

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, 2009

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, 2009, and have issued our report thereon dated June 30, 2010. 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 37) to be significant deficiencies in internal control over financial reporting as items 2009-1 through 2009-5.

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 item 2009-2 to be a material weakness.

#### 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 30, 2010.

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.

*Deloitte & Touche LLC*

June 30, 2010

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, 2009. 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 37). 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 2009-6 through 2009-15 in the accompanying Schedule of Findings and Questioned Costs, the College did not comply with requirements regarding allowable costs/cost principles, matching, level of effort, earmarking, procurement and suspension and debarment, equipment and real property management and subrecipient monitoring 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 Service, CFDA # 15.875 Economic, Social, and Political Development of the Territories: Information Upgrade System and Compact Impact, CFDA # 84.002 Adult Education - Basic Grants to States Program, CFDA #s 84.042, 84.044 and 84.047 TRIO Cluster, CFDA # 84.315 Capacity Building for Traditionally Underserved Populations, CFDA # 84.378 College Access Challenge Grant Program and CFDA # 93.612 Native American Programs.

### 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 2009-6 through 2009-15 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 2009-7, 2009-10 and 2009-14 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, 2009, and have issued our report thereon dated June 30, 2010. 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.

*Deloitte & Touche LLC*

June 30, 2010

NORTHERN MARIANAS COLLEGE

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2009

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>		
<u>Direct Programs</u>		
Student Financial Assistance Programs:		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 62,956
Federal Work-Study Program	84.033	48,151
Federal Pell Grant Program	84.063	<u>1,346,439</u>
Subtotal Student Financial Assistance Programs		<u>1,457,546</u>
TRIO Programs:		
Student Support Services	84.042	247,168
Talent Search	84.044	293,376
Upward Bound	84.047	<u>470,775</u>
Subtotal TRIO Programs		<u>1,011,319</u>
Adult Education - Basic Grants to States	84.002	<u>388,938</u>
Higher Education Institutional Aid	84.031	<u>(310)</u>
Capacity Building for Traditionally Underserved Populations	84.315	<u>131,308</u>
College Access Challenge Grant Program	84.378A	<u>320,432</u>
Subtotal U.S. Department of Education		<u>3,309,233</u>
<u>U.S. Department of Agriculture</u>		
<u>Direct Programs</u>		
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	740,930
Cooperative Extension Service	10.500	<u>934,779</u>
Subtotal Direct Programs		<u>1,675,709</u>
<u>Indirect Programs</u>		
Resident Instruction Grants for Insular Area Activities	10.308	43,733
MAREPAC Grant Project	10.Unknown	87,042
Natural Science Conservation Service	10.Unknown	37,832
Grants for Agricultural Research, Special Research Grants	10.200	37,955
Grants for Agricultural Research, Special Research Grants	10.200	9,474
Islands of Opportunity Alliance	10.Unknown	14,060
Partnership for Advance Marine & Env Sci	10.Unknown	24,913
Comparative Study of Cuban Slugs in CNMI	10.215	11,566
Customizing Biodiesel Derived from Tree	10.Unknown	5,524
Tech Tranfer of Alternative Plant	10.500	39,956

See accompanying notes to schedule of expenditures of federal awards.

NORTHERN MARIANAS COLLEGE

Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2009

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture, Continued</u>		
<u>Indirect Programs, Continued</u>		
Implementation of SARE Prof Dev Plan	10.500	4,065
Plant and Animal Disease, Pest Control, and Animal Care	10.025	5,025
Innovative Farm Practices	10.Unknown	3,838
Integrated Programs	10.303	<u>9,411</u>
Subtotal Indirect Programs		<u>334,394</u>
Subtotal U.S. Department of Agriculture		<u>2,010,103</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	330,000
Information Upgrade System	15.875	416,881
Accreditation Reaffirmation Plan	15.875	<u>56,250</u>
Subtotal U.S. Department of the Interior		<u>803,131</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	143,393
Native American Programs	93.612	327,254
Model State-Supported Area Health Education Centers	93.107	<u>61,975</u>
Subtotal U.S. Department of Health and Human Services		<u>532,622</u>
<u>U.S. Corporation for National and Community Service</u>		
<u>Direct Programs</u>		
Learn and Serve America - Higher Education	94.005	17,861
Subtotal U.S. Corporation for National and Community Service		<u>17,861</u>
<u>U.S. Department of Commerce</u>		
<u>Direct Programs</u>		
Unallied Industry Projects	11.452	21,272
Unallied Industry Projects	11.452	<u>8,530</u>
Subtotal U.S. Department of Commerce		<u>29,802</u>
Total Federal Programs		<u>\$ 6,702,752</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, 2009

#### (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 2009, 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, 2009

**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:  | 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</u>	
<u>Number</u>	<u>Federal Program</u>
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act
10.500	Cooperative Extension Service
15.875	Economic, Social, and Political Development of the Territories: Information Upgrade System
15.875	Economic, Social, and Political Development of the Territories: Compact Impact
84.002	Adult Education - Basic Grants to States TRIO Cluster:
84.042	TRIO - Student Support Services
84.044	TRIO - Talent Search
84.047	TRIO - Upward Bound
84.315	Capacity Building for Traditionally Underserved Populations
84.378	College Access Challenge Grant Program
93.612	Native Americans Programs

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

**A. SUMMARY OF AUDITOR'S RESULTS, CONTINUED**

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

**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>
2009-1	Receivables	11
2009-2	Property, Plant and Equipment	12 - 13
2009-3	Encumbrances	14
2009-4	Local Noncompliance - Procurement	15 - 16
2009-5	Independent Contract Services	17

**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>
2009-6	10.203	Allowable Costs/Cost Principles	\$ 7,083	18 - 19
2009-7	10.203	Procurement and Suspension and Debarment	\$ 60,607	20 - 22
2009-8	10.500	Allowable Costs/Cost Principles	\$ 5,202	23 - 24
2009-9	10.500	Procurement and Suspension and Debarment	\$ 2,549	25 - 26
2009-10	84.002	Matching, Level of Effort, Earmarking	\$ 22,584	27 - 29
2009-11	84.002	Procurement and Suspension and Debarment	\$ 2,272	30 - 31
2009-12	84.002	Subrecipient Monitoring	\$ -	32
2009-13	84.378	Allowable Costs/Cost Principles	\$ -	33
2009-14	93.612	Procurement and Suspension and Debarment	\$ 16,776	34 - 35
2009-15	All Major Programs	Equipment and Real Property Management	\$ -	36 - 37

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

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

Receivables

Finding No. 2009-1

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

Condition: Our tests of the College's receivables noted the following:

- a. The College migrated to a new student account system during fiscal year 2008. Such migration resulted in improper aged receivables. Further, the aging schedule indicated various credit balances, which made it difficult to assess current and past due accounts.
- b. The College's Bookstore migrated to a new accounting software during fiscal year 2009. Such migration also resulted in improper aged receivables.
- c. An analysis of the allowance for doubtful accounts was not performed during fiscal year 2009. An audit adjustment was proposed to increase the allowance to reflect doubtful accounts.

Cause: The cause of the above condition is the lack of procedures to monitor and analyze receivables and inefficiencies with the new accounting systems.

Effect: The effect of the above condition is the misstatement of receivables.

Recommendation: We recommend that the College implement procedures to monitor and analyze receivables and address inefficiencies in its accounting systems.

Prior Year Status: Lack of monitoring and analysis of receivables for validity and collectability was reported as a finding in the Single Audits of the College for fiscal years 2001 through 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Mr. Henry Hofschneider, Chief Financial and Administrative Officer

**Corrective Action:** The College partially agrees with this finding. While the College recognizes that there were some issues during the migration of its receivables from its general accounting system to the student registration based system, the College conducted a detailed review of the accounts receivable balances at September 30, 2009 and found such to be accurate. The College further disagrees with the auditors' assertion that it did not conduct an analysis of doubtful accounts at September 30, 2009. The College did conduct an analysis of doubtful accounts and determined that it has adequately reserved for any doubtful receivables at September 30, 2009. The College accepts the auditors finding that there were issues in the migration. On the issue noted regarding discrepancies occurring as a result of the migration to the new system, the College will effectuate adjustments to remove any unsupported balances from its financial statements.

**Proposed Completion Date:** September 30, 2010

Auditor Response: An analysis of the allowance for doubtful accounts was requested from the College but was not provided for examination.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Property, Plant and Equipment

Finding No. 2009-2

Criteria: The College's Property Management and Accountability Manual requires that an annual physical inventory of fixed assets be taken. The fixed asset physical inventory records should be reconciled with the general ledger fixed asset balances. Additionally, all properties of the College should be identified by a property control number which shall be permanently affixed to each individual property in such a manner as to be readily observable.

Condition: Our tests of fixed assets noted the following:

- a. A physical inventory of property and equipment was not performed in 2009.
- b. The College did not update its fixed asset records during the year and additions and depreciation expense were recorded through proposed audit adjustments of \$571,249 and \$495,481, respectively.
- c. Of seventeen items tested for existence, one item (Reference No. FED113068-001) did not have a property control number attached, and the location indicated in the fixed asset register for four items (Reference No. FED110721-002, FED110721-002, RED011903, RED011904) did not match the actual location of the asset.

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

Effect: The effect of the above condition is the misstatement of property, plant and equipment balances.

Recommendation: We recommend that the College strengthen control procedures to ensure that a physical inventory is completed and is reconciled to fixed asset records. Further, we recommend that property, plant and equipment activities be recorded in the plant fund accounts.

Prior Year Status: Weak control procedures over property, plant and equipment was reported as a finding in the Single Audit of the College for fiscal year 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Ms. Anita Camacho, Procurement Officer and Mr. Henry Hofschneider, Chief Financial and Administrative Officer

**Corrective Action:** The College partially agrees with this finding. The auditors' assertion that a physical inventory of fixed assets was not conducted in FY2009 is incorrect. As noted in our response to a similar finding in FY2008, the College did conduct a physical inventory in FY2009. The College has further amended its Policies and Procedures to mirror the Federal expectations that physical inventories of fixed assets be conducted at least once every two years.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No. 2009-2, Continued

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

While the College did not routinely update its fixed asset ledgers during the year, at the end of the year the College conducted a comprehensive review of its fixed assets and internally proposed the adjustments necessary for additions/deletions of assets and for recording depreciation. As the majority of the fixed asset purchases are from federal programs the College elected to do this at year end so as to not complicate the federal reporting process which expects that expenditures from the general ledger mirror federal financial reports and such would include expenditures for items which meet our financial thresholds for capitalization.

Further, the only reason the College elected to have the adjustments recorded as part of the audit process was to ensure that any changes to the trial balances after such were provided to the auditors be coordinated through them. It appears now that compliance with the auditors' request is now an audit issue. The College expects that if the auditor insists on the current language in the finding, the facts discussed above also be reflected.

The College concurs with the auditors' finding noted in item c.

The College will ensure that all fixed assets listed in its fixed assets register are properly tagged. Further, the register will be updated to accurately reflect the location of the asset.

**Proposed Completion Date:** September 30, 2010

Auditor Response: The College's last physical inventory was done in December 2008 for the Saipan Campus only. While the College has amended its Policies and Procedures to mirror the Federal expectations that physical inventories of fixed assets be conducted at least once every two years, such amended Policies and Procedures were not effective in FY2009.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Encumbrances

Finding No. 2009-3

Criteria: Proper budgetary control provides for adequate monitoring and tracking of commitments related to open purchase orders and unfulfilled contracts. Amounts reserved for encumbrances should be reconciled and adjusted for balances that are no longer valid.

Condition: Our tests of the College's encumbrances at September 30, 2009 noted the following:

- a. Encumbrances of \$1,084,949 relate to commitments made between 1999 and 2008.
- b. Encumbrances of \$79,539 have negative balances.

Cause: The cause of the above condition is the lack of established policies and procedures to reconcile and monitor recorded encumbrances.

Effect: The effect of the above condition is the potential misstatement of encumbrances.

Recommendation: We recommend that the College ensure that all encumbrances be supported by encumbering documents and be reduced when actual expenses are incurred. Further, we recommend that long outstanding encumbrances and debit balances be examined to ensure validity.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Ms. Solita Barnes, Chief Accountant and Mr. Henry Hofschneider, Chief Financial and Administrative Officer

**Corrective Action:** The College concurs with this finding. The Chief Financial and Administrative Officer will immediately issue a directive through the Office of the President establishing the expectation that encumbrances are reviewed periodically and cleared if they are no longer valid.

**Proposed Completion Date:** September 30, 2010

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Local Noncompliance - Procurement

Finding No. 2009-4

Criteria: The College's Procurement Regulations require the following:

- a. Any lease or purchase of vehicles, machinery, and equipment should be procured pursuant to competitive sealed bidding.
- b. Purchase orders shall be used for expenditures of less than \$10,000.
- c. 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.
- d. 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.
- e. For independent contract services, the program or department should first determine whether their requirements may be met with available in-house resources, or through other employment options authorized by College policy, prior to initiating the acquisition of services via procurement procedures.
- f. All contracts must be signed by the Legal Counsel, College Official with expenditure authority, Director of Finance and Administrative Services, the President, the Chairperson of the Board of Regents (if contract amount exceeds \$25,000), and the Contractor.

Condition: Our tests of operating expenses noted the following:

- a. For three items (Check Nos. 25197, 25198, 25559) the contract for professional services was not signed by the contractor or vendor.
- b. For one item (Document No. PO-113671), amounting to \$7,910, the purchase order was not approved prior to incurrence of expenses.
- c. For one item (Document No. 09-002), amounting to \$4,000, documentation of the determination that the service was not available in-house and of the vendor selection could not be provided.
- d. For one item obtained through sole source procurement (Document No. C-3042), amounting to \$8,600, there was no evidence that other available sources were considered prior to using sole source procurement.
- e. For one item obtained through sole source procurement relating to a construction project (Document No. C-090001), amounting to \$53,352, documentation of efforts made to contact other available sources was not provided. Further, there was no documentation why competitive sealed bidding was not utilized.



NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No. 2009-4, Continued

Condition, Continued:

- f. For one item obtained through sole source procurement (Document No. C-3061), amounting to \$10,000, justification of the procurement method used does not appear sufficient and reasonable.
- g. For one item (Document No. C-3059 SEPT09), amounting to \$7,500, with a total contract price of \$25,000, the contract was not signed by the Board of Regents Chairperson. Further, the voucher for independent service contract was not signed by the Chief Finance and Administrative Officer to certify approval of payment.

Cause: The cause of the above condition is weak control procedures over procurement.

Effect: The effect of the above condition is noncompliance with the College's procurement regulations.

Recommendation: 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 procurement files.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Ms. Anita Camacho, Procurement Officer and Mr. Henry Hofschneider, Chief Financial and Administrative Officer

**Corrective Action:** The College partially concurs with this finding. On some of the items noted by the auditor, the College is only learning of the issues now. Documentation for several of the items exist and the College is looking through the files for such for presentation to the auditors. It expects that some of the items noted herein will be cleared as a result. For items which the College is not able to provide satisfactory documentation, corrective actions are proposed. The College has updated its Procurement Policies and Procedures to be more consistent with federal expectations. It is expected that such will resolve some of the issues noted in this finding.

The College will also be issuing specific guidance on the documentation expectations when procurement sources other than those specifically prescribed based on thresholds are utilized by expenditure authorities which meet the expectations of the auditors. The College is concerned however that the auditors seem to be interpreting policy versus testing the College's compliance with such.

The policy changes noted earlier will also ensure that the expectations are clearer so that the auditors role will be to verify compliance not determine the intent or interpret internal policies for us.

**Proposed Completion Date:** September 30, 2010

Auditor Response: The criteria used in our testing were the College's Procurement Regulations and no additional documentation was provided.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Independent Contract Services

Finding No. 2009-5

**Criteria:** The College's Procurement Regulations state that 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.

**Condition:** Our tests of expenses for independent contract services noted that the determination of whether the requirements may be met by available in-house resources or through other employment options was not documented. The existing policies do not explicitly state whether the determination should be in writing or whether evidence of the internal attempts should be kept on file.

**Cause:** The cause of the above condition is weak controls to ensure that existing policies and regulations are clear and documented.

**Effect:** The effect of the above condition is potential noncompliance with the above criteria.

**Recommendation:** We recommend that the College revisit its existing policies and regulations to ensure that a clarification is made on whether evidence of internal attempts should be in writing and be kept on file.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Ms. Anita Camacho, Procurement Officer and Mr. Henry Hofschneider, Chief Financial and Administrative Officer

**Corrective Action:** The College disagrees with the finding. The auditor again is misinterpreting the intent of the College's policy. These independent contracts are to the most part renewal of existing service contracts which were competitively procured. When such contracts are competitively procured all are welcome to compete for the work, including College employees. The fact that the College competitively procured for the service is evidence in itself that expertise if not available internally. Further, College policy prohibits an employee from holding two positions (regular employment) within the College. CNMI policy also prohibits the same. The College however allows employees to enter into independent contracts for services or teach in an adjunct capacity if such does not conflict with the employees' primary job responsibilities. Given this, the fact that the services were independently contract through a competitive process not only complies with College policy but provides ample opportunity for employees to also submit their proposals for providing the requested services for consideration. Yet again, the auditor is literally interpreting policy for the College.

**Proposed Completion Date:** September 30, 2010

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

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

Finding No.: 2009-6  
 Federal Agency: U.S. Department of Agriculture  
 CFDA Program: 10.203 Payments to Agricultural Experiment Stations Under the Hatch Act  
 Federal Award Nos.: 2009-3110006095 and 2008-3110006095  
 Federal Award Periods: 10/01/08 - 09/30/09 and 10/01/07 - 09/30/08  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$7,083

Criteria: Expenditures should be authorized prior to incurrence, supported with documentation evidencing receipt of goods or services and recorded in the correct period.

Condition: Of \$470,147 nonpayroll expenditures, thirty items totaling \$130,258 were tested. Further, of \$258,726 payroll expenditures, seventeen items totaling \$12,313 were tested. Our tests noted the following:

1. For one disbursement, the supporting receiving report, certificate of completion or any equivalent documentation evidencing receipt of items or services purchased were not made available as follow:

<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>
31859	PO-113122	03/09/09	\$ 6,921

2. For one employee, 50% of hours were charged to the program although only 25% of hours were allocated to the program per the timesheet.

<u>Payroll Period No.</u>	<u>Payment Reference No.</u>	<u>Payment Date</u>	<u>Questioned Cost</u>
PP # 07/09	VO26719	03/27/09	\$ 162

Cause: The causes of the above conditions are weak control procedures to ensure that goods and services purchased are received and that salary charges are based on actual hours worked.

Effect: The effects of the above conditions are the use of federal funds for unsupported expenditures and questioned costs of \$7,083. This matter is reportable as the projected questioned costs exceed the threshold of \$10,000.

Recommendation: We recommend that the College strengthen control procedures to ensure that goods and services purchased are received and that salaries charged are based on actual time spent on the program.

Prior Year Status: Weak control procedures over the receipt of goods and services purchased and that salary charges are based on actual hours worked were reported as findings in the Single Audits of the College for fiscal years 2007 and 2008.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-6, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.203 Payments to Agricultural Experiment Stations Under the Hatch Act  
Federal Award Nos.: 2009-3110006095 and 2008-3110006095  
Federal Award Periods: 10/01/08 - 09/30/09 and 10/01/07 - 09/30/08  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$7,083

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Ms. Anita Camacho, Procurement Officer and Mr. Henry Hofschneider, Chief Financial and Administrative Officer

**Corrective Action:** The College partially concurs with this finding. We are unable to determine, based on the information provided in the finding, how the auditor concluded that the \$162 cited as a payroll questioned cost could not be substantiated as an allowable cost. Effective immediately, the College procurement office will ensure that all goods are verified against purchase orders and certified for receipt as evidenced by a procurement stamp.

**Proposed Completion Date:** September 30, 2010

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-7  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.203 Payments to Agricultural Experiment Stations Under the Hatch Act  
Federal Award Nos.: 2009-3110006095 and 2008-3110006095  
Federal Award Periods: 10/01/08 - 09/30/09 and 10/01/07 - 09/30/08  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$60,607

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. Specifying a brand name product instead of allowing an equal product to be offered and describing the performance of other relevant requirements of the procurement restricts full and open competition. Specifically, the College's Procurement Regulations state the following:

- a. Any lease or purchase of vehicles, machinery, and equipment should be procured pursuant to competitive sealed bidding.
- b. 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.
- c. 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.
- d. All contracts must be signed by the Legal Counsel, a College official with expenditure authority, the Chief Financial and Administrative Officer, the President, the Chairperson of the Board of Regents (if the contract amount exceeds \$25,000) and the Contractor.

Condition: Of \$470,147 nonpayroll expenditures, our tests of thirty items totaling \$130,258 noted the following:

1. One purchase in excess of \$10,000 was divided into three purchase orders and was procured through a sole source method after three price quotes were obtained from known vendors. However, documentation of the efforts made to contact other available vendors was not evident. In addition, as stated in the criteria above, purchases of \$10,000 and above should be procured through competitive bidding; however, there was no documentation as to why competitive bidding was not utilized. Therefore, the College is not in compliance with its stated procurement policies.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-7, Continued  
 Federal Agency: U.S. Department of Agriculture  
 CFDA Program: 10.203 Payments to Agricultural Experiment Stations Under the Hatch Act  
 Federal Award Nos.: 2009-3110006095 and 2008-3110006095  
 Federal Award Periods: 10/01/08 - 09/30/09 and 10/01/07 - 09/30/08  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$60,607

Condition, Continued:

<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>
37372	PO-113758	08/25/09	\$ 10,904
37372	PO-113768	08/25/09	16,410
37372	PO-113766	08/25/09	<u>8,742</u>
			\$ <u>36,056</u>

2. One purchase in excess of \$10,000 was procured through a sole source method after three price quotes were obtained from known vendors. However, documentation of the efforts made to contact other available vendors was not evident. In addition, as stated in the criteria above, purchases of \$10,000 and above are to be procured through competitive bidding; however, there was no justification memo in file documenting why competitive bidding was not utilized and why the College chose not to be in compliance with its stated policies. Therefore, the College does not appear to be in compliance with its stated procurement policies.

<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>
37450	PO-113767	08/31/09	\$ 10,000
37450	PO-113767	08/31/09	<u>11,752</u>
			\$ <u>21,752</u>

3. For one purchase, three price quotations were obtained but all requested a specific brand name. Documentation as to why a specific brand name was requested could not be provided and the College's stated procurement policy indicates that this procurement restricted open competition.

<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>
31018	52077	12/09/08	\$ <u>2,799</u>

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 applicable procurement regulations and questioned costs of \$60,607.

Recommendation: We recommend that the College strengthen controls over procurement to maximize competition while maintaining the best interests of the College.

Prior Year Status: Noncompliance with applicable procurement policies was reported as a finding in the Single Audits of the College for fiscal years 2007 and 2008.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-7, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.203 Payments to Agricultural Experiment Stations Under the Hatch Act  
Federal Award Nos.: 2009-3110006095 and 2008-3110006095  
Federal Award Periods: 10/01/08 - 09/30/09 and 10/01/07 - 09/30/08  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$60,607

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Ms. Anita Camacho, Procurement Officer, Ms. Solita Barnes, Chief Accountant, Mr. Ross Manglona, Director, NMC CSREES, and Mr. Henry Hofschneider, Chief Financial and Administrative Officer

**Corrective Action:**

For the items under "1.", the College concurs with the auditor.

For the items noted under "2.", the College disagrees with the auditor. If the College is expected to document consideration of local vendors when it chooses to sole source, an allowable procurement option under policy with acceptable documentation (a procurement form and or a memo) duly reviewed and approved the appropriate College officials, why have the ability to sole source a service in our policy? The College is concerned that the auditor is interpreting the intent of the College's policy and not simply testing its compliance. The sole source option is allowed by College policy provided the reasoning is noted and accepted by authorized officials of the institution (the Procurement Officer) as evidenced by the sole source form from procurement or a justification memo in lieu of the form. The College is of the opinion it is in compliance with policy on this.

For the item under "3.", the College concurs with the finding. When brand name products are requested, the College will ensure that the reasoning for such is clearly documented.

The College has updated its Procurement Policies and Procedures to be more consistent with federal expectations. It is expected that such will resolve some of the issues noted in this finding. The policy changes noted earlier will also ensure that the expectations are clearer so that the auditors role will be to verify compliance not determine the intent or interpret internal policies for us.

Corrective action plans for items which the College concurs with are noted above.

**Proposed Completion Date:** September 30, 2010

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-8  
 Federal Agency: U.S. Department of Agriculture  
 CFDA Program: 10.500 Cooperative Extension Service  
 Federal Award Nos.: 2009-41100-05700, 2009-41510-05700, 2009-48024-05700 and 2009-41520-04315  
 Federal Award Period: 10/01/08 - 09/30/09  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$5,202

Criteria: Expenditures should be authorized, supported and approved prior to incurrence and recorded in the proper period. Further, travel costs should be allocated to programs that benefit from the travel.

Condition: Of \$518,396 nonpayroll expenditures, thirty-one items totaling \$55,095 were tested. Further, of \$439,657 payroll expenditures, twenty-four items totaling \$18,260 were tested. Our tests noted the following:

1. Airfare for one traveler who did not attend or complete the travel was charged to the program.

<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>
36214	TW-104345	04/28/09	\$ <u>234</u>

2. Total travel costs for two travelers was charged to the program; however, the related conference benefited two programs.

<u>Document No.</u>	<u>GL Date</u>	<u>Total Amount Charged</u>	<u>Amount Charged at 50%</u>
TA-104343	04/14/09	\$ 2,702	\$ 1,351
TA-104343A	04/14/09	\$ 2,250	1,125
TA-104344	04/14/09	\$ 2,702	1,351
TA-104344A	04/14/09	\$ 2,000	<u>1,000</u>
			\$ <u>4,827</u>

3. For one employee, 25% hours worked were charged to the program although zero hours were worked on the program per the timesheet.

<u>Payroll Period No.</u>	<u>Payment Reference No.</u>	<u>Payment Date</u>	<u>Questioned Cost</u>
PP # 22/08	V024937	10/24/08	\$ 141

Cause: The causes of the above conditions are weak control procedures over program cost allocation and that salary charges are based on actual hours worked.

Effect: The effects of the above conditions are the use of federal funds for unauthorized and unsupported expenditures and questioned costs of \$5,202. This matter is reportable as the projected questioned costs exceed the threshold of \$10,000.



NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-8, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.500 Cooperative Extension Service  
Federal Award Nos.: 2009-41100-05700, 2009-41510-05700, 2009-48024-05700 and 2009-41520-04315  
Federal Award Period: 10/01/08 - 09/30/09  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$5,202

Recommendation: We recommend that the College strengthen control procedures to ensure that travel costs are properly allocated and that salaries charged are based on actual time spent on the program.

Prior Year Status: Weak control procedures over program cost allocation and that salary charges are based on actual hours worked was reported as a finding in the Single Audits of the College for fiscal years 2007 and 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Ms. Anita Camacho, Procurement Officer, Ms. Solita Barnes, Chief Accountant, Mr. Ross Manglona, Director, NMC CSREES, and Mr. Henry Hofschneider, Chief Financial and Administrative Officer

**Corrective Action:** The College partially concurs with this finding.

For the item under "1.", the College concurs with the finding and prefers to move such cost to general fund operations and requests that the questioned cost be removed.

For the items under "2.", the College disagrees with the finding. The AREERA Act 1998 calls for increased levels of integrated and multistate activities. This Act provides an exception to CNMI and other territories from meeting the minimum percentage expectations required therein for these activities however it encourages participation by all land grant institutions in such. The conference in question is USDA sponsored activity and participation by personnel on either side of the land grant mission are encouraged to participate. Further the auditors understanding of the two funding sources the College receives as a result of its land grant status appears cursory and our attempts to explain this were not well received. Based on such we request that the finding and related questioned costs be removed.

For the item noted under "3.", we are unable to determine, based on the information provided in the finding, how the auditor concluded that the \$141 cited as a payroll questioned cost could not be substantiated as an allowable cost.

Corrective action plans for items which the College concurs with are noted above.

**Proposed Completion Date:** September 30, 2010

Auditor Response: Items specified in condition #1 had been reimbursed by the grantor agency.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-9  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.500 Cooperative Extension Service  
Federal Award Nos.: 2009-41100-05700, 2009-41510-05700, 2009-48024-05700 and 2009-41520-04315  
Federal Award Period: 10/01/08 - 09/30/09  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$2,549

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. Specifically, the College's Procurement Regulations state the following:

- a. Any lease or purchase of vehicles, machinery, and equipment should be procured pursuant to competitive sealed bidding.
- b. 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.
- c. 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.
- d. All contracts must be signed by the Legal Counsel, a College official with expenditure authority, the Chief Financial and Administrative Officer, the President, the Chairperson of the Board of Regents (if contract amount exceeds \$25,000) and the Contractor.

Condition: Of \$518,396 nonpayroll expenditures, our tests of thirty-one items totaling \$55,095 noted that for one travel there was documentation comparing quotes from three travel agents; however, copies of price quotes were not evident and the price comparisons did not include quotes for all available airlines.

<u>Check No.</u>	<u>Document No.</u>	<u>GL Date</u>	<u>Amount</u>
36573	TA-104375	05/29/09	\$ <u>2,549</u>

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 applicable procurement regulations and questioned costs of \$2,549. This matter is reportable as the projected questioned costs exceed the threshold of \$10,000.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-9, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.500 Cooperative Extension Service  
Federal Award Nos.: 2009-41100-05700, 2009-41510-05700, 2009-48024-05700 and 2009-41520-04315  
Federal Award Period: 10/01/08 - 09/30/09  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$2,549

Recommendation: We recommend that the College strengthen controls over procurement to maximize competition while maintaining the best interests of the College.

Prior Year Status: Noncompliance with applicable procurement policies was reported as a finding in the Single Audits of the College for fiscal years 2007 and 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Ms. Anita Camacho, Procurement Officer, Ms. Solita Barnes, Chief Accountant, Mr. Ross Manglona, Director, NMC CSREES, and Mr. Henry Hofschneider, Chief Financial and Administrative Officer

**Corrective Action:** The College partially concurs with this finding.

The College maintains that the auditors expectations' go above and beyond the expectations of the applicable sections of the CFR and NMC policies governing such. At the recommendation of federal agencies contacted regarding such, the College has updated its Procurement Policies and Procedures to be more consistent with federal expectations. It is expected that such will resolve some of the issue noted in this finding. In the interim, we have also implemented additional internal procedures in an effort to avoid such audit findings.

Corrective action plans for items which the College concurs with are noted above.

**Proposed Completion Date:** September 30, 2010

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-10  
 Federal Agency: U.S. Department of Education  
 CFDA Program: 84.002 Adult Education- Basic Grants to States  
 Federal Award Nos.: V002A080055, V002A070055, V002A060055  
 Federal Award Period: 07/01/08 - 9/30/09, 07/01/07 - 9/30/08, 07/01/06 - 9/30/07  
 Area: Matching, Level of Effort, Earmarking  
 Questioned Costs: \$22,584

Criteria: The Adult Education and Family Literacy Act (the Act) requires the following:

1. An eligible agency may receive funds for any fiscal year if the Secretary finds that the fiscal effort per student or the aggregate expenditures of such eligible agency for adult education and literacy activities, in the second preceding fiscal year, was not less than 90 percent of the fiscal effort per student or the aggregate expenditures of the eligible agency for adult education and literacy activities, in the third preceding fiscal year.
2. 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).

Furthermore, in Program Memorandum - OVAE - 99-10 from the U.S. Department of Education, Office of Vocational Adult Education, Patricia McNeil provided non-regulatory guidance to identify options available to address ambiguous provisions in the Act relating to the maximum amount that may be available for administrative costs. For those grantees who wish to use the full \$65,000 in funds available for administrative costs, there are two options, as follows: (1) use funds made available for State leadership activities, or (2) use funds on a proportionate basis made available for State leadership activities and for Program grants and contracts. Also provided was a condition that if a grantee wishes to utilize either of the two options identified, the choice should be included as part of the State plan.

Condition:

1. The College's fiscal effort per student or the aggregate expenditures for adult education and literacy activities in fiscal year 2007, the second preceding fiscal year, was less than 90% of the fiscal effort per student or the aggregate expenditures of the eligible agency for adult education and literacy activities in 2006, calculated as follows:

Local effort in 2006	\$ 101,234
Level of effort rate	<u>90%</u>
Required local effort in 2007	91,111
Actual local effort in 2007	<u>71,614</u>
Deficient level of effort	\$ <u>19,497</u>

2. The College desired to make use of the full \$65,000 in funds available for administrative costs; however the specific option applied from Program Memorandum 99-10 was not included as part of the State plan, and no calculation was provided to demonstrate which option the College applied to maintain compliance with applicable earmarking requirements. Based on the more favorable option (i.e., Option 2 described above), the College's grants and contracts for eligible providers in fiscal years 2009 and 2008 was less than 82.5% of the eligible agency's grant funds in fiscal years 2009 and 2008, calculated as follows:

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-10, Continued  
 Federal Agency: U.S. Department of Education  
 CFDA Program: 84.002 Adult Education- Basic Grants to States  
 Federal Award Nos.: V002A080055, V002A070055, V002A060055  
 Federal Award Period: 07/01/08 - 9/30/09, 07/01/07 - 9/30/08, 07/01/06 - 9/30/07  
 Area: Matching, Level of Effort, Earmarking  
 Questioned Costs: \$22,584

Condition, Continued:

	<u>2009</u>	<u>2008</u>
Grant award	\$ 274,609	\$ 277,791
Less administrative costs allowable	<u>(65,000)</u>	<u>(65,000)</u>
Award available for earmarking	\$ <u>209,609</u>	\$ <u>212,791</u>
Adjusted earmarking levels:		
82.5% earmark level	\$ 226,552	\$ 229,178
12.5% earmark level	<u>34,326</u>	<u>34,724</u>
Adjusted earmark base	\$ <u>260,878</u>	\$ <u>263,902</u>
Required 82.5% earmark level, as adjusted	\$ 182,029	\$ 184,792
Less actual earmark	<u>(181,942)</u>	<u>(181,792)</u>
Deficient earmark	\$ <u>87</u>	\$ <u>3,000</u>

Subsequently, for the FY 2010 grant, the College's selected option and calculations were documented.

Cause: The cause of the above conditions is the lack of monitoring controls in place to ensure compliance with the above criteria.

Effect: The effect of the above conditions is noncompliance with the criteria and questioned costs of \$22,584.

Recommendation: We recommend that the Program implement control policies and procedures to ensure compliance with the criteria. Furthermore, the option utilized by NMC to comply with the Act, namely the earmarking requirements, should be included as part of its State plan.

Prior Year Status: Noncompliance with earmarking requirements was reported as a finding in the Single Audits of the College for fiscal years 2007 and 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Mr. Henry Hofschneider, Chief Financial and Administrative Officer

**Corrective Action:** The College partially agrees with this finding. On "Condition 1", the College will review its processes and ensure compliance with this provision of the grant. The College will seek the U.S. Department of Education's review of this deficiency of \$19,497 and will determine the appropriate disposition of the amount based on their guidance.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-10, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.002 Adult Education- Basic Grants to States  
Federal Award Nos.: V002A080055, V002A070055, V002A060055  
Federal Award Period: 07/01/08 - 9/30/09, 07/01/07 - 9/30/08, 07/01/06 - 9/30/07  
Area: Matching, Level of Effort, Earmarking  
Questioned Costs: \$22,584

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

On "Condition 2", NMC strongly disagrees with this finding. Adult Education and Family Literacy Act of 1998 or the Workforce Investment Act of 1998, provides two methods for determination of the amount of funds which can be used for administrative expenses. This provision is in place to recognize the fact that certain States and territories' allocation of funding is significantly lower and as such the 5% provision may not provide adequate funding to properly administer the program. The alternative option to such would allow for up to \$65,000 to be used for administrative expenses. Further a policy memo issued by the US Department of Education Division Office of Adult Education and Literacy confirms these options (memo attached).

NMC applies this provision and as such is in compliance with the earmarking provisions as confirmed by the Senior Program Advisor for the US Department of Education, Division of Adult Education and Literacy, Ms. Sarah Newcomb.

NMC is of the opinion that this effectively resolves this finding for FY2009 and all prior years and it is our expectation that this finding and questioned costs and similar prior year findings and questioned costs will also be removed from the FY2009 audit report.

**Proposed Completion Date:** September 30, 2010

Auditor Response: A program determination letter related to the 2008 finding has not been produced.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-11  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.002 Adult Education - Basic Grants to States  
Federal Award Nos.: V002A080055 and V002A080059  
Federal Award Periods: 07/01/08 - 09/30/09 and 09/01/08 - 08/31/09  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$2,272

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. Specifying a brand name product instead of allowing an equal product to be offered and describing the performance of other relevant requirements of the procurement restricts full and open competition. Specifically, the College's Procurement Regulations state the following:

- a. Any lease or purchase of vehicles, machinery, and equipment should be procured pursuant to competitive sealed bidding.
- b. 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.
- c. 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.

Condition: Of \$388,938 nonpayroll expenditures, our tests of twenty-one items totaling \$84,520 noted the following:

- a. Price quotations from travel agents to support the price analysis were not provided for the following:

<u>Document No.</u>	<u>Fund Code</u>	<u>GL Date</u>	<u>Check No.</u>	<u>Amount</u>
TA-104244	EA209	06/04/09	36651	\$ <u>2,272</u>

- b. 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 lower bidder was selected and the solicitation was advertised.

Cause: 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.

Effect: The effect of the above condition is noncompliance with applicable procurement regulations and questioned costs of \$2,272 since the projected costs exceeded \$10,000.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-11, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.002 Adult Education - Basic Grants to States  
Federal Award Nos.: V002A080055 and V002A080059  
Federal Award Periods: 07/01/08 - 09/30/09 and 09/01/08 - 08/31/09  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$2,272

Recommendation: We recommend that the College strengthen controls over procurement to maximize competition while maintaining the best interests of the College.

Prior Year Status: Noncompliance with applicable procurement policies was reported as a finding in the Single Audits of the College for fiscal years 2007 and 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Ms. Anita Camacho, Procurement Officer, Ms. Solita Barnes, Chief Accountant, and Mr. Henry Hofschneider, Chief Financial and Administrative Officer

**Corrective Action:** The College disagrees with this finding.

The College has maintains that the auditors expectations' go above and beyond the expectations of the applicable sections of the CFR and NMC policies governing travel. At the recommendation of federal agencies contacted regarding this, the College has updated its Procurement Policies and Procedures to be more consistent with federal expectations. It is expected that such will resolve some of the issue noted in this finding. In the interim, we have also implemented additional internal procedures in an effort to avoid such audit findings.

Corrective action plans for items which the College concurs with are noted above.

**Proposed Completion Date:** September 30, 2010



NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-12  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.002 Adult Education - Basic Grants to States  
Federal Award Nos.: V002A080059  
Federal Award Periods: 09/01/08 - 08/31/09  
Area: Subrecipient Monitoring  
Questioned Costs: \$-0-

**Criteria:** In accordance with OMB Circular A-133, Part III Compliance Requirements Subrecipient Monitoring, a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

**Condition:** Price quotations to evidence subrecipient monitoring performed by the College were not provided:

<u>Subrecipient</u>	<u>Document No.</u>	<u>Fund Code</u>	<u>GL Date</u>	<u>Check No.</u>	<u>Amount</u>
ASCC	C-3058	ETR09	08/10/09	37308	\$ 13,821

**Cause:** The cause of the above condition is lack of compliance with subrecipient monitoring requirements.

**Effect:** The effect of the above condition is noncompliance with subrecipient monitoring requirements. No questioned costs result from this finding as the related subrecipient costs were allowable under the grant.

**Recommendation:** We recommend that the Program ensure compliance with subrecipient monitoring requirements.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Mr. Henry Hofschneider, Chief Financial and Administrative Officer

**Corrective Action:** The College concurs with this finding. The College will contact American Samoa Community College (ASCC) and request that they provide the necessary information regarding their compliance with the A-133 audit provisions to determine their compliance with applicable procurement regulations. This will be documented on file for future reference.

**Proposed Completion Date:** September 30, 2010

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-13  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.378 College Access Challenge Grant Program  
Federal Award No.: P378A080051  
Federal Award Period: 08/14/08 - 08/13/09  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$-0-

Criteria: A grantee may use not more than 6 percent of the total amount of the sum of the federal share provided and nonfederal share required for administrative purposes.

Condition: There is no separate account code to identify expenditures for administrative purposes, hence we could not verify if the administrative costs do not exceed the 6% ceiling.

Cause: The cause of the above condition is the lack of a separate account code to monitor charges to administrative costs.

Effect: The effect of the above condition is potential noncompliance with the grant requirement. No questioned costs is raised since we cannot determine the amount of administrative costs in excess of the maximum allowed.

Recommendation: We recommend that the College assign a separate account code to monitor charges to administrative costs.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Mr. Henry Hofschneider, Chief Financial and Administrative Officer

**Corrective Action:** The College partially agrees with this finding. While the auditor is correct in that there is no specific account code set up for charging of administrative costs, the College elected not to charge any costs directly to the program during fiscal year 2009. As such, there are no administrative costs incurred against this grant. Should the College elect to charge administrative costs in subsequent grant years, it will ensure that those are accumulated under a specific account code to ensure compliance with the 6% ceiling.

**Proposed Completion Date:** September 30, 2010

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-14  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.612 Native American Programs  
Federal Award No.: 90NA786203  
Federal Award Period: 09/30/08 - 09/29/09  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$16,776

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. Specifically, the College's Procurement Regulations state the following:

- a. Any lease or purchase of vehicles, machinery, and equipment should be procured pursuant to competitive sealed bidding.
- b. 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.
- c. 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.
- d. All contracts must be signed by the Legal Counsel, a College official with expenditure authority, the Chief Financial and Administrative Officer, the President, the Chairperson of the Board of Regents (if contract amount exceeds \$25,000) and the Contractor.

Condition: Of \$181,038 nonpayroll program expenditures, our tests of ten items amounting to \$71,878 noted the following:

- a. For one disbursement (Check Number 36513) amounting to \$8,370, the purchase was made through the sole source method but there was no evidence that other available sources were considered.
- b. For two disbursements (Check Numbers 38071 and 36803) amounting to \$8,406, the determination of the vendor/contractor selection was not documented.

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 applicable procurement regulations and questioned costs of \$16,776.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-14, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.612 Native American Programs  
Federal Award No.: 90NA786203  
Federal Award Period: 09/30/08 - 09/29/09  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$16,776

Recommendation: We recommend that the College strengthen controls over procurement to maximize competition while maintaining the best interests of the College.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Ms. Anita Camacho, Procurement Officer and Mr. Henry Hofschneider, Chief Financial and Administrative Officer

**Corrective Action:** The College partially concurs with this finding.

For the item noted under "a.", the College disagrees with the auditors' conclusion. If the College is expected to document consideration of local vendors when it chooses to sole source, an allowable procurement option under policy, with acceptable documentation (a procurement form and or a memo) duly reviewed and approved the appropriate College officials, why have the ability to sole source a service in our policy? The College is concerned again that the auditor is interpreting the intent of the College's policy and not simply testing its compliance. The sole source option is allowed by College policy provided the reasoning is noted and accepted by authorized officials of the institution (the Procurement Officer) as evidenced by the sole source form from procurement or a justification memo in lieu of the form. The College is of the opinion it is in compliance with policy on this.

For the items noted under "b.", the College concurs with this finding under the assumption that no sole source procurement documentation is on file.

For purchases which do not have documentation which support sole sourcing of the good or services, the College will ensure that procurement documentation is on file to support the selection criteria for the vendor/contractor.

**Proposed Completion Date:** September 30, 2010

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2009

Finding No.: 2009-15  
CFDA No.: All Major Programs  
Area: Equipment and Real Property Management  
Questioned Costs: -0-

**Criteria:** In accordance with applicable equipment management requirements, procedures for managing equipment, whether acquired in whole or in part with grant funds, until disposition takes place will, of a minimum, meet the following requirements:

- 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 the equipment, including the award number, whether title vests in the recipient or the Federal Government, the acquisition date and cost of the property, percentage of Federal participation in the cost of the equipment, 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 equipment must be taken and the results reconciled with the equipment records at least once every two years.

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

**Condition:** The College's property records lack of 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. In addition, a physical inventory was not performed annually as required by the College's Property Management and Accountability Manual.

Property and equipment acquisitions of the College from federal funds for the last three years are as follows:

<u>CFDA Number</u>	<u>FY2009</u>	<u>FY2008</u>	<u>FY2007</u>
10.203	\$ 95,377	\$ 210,047	\$ 152,293
10.500	12,065	10,707	25,292
15.875	-	-	398,881
84.002	8,096	11,653	19,306
84.042	-	18,829	22,132
84.044	13,598	14,023	5,014
84.047	-	29,574	7,990
84.315	20,075	-	-
84.378	-	-	28,116
93.612	-	-	31,235
Totals	\$ <u>149,211</u>	\$ <u>294,833</u>	\$ <u>690,259</u>

**Cause:** The cause of the above condition is lack of information required by federal regulations and the 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, 2009

Finding No.: 2009-15, Continued  
CFDA No.: All Major Programs  
Area: Equipment and Real Property Management  
Questioned Costs: -0-

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. No questioned costs result from this finding due to our inability to assess the dollar amount of property and equipment acquired with federal funds over the years.

Recommendation: We recommend that the College to take necessary actions to comply with applicable federal property rules and regulations and the Property Management and Accountability Manual.

Prior Year Status: Lack of policies and procedures to comply with federal property management standards was reported as a finding in the Single Audits of the College for fiscal years 2005 through 2008.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Ms. Anita Camacho, Procurement Officer and Mr. Henry Hofschneider, Chief Financial & Administrative Officer.

**Corrective Action:** The College partially agrees with this finding.

The College procured a new fixed asset accounting software and is still in the process of updating such for the information required under the applicable CFR regarding accounting of federal assets. The College however disagrees with the auditors' assertion that no physical inventory of assets was conducted in FY2009. As noted in our response to a similar finding in FY2008, the College did conduct a physical inventory in FY2009. The College has further amended its Policies and Procedures to mirror the Federal expectations that physical inventories of fixed assets be conducted at least once every two years.

**Proposed Completion Date:** September 30, 2010

NORTHERN MARIANAS COLLEGE

Unresolved Prior Year Findings and Questioned Costs  
Year Ended September 30, 2009

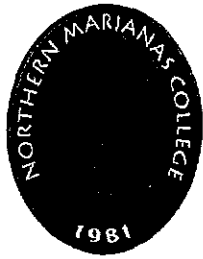
Questioned Costs

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, 2009:

Questioned costs as previously reported	\$ 353,168
Less questioned costs resolved in fiscal year 2009	<u>(26,777)</u>
	326,391
Questioned costs of fiscal year 2009 Single Audit	<u>117,073</u>
Unresolved questioned costs at September 30, 2009	\$ <u>443,464</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 37).



# Northern Marianas College

P.O. Box 501250 • Saipan, MP 96950 U.S.A. • Phone: (670) 234-5498  
Fax: (670) 234-0759 • Web Site: [www.nmcnet.edu](http://www.nmcnet.edu)

## 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, 2008:

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

Finding No. 2008-1 - Not corrected. See corrective action plan to Finding No. 2009-1.

Finding No. 2008-2 - Not corrected. See corrective action plan to Finding No. 2009-2.

Finding No. 2008-3 - Corrective action was taken.

### **FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

Finding No. 2008-4 - Not corrected. See corrective action plan to Finding No. 2009-6.

Finding No. 2008-5 - Not corrected. See corrective action plan to Finding No. 2009-8.

Finding No. 2008-6 - Not corrected. See corrective action plan to Finding No. 2009-7.

Finding No. 2008-7 - Not corrected. See corrective action plan to Finding No. 2009-9.

Finding No. 2008-8 - Not corrected. See corrective action plan to Finding No. 2009-11.

Finding No. 2008-9 - Corrective action was taken.

Finding No. 2008-10 - Corrective action was taken.

Finding No. 2008-11 - Not corrected. See corrective action plan to Finding No. 2009-10.

Finding No. 2008-12 - Corrective action was taken.

Finding No. 2008-13 - Not corrected. See corrective action plan to Finding No. 2009-15.

Finding No. 2008-14 - Corrective action was taken.