.

Recommendation: We recommend that the College strengthen procedures and ensure that the physical inventories are completed and reconciled to fixed asset records. Further, we recommend that property, plant and equipment activities be periodically recorded in the plant fund.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Mr. Rogelio Madriaga, Chief Financial and Administrative Officer

Corrective Action: The College partially agrees with this finding. A comprehensive inventory of fixed assets began in FY2009 and was completed in December 2008. This effort unfortunately was only completed subsequent to the financial year under audit. It is noted that the College expended significant effort to address this long standing issue relative to the accounting and inventory of all College assets and the carrying balances of its real properties in FY2007. As a result, material adjustments were made to the financial statements and the related audit finding and report qualification were removed.

Conducting an annual inventory of fixed assets is both unreasonable and impractical considering the limited human and financial resources at the institution. Federal regulations do not call for an annual inventory of assets but do require that a physical inventory be conducted every two years. The College made adjustments to its local property management manual to have such coincide with the federal requirement. The College invested in the fixed assets module for tracking and accounting of its fixed assets. This should provide for greater accountability of all capital assets of the institution. The results of the physical inventory completed in December 2008 will be reflected in the financial statements for fiscal year 2009 (September 30, 2009).

Proposed Completion Date: September 30, 2009

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Local Noncompliance - Travel

Finding No. 2008-3

Criteria: Pursuant to the College's Travel Policies, travel authorizations must be closed fifteen days of the completion of travel.

Condition: For sixteen travel expenses, the travel voucher was not submitted and closed within fifteen days of the completion of travel.

<u>Check/Ref. No.</u>	<u>Document No.</u>	<u>Date Travel Ended</u>	<u>Date TA Closed</u>
28128	TA-102368	03/02/08	10/02/08
28824	TA-102839	05/09/08	07/16/08
28736	TW-102850	04/25/08	09/25/08
28422	TA-102360A	03/28/08	06/03/08
26972	TA-102061	11/03/07	06/23/08
28419	TA-102410B	03/28/08	06/11/08
28821	TA102857A	05/10/08	07/17/08
28012	TA-102295	02/16/08	11/06/08
4804.1b	TA-102178	01/16/08	07/23/08
4804.1b	TA-102179	01/16/08	07/23/08
29507	TA-102875	07/18/08	10/02/08
29853	TA-102876	08/21/08	10/02/08
29853	TA-103067	08/21/08	10/02/08
29294	TA-102474	07/28/08	08/15/08
27786	TA-102024	02/03/08	03/03/08
29022	TA-102478	05/22/08	07/02/08

Cause: The cause of the above condition is failure to ensure that travel vouchers are submitted and closed on a timely basis.

Effect: The effect of the above condition is noncompliance with the College's travel policies.

Recommendation: We recommend that the College strengthen procedures to ensure that travel vouchers are submitted and closed pursuant to established policies.

Prior Year Status: The lack of adequate procedures to ensure that travel vouchers are timely submitted and closed was reported as a finding in fiscal year 2001 through 2007 audits.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Mr. Rogelio Madriaga, Chief Financial and Administrative Officer

Corrective Action: The College agrees with this finding. Controls are now in place to hold travelers personally responsible for travel documents not being submitted in a timely manner. Further, should balances not be cleared in a timely manner, adjustments will be made to the financial statements to reclassify such as being receivable from the responsible employee until the documents are submitted or the amount of the travel advance repaid to the institution.

Proposed Completion Date: September 30, 2009

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

Allowable Costs/Cost Principles

Finding No. 2008-4

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>																																																
U.S. Department of Agriculture / Payments to Agricultural Experiment Stations Under the Hatch Act / CFDA # 10.203 / Federal Award #s 2008-3110006095 and 2007-3110006095 / Federal Award Periods 10/01/07 - 09/30/08 and 10/01/06 - 09/30/07	<p>Criteria: Expenditures should be authorized, supported, and approved prior to incurrence and expenditures should be recorded in the correct period. Further, salary charges should be based on actual hours worked as certified in employee timesheets.</p> <p>Condition: Of \$733,610 nonpayroll expenditures, forty-nine items totaling \$301,342 were tested. Further, of \$269,427 of payroll expenditures, eighteen items totaling \$12,154 were tested and the following noted</p> <p>a. For one \$4,971 disbursement (Document No. PO-111637) the supporting vendor invoice and receiving report or any equivalent document evidencing receipt of items or services purchased was not located.</p> <p>b. For two communication expenses, log sheets to monitor names of persons or companies and dates when long distance cell phone calls are made or evidence that billings are verified and exclude personal calls were not available. Thus, there is no evidence that these long distance calls are reasonable and necessary for the program.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Check No.</u></th> <th style="text-align: left;"><u>Document No.</u></th> <th style="text-align: left;"><u>GL Date</u></th> <th style="text-align: right;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>29483</td> <td>287-0552 may'08</td> <td>07/03/08</td> <td style="text-align: right;">\$ 1,520</td> </tr> <tr> <td>28908</td> <td>287-0552 feb'08</td> <td>05/01/08</td> <td style="text-align: right;"><u>1,614</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">\$ <u>3,134</u></td> </tr> </tbody> </table> <p>c. For one disbursement (Document No. PO-111178), the expense recorded was \$585 greater than the amount of actual items received as of September 30, 2008.</p> <p>d. For six employees, actual hours worked certified in timesheets did not substantiate Program salaries of \$3,130. Details as follow:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Payroll Period No.</u></th> <th style="text-align: left;"><u>Payment Reference No.</u></th> <th style="text-align: left;"><u>Payment Date</u></th> <th style="text-align: right;"><u>Over Charged Salaries</u></th> </tr> </thead> <tbody> <tr> <td>PP# 7/08</td> <td>v022663</td> <td>03/28/08</td> <td style="text-align: right;">\$ 291</td> </tr> <tr> <td>PP# 3/08</td> <td>v022066</td> <td>02/01/08</td> <td style="text-align: right;">264</td> </tr> <tr> <td>PP# 11/08</td> <td>v023148</td> <td>05/23/08</td> <td style="text-align: right;">1,424</td> </tr> <tr> <td>PP# 10/08</td> <td>v023100</td> <td>05/09/08</td> <td style="text-align: right;">563</td> </tr> <tr> <td>PP# 21/07</td> <td>v021009</td> <td>10/12/07</td> <td style="text-align: right;">472</td> </tr> <tr> <td>PP# 10/08</td> <td>11119</td> <td>05/09/08</td> <td style="text-align: right;"><u>116</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">\$ <u>3,130</u></td> </tr> </tbody> </table>	<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>	29483	287-0552 may'08	07/03/08	\$ 1,520	28908	287-0552 feb'08	05/01/08	<u>1,614</u>				\$ <u>3,134</u>	<u>Payroll Period No.</u>	<u>Payment Reference No.</u>	<u>Payment Date</u>	<u>Over Charged Salaries</u>	PP# 7/08	v022663	03/28/08	\$ 291	PP# 3/08	v022066	02/01/08	264	PP# 11/08	v023148	05/23/08	1,424	PP# 10/08	v023100	05/09/08	563	PP# 21/07	v021009	10/12/07	472	PP# 10/08	11119	05/09/08	<u>116</u>				\$ <u>3,130</u>	<p>4,971</p> <p>3,134</p> <p>585</p> <p>3,130</p>
<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>																																															
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NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No. 2008-4, Continued

Program	Reason for Questioned Costs	Questioned Costs
	<p><u>Cause:</u> The causes of the above conditions are failure to obtain appropriate approval prior to incurring expenditures, weak internal control procedures in filing and maintaining supporting documents and ensuring that salary charges are based on actual hours worked.</p> <p><u>Effect:</u> The effects of the above conditions are the use of federal funds for unauthorized and unsupported expenditures and questioned costs of \$11,820.</p> <p><u>Recommendation:</u> We recommend that the College strengthen internal control procedures to ensure that appropriate approvals are obtained for program expenditures prior to incurrence and pertinent documents supporting program expenditures are properly maintained and filed. We further recommend that the College strengthen internal controls over time record keeping to ensure the salaries charged are based on actual time spent on the program.</p> <p><u>Prior Year Status:</u> Failure to obtain pertinent approvals prior to incurrence and expenditures, lack of internal controls over filing and maintaining of supporting documents, and lack of internal control procedures over time record keeping was reported as a finding in the audit of College for fiscal year 2007.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>Name of Contact Person: Mr. Rogelio Madriaga, Chief Financial and Administrative Officer</p> <p>Corrective Action: The College partially agrees with this finding. The College believes that adequate supporting documentation to support the costs are available while the auditors expectations appear to be otherwise.</p> <p>Attempting to track and report individual calls on all cell phones is deemed impractical and an inefficient use of program resources. In an effort to comply with the auditors' expectations, the College has eliminated the use of cellular phones and taken additional actions which, it believes is counter-productive to the operations of the program.</p> <p>For the personnel items, the College is in the process of updating personnel action forms to reflect the charges.</p> <p>The College will bring these documents and its position on the issues to the grantor agency and attempt to resolve such directly with the federal agency.</p> <p>Proposed Completion Date: September 30, 2009</p>	<p>11,820</p>

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Allowable Costs/Cost Principles

Finding No. 2008-5

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>																							
U.S. Department of Agriculture / Payments to Cooperative Extension Service Under the Smith Lever Act / CFDA # 10.500 / Federal Award #s 2008-41100-05700, 2008-41530-05700, 2008-41510-05700, and 2008-48024-05700/ Federal Award Period 10/01/07 - 09/30/08	<u>Criteria:</u> Expenditures should be authorized, supported, and approved prior to incurrence and should be recorded in the correct period. Further, salaries should be based on actual hours worked as certified in employee timesheets.																								
	<u>Condition:</u> Of \$366,846 nonpayroll expenditures, twenty-nine items totaling \$26,687 were tested. Further, of \$432,925 in payroll expenditures, twenty-six items totaling \$17,350 were tested. Tests of expenditures noted the following:																								
	a. For one \$350 disbursement (Document No. 2947jul31'08) for an independent services contract, there was no evidence that the amended contract was approved by the procurement officer and legal counsel.	350																							
	b. For one \$600 disbursement (Document No. 2972jan15'08) for independent contract services, the supporting contract was not provided.	600																							
	c. For one \$1,554 communication expense (Document No. 287-0552june'08), log sheets to monitor names of persons or companies and dates when long distance cell phone calls were made or evidence that billings are verified and exclude personal calls was not available. Thus, there is no evidence that these long distance calls are reasonable and necessary for the program.	1,554																							
	d. For one \$95 travel expense (Document No. TW-102919A), supporting boarding passes and trip reports evidencing that the traveler completed the travel were not available.	95																							
	e. For four employees, actual hours certified in timesheets did not substantiate salary charges. Details follow:																								
<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: center;"><u>Payroll Period No.</u></th> <th style="text-align: center;"><u>Payment Reference No.</u></th> <th style="text-align: center;"><u>Payment Date</u></th> <th style="text-align: center;"><u>Over Charged Salaries</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">PP# 2/08</td> <td style="text-align: center;">v022008</td> <td style="text-align: center;">01/18/08</td> <td style="text-align: right;">\$ 494</td> </tr> <tr> <td style="text-align: center;">PP# 21/07</td> <td style="text-align: center;">v020985</td> <td style="text-align: center;">10/12/07</td> <td style="text-align: right;">81</td> </tr> <tr> <td style="text-align: center;">PP# 22/07</td> <td style="text-align: center;">v021055</td> <td style="text-align: center;">10/26/07</td> <td style="text-align: right;">291</td> </tr> <tr> <td style="text-align: center;">PP# 12/08</td> <td style="text-align: center;">v023429</td> <td style="text-align: center;">06/06/08</td> <td style="text-align: right;"><u>519</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">\$ <u>1,385</u></td> </tr> </tbody> </table>	<u>Payroll Period No.</u>	<u>Payment Reference No.</u>	<u>Payment Date</u>	<u>Over Charged Salaries</u>	PP# 2/08	v022008	01/18/08	\$ 494	PP# 21/07	v020985	10/12/07	81	PP# 22/07	v021055	10/26/07	291	PP# 12/08	v023429	06/06/08	<u>519</u>				\$ <u>1,385</u>	1,385
<u>Payroll Period No.</u>	<u>Payment Reference No.</u>	<u>Payment Date</u>	<u>Over Charged Salaries</u>																						
PP# 2/08	v022008	01/18/08	\$ 494																						
PP# 21/07	v020985	10/12/07	81																						
PP# 22/07	v021055	10/26/07	291																						
PP# 12/08	v023429	06/06/08	<u>519</u>																						
			\$ <u>1,385</u>																						
f. For one employee (Reference No. 10529), salary per the personnel action form did not agree with the salary rate in the payroll system which results in an overpayment of \$149.	<u>149</u>																								

Cause: The causes of the above conditions are failure to obtain appropriate approval prior to incurring expenditures, weak filing procedures and a lack of supporting documents and failure to ensure that salaries are based on actual hours worked.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No. 2008-5, Continued

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
	<p><u>Effect:</u> The effect of the above conditions is use of federal funds for unauthorized and unsupported expenditures and questioned costs of \$4,133. This matter is reportable as the projected questioned costs exceed the threshold of \$10,000.</p> <p><u>Recommendation:</u> We recommend that the College strengthen control procedures to ensure that appropriate approvals are obtained for program expenditures prior to incurrence and pertinent documents supporting program expenditures are maintained and filed. We further recommend that the College strengthen controls over time keeping to ensure that salaries charged are based on actual time spent on the program.</p> <p><u>Prior Year Status:</u> Failure to obtain pertinent approvals prior to incurrence and expenditures, lack of internal controls over filing and maintaining of supporting documents, and lack of internal control procedures over time record keeping was reported as a finding in the audit of College for fiscal year 2007.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>Name of Contact Person: Mr. Rogelio Madriaga, Chief Financial and Administrative Officer</p> <p>Corrective Action: The College partially agrees with this finding. The College believes that adequate supporting documentation to support the costs are available while the auditors expectations appear to be otherwise.</p> <p>Attempting to track and report individual calls on all cell phones is deemed impractical and an inefficient use of program resources. In an effort to comply with the auditors' expectations, the College has eliminated the use of cellular phones and taken additional actions which, it believes is counter-productive to the operations of the program.</p> <p>For the personnel items, the College is in the process of updating personnel action forms to reflect the charges.</p> <p>The College will bring these documents and its position on the issues to the grantor agency and attempt to resolve such directly with the federal agency.</p> <p>Proposed Completion Date: September 30, 2009</p>	<p><u>4,133</u></p>

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Procurement and Suspension and Debarment

Finding No. 2008-6

Program	Reason for Questioned Costs	Questioned Costs																																
U.S. Department of Agriculture / Payments to Agricultural Experiment Stations under the Hatch Act / CFDA # 10.203 / Federal Award #s 2008-3110006095 and 2007-3110006095 / Federal Award Periods 10/01/07 - 09/30/08 and 10/01/06 - 09/30/07	<p>Criteria: Federal regulations state that small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies or other property that do not cost more than the simplified threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources. Further, brand names should not be indicated in the request of proposals or solicitations so as not to limit competition. Specifically, the College's Procurement Regulations state the following:</p> <ul style="list-style-type: none"> • Any lease or purchase of vehicles, machinery, and equipment should be procured pursuant to competitive sealed bidding • Price quotations should be obtained from at least three vendors for purchases between \$1,000 and \$9,999.99. In the event that only 2 price quotations can be obtained, a written statement shall be made by the College official with expenditure authority to indicate the reason(s) for not being able to obtain the 3rd quotation. If only one quotation can be obtained, a Sole Source purchase form must be completed with the reason(s) why the purchase has to be made with the selected vendor indicated on the form. At least one written price quotation is required for purchases less than \$1,000. • Procurements amounting to \$10,000 and above should be procured using competitive sealed bidding. A public notice should be publicized at least once a week over a period of 30 calendar days. • For independent contract services, programs should first determine whether their requirements may be met by available in-house resources or through other employment options authorized by College policy, prior to initiating the acquisition of services via procurement procedures. • All contracts must be signed by the Legal Counsel, College Official with expenditure authority, CFAO, President, BOR Chairperson (if contract amount exceeds \$25,000), and Contractor. 																																	
	<p>Condition: Of \$733,610 of nonpayroll expenditures, forty-nine items, totaling \$301,342 were tested. Tests of nonpayroll expenditures noted the following:</p>																																	
	<p>a. For ten disbursements of independent contract services, there was no documentation evidencing the program's efforts to determine whether the requirements may have been met by available in-house resources or through other employment options authorized by the College.</p>																																	
	<table border="1"> <thead> <tr> <th>Check No.</th> <th>Document No.</th> <th>GL Date</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>27672</td> <td>FR07003-11/31/07</td> <td>01/02/08</td> <td>\$ 2,040</td> </tr> <tr> <td>28230</td> <td>C-2975 jan31'08</td> <td>03/04/08</td> <td>2,040</td> </tr> <tr> <td>29929</td> <td>2909 aud.15'08</td> <td>08/19/08</td> <td>1,341</td> </tr> <tr> <td>30286</td> <td>PS-2975 AUG'30</td> <td>09/30/08</td> <td>2,066</td> </tr> <tr> <td>27673</td> <td>2911 dec31'07</td> <td>01/02/08</td> <td>500</td> </tr> <tr> <td>29473</td> <td>2966 june30'08</td> <td>07/02/08</td> <td>500</td> </tr> <tr> <td>29475</td> <td>2960 june30'08</td> <td>07/02/08</td> <td>625</td> </tr> </tbody> </table>	Check No.	Document No.	GL Date	Amount	27672	FR07003-11/31/07	01/02/08	\$ 2,040	28230	C-2975 jan31'08	03/04/08	2,040	29929	2909 aud.15'08	08/19/08	1,341	30286	PS-2975 AUG'30	09/30/08	2,066	27673	2911 dec31'07	01/02/08	500	29473	2966 june30'08	07/02/08	500	29475	2960 june30'08	07/02/08	625	
Check No.	Document No.	GL Date	Amount																															
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28230	C-2975 jan31'08	03/04/08	2,040																															
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30286	PS-2975 AUG'30	09/30/08	2,066																															
27673	2911 dec31'07	01/02/08	500																															
29473	2966 june30'08	07/02/08	500																															
29475	2960 june30'08	07/02/08	625																															

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No. 2008-6, Continued

Program	Reason for Questioned Costs				Questioned Costs
<u>Condition, Continued:</u>					
	<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>	
	28725	2989 apr30'08	04/30/08	652	
	26990	0069-10/31/07	11/01/07	1,141	
	28724	2961 apr30'08	04/30/08	1,141	
				<u>\$ 12,046</u>	12,046
	b. For one \$6,675 disbursement (Document No. PO-111978) there was no documentation why the lowest quote was not selected.				<u>6,675</u>
	c. For one pooled purchase (Document No. PO-111178), the procurement was made through competitive sealed proposals instead of competitive sealed bidding but the supporting justification was not on file. No questioned cost is raised as the lowest bidder was selected and the solicitation was advertised.				
	<u>Cause:</u> The causes of the above conditions are inadequate documentation of small purchases and weak controls over ensuring that all procurement policies and procedures are implemented.				
	<u>Effect:</u> The effect of the above condition is noncompliance with procurement regulations and questioned costs of \$18,721.				<u>18,721</u>
	<u>Recommendation:</u> We recommend that the College strengthen controls over procurement to maximize competition while maintaining the best interests of the College. If exceptions are allowed by procurement regulations, they should be reviewed, approved and documented in the procurement file.				
	<u>Prior Year Status:</u> Noncompliance with procurement policies was reported as a finding in the Single Audit of the College for fiscal year 2007.				
	<u>Auditee Response and Corrective Action Plan:</u>				
	Name of Contact Person: Mr. Rogelio Madriaga, Chief Financial and Administrative Officer				
	Corrective Action: The College partially agrees with this finding. The College believes that adequate supporting documentation to support the costs are available while the auditors expectations appear to be otherwise. The College further believes that the auditors' quoted language from the CFR is not applicable to the College and as such certain expectations of the auditors is misplaced. Further, the College believes that the auditor is also misapplying NMC's internal procurement policies and procedures in raising this finding and related questioned costs. The College procures all professional services for federal programs, especially the CREES program, via a competitive procurement process where all employees of the institution are also allowed to apply to perform the services. The auditor raises the issue of services being available internally not recognizing that services for CREES are for research or extension activities which are unique and specific in nature. The College will bring these documents and its position on the issues to the grantor agency and attempt to resolve such directly with the federal agency.				
	Proposed Completion Date: September 30, 2009				

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Procurement and Suspension and Debarment

Finding No. 2008-7

Program	Reason for Questioned Costs	Questioned Costs																				
U.S. Department of Agriculture / Payments to Cooperative Extension Service Under the Smith Lever Act / CFDA # 10.500 / Federal Award #s 2008-41100-05700, 2008-41530-05700, 2008-41510-05700, and 2008-48024-05700 / Federal Award Period 10/01/07 - 09/30/08	<p><u>Criteria:</u> Federal regulations state that small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies or other property that do not cost more than the simplified threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources. Further, brand names should not be indicated in the request of proposals or solicitations so as not to limit competition. Specifically, the College's Procurement Regulations state the following:</p> <ul style="list-style-type: none"> • Any lease or purchase of vehicles, machinery, and equipment should be procured pursuant to competitive sealed bidding • Price quotations should be obtained from at least three vendors for purchases between \$1,000 and \$9,999.99. In the event that only 2 price quotations can be obtained, a written statement shall be made by the College official with expenditure authority to indicate the reason(s) for not being able to obtain the 3rd quotation. If only one quotation can be obtained, a Sole Source purchase form must be completed with the reason(s) why the purchase has to be made with the selected vendor indicated on the form. At least one written price quotation is required for purchases less than \$1,000. • Procurements amounting to \$10,000 and above should be procured using competitive sealed bidding. A public notice should be publicized at least once a week over a period of 30 calendar days. • For independent contract services, programs should first determine whether their requirements may be met by available in-house resources or through other employment options authorized by College policy, prior to initiating the acquisition of services via procurement procedures. • All contract must be signed by the Legal Counsel, College Official with expenditure authority, CFAO, President, BOR Chairperson (if contract amount exceeds \$25,000), and Contractor. <p><u>Condition:</u> Of \$366,846 of nonpayroll expenditures, twenty-nine items totaling \$26,687 were tested. Tests of nonpayroll expenditures noted the following:</p> <ol style="list-style-type: none"> a. For eight disbursements of independent contract services, there was no documentation evidencing the program's efforts to determine whether the requirements may be met by available in-house resources or through other employment options authorized by the College. 																					
	<table border="1"> <thead> <tr> <th><u>Check No.</u></th> <th><u>Document No.</u></th> <th><u>GL Date</u></th> <th><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>26989</td> <td>PS-2909*</td> <td>10/30/07</td> <td>\$ 495</td> </tr> <tr> <td>30016</td> <td>FR07010</td> <td>09/03/08</td> <td>767</td> </tr> <tr> <td>28517</td> <td>2983 mar31'08</td> <td>04/02/08</td> <td>848</td> </tr> <tr> <td>28144</td> <td>2947 feb15'08</td> <td>02/25/08</td> <td>350</td> </tr> </tbody> </table>	<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>	26989	PS-2909*	10/30/07	\$ 495	30016	FR07010	09/03/08	767	28517	2983 mar31'08	04/02/08	848	28144	2947 feb15'08	02/25/08	350	
<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>																			
26989	PS-2909*	10/30/07	\$ 495																			
30016	FR07010	09/03/08	767																			
28517	2983 mar31'08	04/02/08	848																			
28144	2947 feb15'08	02/25/08	350																			

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No. 2008-7, Continued

Program	Reason for Questioned Costs			Questioned Costs
<u>Condition, Continued:</u>				
	<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>
	27755	2972 jan15'08	01/16/08	600
	29989	2947 july31'08	08/26/08	350
	29025	2989 may15'08	05/20/08	652
	27671	2961 apr15'08	04/18/08	380
	Less amount already questioned at Finding No. 2008-5			(950)
				<u>\$ 3,492</u>

3,492

- b. For two disbursements (Document Nos. 5609 and PO-111144) totaling \$5,700, the purchase was made through the sole source method but there was no evidence that other available sources were considered prior to the decision to procure through sole source.

5,700

Cause: The causes of the above conditions are inadequate documentation of small purchases and weak controls over ensuring that all procurement policies and procedures are implemented.

Effect: The effect of the above condition is noncompliance with procurement regulations and questioned costs of \$9,192. This matter is reportable as the projected questioned costs exceed the threshold of \$10,000.

9,192

Recommendation: We recommend that the College strengthen internal controls over procurement to maximize competition while maintaining the best interests of the College. If exceptions are allowed by procurement regulations, they should be reviewed, approved and documented in the procurement file.

Prior Year Status: Noncompliance with procurement policies was reported as a finding in the Single Audit of the College for fiscal year 2007.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Mr. Rogelio Madriaga, Chief Financial and Administrative Officer

Corrective Action: The College partially agrees with this finding. The College believes that adequate supporting documentation to support the costs are available while the auditors expectations appear to be otherwise. The College further believes that the auditors' quoted language from the CFR is not applicable to the College and as such certain expectations of the auditors is misplaced. Further, the College believes that the auditor is also misapplying NMC's internal procurement policies and procedures in raising this finding and related questioned costs.

The College procures all professional services for federal programs, especially the CREES program, via a competitive procurement process where all employees of the institution are also allowed to apply to perform the services. The auditor raises the issue of services being available internally not recognizing that services for CREES are for research or extension activities which are unique and specific in nature.

The College will bring these documents and its position on the issues to the grantor agency and attempt to resolve such directly with the federal agency.

Proposed Completion Date: September 30, 2009

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Procurement and Suspension and Debarment

Finding No. 2008-8

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>																																				
<p>U.S. Department of Education / Adult Education Program / CFDA # 84.002 / Federal Award #s V002A070055, V002A080055, V002A070059, and V002A080059 Federal Award Periods 07/01/07 - 09/30/08, 07/01/08 - 9/30/09, 09/01/07 - 08/31/08 and 09/01/08 - 08/31/09</p>	<p><u>Criteria:</u> Federal regulations state that small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies or other property that do not cost more than the simplified threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources. Specifically, the College's Procurement Regulations state the following:</p> <ul style="list-style-type: none"> • Any lease or purchase of vehicles, machinery, and equipment should be procured pursuant to competitive sealed bidding • Price quotations should be obtained from at least three vendors for purchases between \$1,000 and \$9,999.99. In the event that only 2 price quotations can be obtained, a written statement shall be made by the College official with expenditure authority to indicate the reason(s) for not being able to obtain the 3rd quotation. If only one quotation can be obtained, a Sole Source purchase form must be completed with the reason(s) why the purchase has to be made with the selected vendor indicated on the form. At least one written price quotation is required for purchases less than \$1,000. • Procurements amounting to \$10,000 and above should be procured using competitive sealed bidding. A public notice should be publicized at least once a week over a period of 30 calendar days. <p><u>Condition:</u> Of \$357,955 nonpayroll expenditures, twenty-five items, totaling \$144,886 were tested. Tests of nonpayroll items noted the following:</p> <p>a. For two items, there was only one price quote on file but adequate documentation evidencing competitive procurement is not evident.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Check No.</u></th> <th style="text-align: left;"><u>Document No.</u></th> <th style="text-align: left;"><u>GL Date</u></th> <th style="text-align: right;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>28438</td> <td>4804.1b</td> <td>12/01/07</td> <td style="text-align: right;">\$ 11,536</td> </tr> <tr> <td>28495</td> <td>TA-102405</td> <td>03/28/08</td> <td style="text-align: right;"><u>2,927</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>\$ 14,463</u></td> </tr> </tbody> </table> <p>b. For four items, price quotations and rationale for vendor selection was not documented in the procurement file.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Check No.</u></th> <th style="text-align: left;"><u>Document No.</u></th> <th style="text-align: left;"><u>GL Date</u></th> <th style="text-align: right;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>27990</td> <td>04777</td> <td>02/26/08</td> <td style="text-align: right;">\$ 580</td> </tr> <tr> <td>28214</td> <td>CR-113535</td> <td>02/26/08</td> <td style="text-align: right;">1,250</td> </tr> <tr> <td>29323</td> <td>04865</td> <td>06/23/08</td> <td style="text-align: right;"><u>580</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>\$ 2,410</u></td> </tr> </tbody> </table>	<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>	28438	4804.1b	12/01/07	\$ 11,536	28495	TA-102405	03/28/08	<u>2,927</u>				<u>\$ 14,463</u>	<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>	27990	04777	02/26/08	\$ 580	28214	CR-113535	02/26/08	1,250	29323	04865	06/23/08	<u>580</u>				<u>\$ 2,410</u>	<p style="text-align: right;">14,463</p> <p style="text-align: right;">2,410</p>
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NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No. 2008-8, Continued

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>
	<p><u>Condition, Continued:</u></p> <p>c. For one pooled purchase (Document No. PO-111178), the procurement was made through competitive sealed proposals instead of competitive sealed bidding but the supporting justification was not on file. No questioned cost is raised as the lowest bidder was selected and the solicitation was advertised.</p> <p><u>Cause:</u> The cause of the above condition is inadequate documentation of small purchases and weak controls over ensuring that all procurement policies and procedures are implemented.</p> <p><u>Effect:</u> The effect of the above condition is noncompliance with procurement regulations and possible questioned costs of \$16,873.</p> <p><u>Recommendation:</u> We recommend that the College strengthen internal controls over procurement to maximize competition while maintaining the best interests of the College. If exceptions are allowed by procurement regulations, they should be reviewed, approved and documented in procurement files.</p> <p><u>Prior Year Status:</u> Noncompliance with established procurement regulations was reported as a finding in the audit of the College for fiscal year 2007.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>Name of Contact Person: Mr. Rogelio Madriaga, Chief Financial and Administrative Officer</p> <p>Corrective Action: The College partially agrees with this finding. The College believes that adequate supporting documentation to support the costs are available while the auditors expectations appear to be otherwise. The College further believes that the auditors' quoted language from the CFR is not applicable to the College and as such certain expectations of the auditors is misplaced. Further, the College believes that the auditor is also misapplying NMC's internal procurement policies and procedures in raising this finding and related questioned costs.</p> <p>The College will bring these documents and its position on the issues to the grantor agency and attempt to resolve such directly with the federal agency.</p> <p>Proposed Completion Date: September 30, 2009</p>	<p><u>16,873</u></p>

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Procurement and Suspension and Debarment

Finding No. 2008-9

<u>Program</u>	<u>Reason for Questioned Costs</u>	<u>Questioned Costs</u>																								
U.S. Department of Education / TRIO - Student Support Services / Talent Search, and Upward Bound Programs / CFDA #s 84.042, 84.044, and 84.047 / Federal Award #s P042A051370-07, P044A060919-07, P047A030695-06, and P047A071200 / Federal Award Periods 09/01/07 - 08/31/08 and 09/01/08 - 8/31/09	<p><u>Criteria:</u> Federal regulations state that small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies or other property that do not cost more than the simplified threshold fixed at 41 U.S.C. 403(11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources. Specifically, the College's Procurement Regulations state the following:</p> <ul style="list-style-type: none"> • Any lease or purchase of vehicles, machinery, and equipment should be procured pursuant to competitive sealed bidding • Price quotations should be obtained from at least three vendors for purchases between \$1,000 and \$9,999.99. In the event that only 2 price quotations can be obtained, a written statement shall be made by the College official with expenditure authority to indicate the reason(s) for not being able to obtain the 3rd quotation. If only one quotation can be obtained, a Sole Source purchase form must be completed with the reason(s) why the purchase has to be made with the selected vendor indicated on the form. At least one written price quotation is required for purchases less than \$1,000. <p><u>Condition:</u> Of \$476,299 of nonpayroll expenditures, twenty-four items totaling \$69,622 were tested.</p> <p>a. For four disbursements, price quotations or a justification memo documenting the procurement method used was not available.</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: center;"><u>Check No.</u></th> <th style="text-align: center;"><u>Document No.</u></th> <th style="text-align: center;"><u>GL Date</u></th> <th style="text-align: center;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">29294</td> <td style="text-align: center;">TA-102474</td> <td style="text-align: center;">06/18/08</td> <td style="text-align: right;">\$ 2,746</td> </tr> <tr> <td style="text-align: center;">27786</td> <td style="text-align: center;">TA-102024</td> <td style="text-align: center;">01/22/08</td> <td style="text-align: right;">2,843</td> </tr> <tr> <td style="text-align: center;">28598</td> <td style="text-align: center;">TA-102814</td> <td style="text-align: center;">04/10/08</td> <td style="text-align: right;">2,474</td> </tr> <tr> <td style="text-align: center;">29022</td> <td style="text-align: center;">TA-102478</td> <td style="text-align: center;">05/19/08</td> <td style="text-align: right;"><u>2,888</u></td> </tr> <tr> <td colspan="3"></td> <td style="text-align: right;"><u>\$ 10,951</u></td> </tr> </tbody> </table> <p>b. For one pooled purchase (Document No. PO-111178) amounting to \$11,991, procurement was made through competitive sealed proposals instead of competitive sealed bidding but the supporting justification was not on file. No questioned cost is raised as the lowest bidder was selected and solicitation was advertised.</p> <p><u>Cause:</u> The cause of the above condition is inadequate documentation of small purchases and weak controls over ensuring that all procurement policies and procedures are followed.</p> <p><u>Effect:</u> The effect of the above condition is noncompliance with procurement regulations and possible questioned costs of \$10,951.</p> <p><u>Recommendation:</u> We recommend that the College strengthen controls over procurement to maximize competition while maintaining the best interests of the College. If exceptions are allowed by procurement regulations, they should be reviewed, approved and documented in the procurement files.</p>	<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>	29294	TA-102474	06/18/08	\$ 2,746	27786	TA-102024	01/22/08	2,843	28598	TA-102814	04/10/08	2,474	29022	TA-102478	05/19/08	<u>2,888</u>				<u>\$ 10,951</u>	<p><u>10,951</u></p>
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NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No. 2008-9, Continued

Program	Reason for Questioned Costs	Questioned Costs
	<p><u>Prior Year Status:</u> Noncompliance with established procurement regulations was reported as a finding in the audit of the College for fiscal year 2007.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>Name of Contact Person: Mr. Rogelio Madriaga, Chief Financial and Administrative Officer</p> <p>Corrective Action: The College partially agrees with this finding. The College believes that adequate supporting documentation to support the costs are available while the auditors expectations appear to be otherwise. The College further believes that the auditors' quoted language from the CFR is not applicable to the College and as such certain expectations of the auditors is misplaced. Further, the College believes that the auditor is also misapplying NMC's internal procurement policies and procedures in raising this finding and related questioned costs.</p> <p>In an effort to comply with the auditors' expectations, the College has implemented additional procedures to ensure that quotes are not only obtained from the two US flag carriers serving the islands but also from several travel agencies. The procedures were implemented in late FY2008 and should be reflected in FY2010. The College continues to work with federal agencies to resolve these and other related findings and questioned costs. Initial findings of the federal agencies suggest that this issue will be resolved in the College's favor.</p> <p>Proposed Completion Date: September 30, 2009</p>	

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Period of Availability of Federal Funds

Finding No. 2008-10

Program	Reason for Questioned Costs	Questioned Costs																
U.S. Department of Education / Higher Education Institutional Aid / CFDA # 84.031 / Federal Award # P031A020233-07 / Federal Award Period 10/01/06 - 01/28/08	<p><u>Criteria:</u> Grant term and conditions state that expenditures should be obligated within the period of availability.</p> <p><u>Condition:</u> Of \$133,388 nonpayroll expenditures, ten items totaling \$117,358 were tested. For two disbursements, expenditures were not obligated within the period of availability.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"><u>Check No.</u></th> <th style="text-align: center;"><u>Document No.</u></th> <th style="text-align: center;"><u>GL Date</u></th> <th style="text-align: center;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">27850</td> <td style="text-align: center;">PO-112019</td> <td style="text-align: center;">01/28/08</td> <td style="text-align: right;">\$ 8,230</td> </tr> <tr> <td style="text-align: center;">27855</td> <td style="text-align: center;">PO-112020</td> <td style="text-align: center;">01/28/08</td> <td style="text-align: right;"><u>7,596</u></td> </tr> <tr> <td colspan="3"></td> <td style="text-align: right;"><u>\$ 15,826</u></td> </tr> </tbody> </table>	<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>	27850	PO-112019	01/28/08	\$ 8,230	27855	PO-112020	01/28/08	<u>7,596</u>				<u>\$ 15,826</u>	
<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>															
27850	PO-112019	01/28/08	\$ 8,230															
27855	PO-112020	01/28/08	<u>7,596</u>															
			<u>\$ 15,826</u>															

Cause: The cause of the above condition was failure to ensure that expenditures are obligated within the period of availability.

Effect: The effect of the above condition is noncompliance with period of availability requirements and questioned costs of \$15,826.

15,826

Recommendation: We recommend that the College strengthen internal control procedures to ensure that expenditures are obligated within the grant's period of availability.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Mr. Rogelio Madriaga, Chief Financial and Administrative Officer

Corrective Action: The College partially agrees with this finding. The College believes that adequate supporting documentation to support the costs are available.

The College incurred the related costs within the period available for expenditure of these funds however certain signatures on the documents authorizing disbursement were dated otherwise. The date of the invoices and the receipt of the goods were prior to the termination date of the grant so it is the College's opinion that such is just a timing issue. The College will bring these documents and its position on these issues to the grantor agency and attempt to resolve the issues directly with the applicable federal agency.

Proposed Completion Date: September 30, 2009

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Matching, Level of Effort, Earmarking

Finding No. 2008-11

Program	Reason for Questioned Costs	Questioned Costs										
U.S. Department of Education / Adult Education Program / CFDA # 84.002 / Federal Award # V002A070055 / Federal Award Period 07/01/06 - 09/30/07	<p>Criteria: The Adult Education and Family Literacy Act (the Act) requires that grants and contracts for eligible providers shall not be less than 82.5 percent of the eligible agency's grant funds. Such earmarking requirement is for each yearly grant award and must be met within the period of its availability (generally 27 months).</p> <p>Condition: Our test of the above requirements for the Adult Education Program indicated that the College's grants and contracts for eligible providers in fiscal year 2007 was less than 82.5% of the eligible agency's grant funds in fiscal year 2007, calculated as follows:</p> <table style="margin-left: 40px;"> <tr> <td>2007 grant award # V002A060055</td> <td style="text-align: right;">\$ 277,791</td> </tr> <tr> <td>Earmarking floor</td> <td style="text-align: right;"><u>82.50%</u></td> </tr> <tr> <td>Required earmark</td> <td style="text-align: right;">229,177</td> </tr> <tr> <td>Total grants and contracts for eligible providers charged to the 2007 grant during the 2007 grant's period of availability</td> <td style="text-align: right;"><u>181,675</u></td> </tr> <tr> <td>Deficiency</td> <td style="text-align: right;">\$ <u>47,502</u></td> </tr> </table> <p>Cause: The cause of the above condition is that the Program applied maximum administrative expenses of \$65,000, which consequently resulted in less than 82.5% of the grant fund being available for instructional costs.</p> <p>Effect: The effect of the above condition is noncompliance with the criteria and questioned costs of \$47,502.</p> <p>Recommendation: We recommend that the Program revisit its earmarking calculation in accordance with the requirements of the Act.</p> <p>Auditee Response and Corrective Action Plan:</p> <p>Name of Contact Person: Mr. Rogelio Madriaga, Chief Financial and Administrative Officer</p> <p>Corrective Action: The College partially agrees with this finding. While the College agrees that the earmarking expectations are correct, the College's unique circumstances warranted a revisit of such by the granting agencies applicable program officer who determined that a waiver of this expectation was reasonable. The College will bring these documents and its position on the issue to the grantor agency and attempt to resolve such directly with the applicable federal agency.</p> <p>Proposed Completion Date: September 30, 2009</p>	2007 grant award # V002A060055	\$ 277,791	Earmarking floor	<u>82.50%</u>	Required earmark	229,177	Total grants and contracts for eligible providers charged to the 2007 grant during the 2007 grant's period of availability	<u>181,675</u>	Deficiency	\$ <u>47,502</u>	<p><u>47,502</u></p>
2007 grant award # V002A060055	\$ 277,791											
Earmarking floor	<u>82.50%</u>											
Required earmark	229,177											
Total grants and contracts for eligible providers charged to the 2007 grant during the 2007 grant's period of availability	<u>181,675</u>											
Deficiency	\$ <u>47,502</u>											
Total Questioned Costs		\$ <u>135,018</u>										

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

U.S. Department of Education

Cash Management - Adult Education Program

CFDA # 84.002, Federal Award #s V002A070055, V002A080055, V002A070059, and V002A080059

Federal Award Periods 07/01/07 - 09/30/08, 07/01/08 - 9/30/09, 09/01/07 - 08/31/08 and 09/01/08 - 08/31/09

Finding No. 2008-12

Criteria: The 2 CFR 215, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-profit Organizations*, specifies that payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR part 205 (CMIA Regulations).

Condition: For four of thirty-seven transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded three days for the following transactions:

<u>Document Number</u>	<u>Check Number</u>	<u>Amount Tested</u>	<u>Clearance Date</u>	<u>Reimbursement Date</u>	<u>Days Lapsed After Three Business Days</u>
4804.1b	28438	\$ 49,559	03/31/08	01/11/08	51
4907	28490	\$ 8,966	04/01/08	03/21/08	4
PO-111178	31357	\$ 8,700	09/30/08	04/17/08	73
PO-111178	28487	\$ 3,000	09/30/08	04/17/08	73

Cause: The cause of the above condition is that the College appears to have overestimated its check clearing pattern and is drawing cash prior to actual check clearance.

Effect: The effect of the above condition is noncompliance with federal cash management requirements. However, no questioned costs result from the condition as the estimated interest liability to the grantor agency is less than \$10,000. Interest earned on advances is \$243 and an interest liability of \$143 exists.

Recommendation: We recommend that the College update its check clearing study and draw down in accordance with that study.

Prior Year Status: Lack of regular and timely updates of the check clearing study and drawdowns was reported as a finding in the audits of the College for fiscal years 2005 through 2007.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Mr. Rogelio Madriaga, Chief Financial and Administrative Officer

Corrective Action: The College strongly disagrees with this finding. As a result of a similar finding in FY2006, the College amended its drawdown procedures to delay drawdown of federal funds for up to a week after the processing/incurred of the related expenses and/or payment for services.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No. 2008-12, Continued

Auditee Response and Corrective Action Plan, Continued:

Corrective Action, Continued:

When a vendor decides to cash a check is really beyond the control of the institution and this issue is particularly difficult for the College as it is so far removed from the mainland. As many of our vendors are from off-island it is practically impossible for the College to determine accurately the time it would take for a vendor to receive and process a payment. It appears that the College has taken reasonable measures to address this concern by delaying drawdown of federal funds but the issue continues. The College will continue work with the federal grantor agencies to obtain resolution of this issue.

Initial findings of the grantor agencies suggest that this expectation is being misapplied by the auditors and that a final decision on such will be forthcoming.

Proposed Completion Date: September 30, 2009

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

U.S. Department of Agriculture

Equipment and Real Property Management - Payments to Agricultural Experiment Stations Under the Hatch Act and Payments to Cooperative Extension Service Under the Smith Lever Act
CFDA #s 10.203 and 10.500, Federal Award #s 2008-3110006095, 2007-3110006095, 2008-41100-05700, 2008-41530-05700, 2008-41510-05700, and 2008-48024-05700
Federal Award Periods 10/01/07 - 09/30/08, 10/01/06 - 09/30/07 and 10/01/07 - 09/30/08

U.S. Department of Education

Equipment and Real Property Management - Adult Education Program, Higher Education Institutional Aid and TRIO - Student Support Services, Talent Search, and Upward Bound Programs
CFDA #s 84.002, 84.031, 84.042, 84.044, and 84.047
Federal Award #s V002A070055, V002A080055, V002A070059, V002A080059, P031A020233-07, P042A051370-07, P044A060919-07, P047A030695-06, and P047A071200
Federal Award Periods 07/01/07 - 09/30/08, 07/01/08 - 9/30/09, 10/01/06 - 01/28/08, 09/01/07 - 08/31/08, 09/01/08 - 08/31/09, 09/01/06 - 08/31/07 and 09/01/07 - 8/31/08

Finding No. 2008-13

Criteria: Title 34 Part 74.34 of the Code of Federal Regulations, *The Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, states the following requirements, among others:

- Equipment records shall be maintained accurately and shall include a description of the property, manufacturer's serial number or other identification number, the source of property including the award number, whether the title vests in the recipient of the Federal Government, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- A physical inventory of the property must be taken and the results reconciled with the property records at least every two years;

In addition, the College's Property Management and Accountability Manual requires that an annual physical inventory of fixed assets be taken.

Condition: The following were noted during our examination of College's compliance with the above requirements:

- a. The College's property records lack information as to source of the property, whether title vests to the recipient or the Federal government, information from which one can calculate the percentage of Federal participation in the cost of the property, and condition of the property.
- b. A physical inventory was performed in 2008; however, a reconciliation of the physical count to property records was not completed.

Cause: The cause of the above condition is lack of information as required by the federal regulations and lack of adherence to established policies and procedures regarding physical inventory counts of property and equipment.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No. 2008-13, Continued

Effect: The effect of the above condition is that the College is not in compliance with federal property standards and the Property Management and Accountability Manual.

Recommendation: We recommend that the College ensure compliance with applicable federal property rules and regulations and the Property Management and Accountability Manual.

Prior Year Status: Lack of policies and procedures to ensure compliance with federal property management standards was reported as a finding in the Single Audits of the College for fiscal years 2005 through 2007.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Mr. Rogelio Madriaga, Chief Financial and Administrative Officer

Corrective Action: The College partially agrees with this finding. A comprehensive inventory of fixed assets began in FY2009 and was completed in December 2008. This effort unfortunately was only completed subsequent to the financial year under audit. It is noted that the College expended significant effort to address this long standing issue relative to the accounting and inventory of all College assets and the carrying balances of its real properties in FY2007. As a result, material adjustments were made to the financial statements and the related audit finding and report qualification were removed.

Conducting an annual inventory of fixed assets is both unreasonable and impractical considering the limited human and financial resources at the institution. Federal regulations do not call for an annual inventory of assets but do require that a physical inventory be conducted every two years. The College made adjustments to its local property management manual to have such coincide with the federal requirement. The College invested in the fixed assets module for tracking and accounting of its fixed assets. This should provide for greater accountability of all capital assets of the institution. The results of the physical inventory completed in December 2008 will be reflected in the financial statements for fiscal year 2009 (September 30, 2009).

Proposed Completion Date: September 30, 2009

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

U.S. Department of Education

Special Tests and Provisions - Adult Education Program and TRIO - Student Support Services, Talent Search, and Upward Bound Programs

CFDA #s 84.002, 84.042, 84.044, and 84.047

Federal Award #s V002A070055, V002A080055, V002A070059, V002A080059, P042A051370-07, P044A060919-07, P047A030695-06, and P047A071200

Federal Award Periods 07/01/07 - 09/30/08, 07/01/08 - 9/30/09, 09/01/07 - 08/31/08, 09/01/08 - 08/31/09, 09/01/06 - 08/31/07 and 09/01/07 - 8/31/08

Finding No. 2008-14

Criteria: The grant terms and conditions require that when issuing statements, press releases, requests for proposals, bid solicitations, and other documents describing projects or programs funded in whole or in part with Federal money, all grantees receiving federal funds, shall clearly state the (1) dollar amount of federal funds for the project, (2) the percentage of the total cost of the project that will be financed by federal funds, and (3) the percentage and dollar amount of the total cost of the project that will be financed by non-governmental sources.

Condition: Our tests of the above requirement noted the following:

- a. Of \$357,955 nonpayroll expenditures under the Adult Basic Education Program, twenty-five items, totaling \$144,886 were tested. Request for proposals issued for four purchases did not comply with the requirements set forth above.

<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>
27990	04777	01/29/08	\$ 580
28214	CR-113535	02/26/08	1,250
28797	005	04/24/08	3,200
29323	04865	06/23/08	580
			<u>\$ 5,610</u>

- b. Of \$476,299 nonpayroll expenditures under the TRIO Programs, twenty-four items, totaling \$69,622 were tested. Request for proposals issued for three purchases did not comply with the requirements set forth above.

<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>
28487	PO-111178	03/27/08	\$ 5,139
28487	PO-111178	03/27/08	6,852
30008	PO-111770	08/29/08	9,055
			<u>\$ 21,046</u>

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2008

Finding No. 2008-14, Continued

Cause: The cause of the above condition is failure to incorporate such provision in the affected Program's policies and procedures.

Effect: The effect of the above condition is noncompliance with grant terms and conditions. However, no questioned costs result from these conditions as the items noted were allowable costs and competitively procured.

Recommendation: We recommend that the College comply with applicable terms and conditions of its grant awards.

Prior Year Status: Noncompliance with the above provision was reported as a finding in the audit of the College for the fiscal year 2007.

Auditee Response and Corrective Action Plan:

Name of Contact Person: Mr. Rogelio Madriaga, Chief Financial and Administrative Officer

Corrective Action: The College federal program personnel were obviously not aware of this requirement. The College will ensure that this requirement is met for all future procurement of services or goods utilizing federal funds. We will work with the federal grantor agencies to bring resolution to this finding. To avoid not meeting the deadline for the completion of the audit, the College elected to finalize the report as presented.

Proposed Completion Date: September 30, 2009

NORTHERN MARIANAS COLLEGE

Unresolved Prior Year Findings and Questioned Costs
Year Ended September 30, 2008

Questioned Costs

The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs and comments that were unresolved at September 30, 2008:

Questioned costs as previously reported	\$ 218,150
Questioned costs of fiscal year 2008 Single Audit	<u>135,018</u>
Unresolved questioned costs at September 30, 2008	\$ <u>353,168</u>

Unresolved Findings

The status of unresolved findings is discussed in the Schedule of Findings and Questioned Costs section of this report (pages 9 through 34).



Northern Marianas College

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Summary of Schedule of Prior Audit Findings

Status of audit findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2007:

FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

- Finding No. 2007-1 - Corrective action has been taken.
- Finding No. 2007-2 - Not corrected. See corrective action plan to Finding No. 2008-1.
- Finding No. 2007-3 - Corrective action has been taken.
- Finding No. 2007-4 - Corrective action has been taken.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

- Finding No. 2007-5 - Not corrected. See corrective action plan to Finding No. 2008-4.
- Finding No. 2007-6 - Not corrected. See corrective action plan to Finding No. 2008-5.
- Finding No. 2007-7 - Corrective action has been taken.
- Finding No. 2007-8 - Corrective action has been taken.
- Finding No. 2007-9 - Corrective action has been taken.
- Finding No. 2007-10 - Corrective action has been taken.
- Finding No. 2007-11 - Not corrected. See corrective action plan to Finding No. 2008-6.
- Finding No. 2007-12 - Not corrected. See corrective action plan to Finding No. 2008-7.
- Finding No. 2007-13 - Not corrected. See corrective action plan to Finding No. 2008-9.
- Finding No. 2007-14 - Not corrected. See corrective action plan to Finding No. 2008-8.
- Finding No. 2007-15 - Corrective action has been taken.
- Finding No. 2007-16 - Not corrected. See corrective action plan to Finding No. 2008-11.
- Finding No. 2007-17 - Not corrected. See corrective action plan to Finding No. 2008-14.

Status of all audit findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2007, Continued:

Page Two

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT, CONTINUED**

Finding No. 2007-18 - Corrective action has been taken.

Finding No. 2007-19 - Not corrected. See corrective action plan to Finding No. 2008-12.

Finding No. 2007-20 - Not corrected. See corrective action plan to Finding No. 2008-13.

Finding No. 2007-21 - Corrective action has been taken.