

COMMONWEALTH HEALTHCARE CORPORATION  
(A COMPONENT UNIT OF THE COMMONWEALTH  
OF THE NORTHERN MARIANA ISLANDS)

INDEPENDENT AUDITORS' REPORTS ON  
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2018

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

Ms. Esther L. Muna  
Chief Executive Officer  
Commonwealth Healthcare Corporation:

We have audited, 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, the financial statements of the Commonwealth Healthcare Corporation (CHCC), a component unit of the Commonwealth of the Northern Mariana Islands, which comprise the statement of net position as of September 30, 2018, and the related statements of revenues, expenses and changes in net position, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2022. Our report was qualified due to our inability to determine the effects of the lack of adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* on CHCC's financial statements, to validate the existence of capital assets, and to determine the propriety of inventories and related expenses.

### **Internal Control Over Financial Reporting**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 through 2018-005 and 2018-008 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2018-006 to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether CHCC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001, 2018-004, 2018-005, and 2018-008.

## CHCC's Response to Findings

CHCC's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. CHCC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Deloitte & Touche LLC*

February 18, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

Ms. Esther L. Muna  
Chief Executive Officer  
Commonwealth Healthcare Corporation:

### **Report on Compliance for Each Major Federal Program**

We have audited Commonwealth Healthcare Corporation's (CHCC's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CHCC's major federal programs for the year ended September 30, 2018. CHCC's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of CHCC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CHCC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Basis for Qualified Opinion on Each Major Federal Program***

As described in items 2018-008 through 2018-015, 2018-017 through 2018-023 and 2018-025 in the accompanying Schedule of Findings and Questioned Costs, CHCC did not comply with requirements regarding the following:

<b><i>Finding #</i></b>	<b><i>CFDA #</i></b>	<b><i>Program or Cluster Name</i></b>	<b><i>Compliance Requirement</i></b>
2018-008	10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Equipment and Real Property Management
2018-009	10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Period of Performance
2018-010	10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement and Suspension and Debarment
2018-011	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Allowable Costs/Cost Principles
2018-012	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Matching, Level of Effort, Earmarking
2018-013	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Procurement and Suspension and Debarment
2018-014	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Reporting
2018-015	93.243	SAMHS Projects of Regional and National Significance	Allowable Costs/Cost Principles
2018-017	93.243	SAMHS Projects of Regional and National Significance	Procurement and Suspension and Debarment
2018-018	93.243	SAMHS Projects of Regional and National Significance	Reporting
2018-019	93.243	SAMHS Projects of Regional and National Significance	Subrecipient Monitoring
2018-020	93.268	Immunization Cooperative Agreements	Allowable Costs/Cost Principles
2018-021	93.268	Immunization Cooperative Agreements	Program Income
2018-022	93.268	Immunization Cooperative Agreements	Reporting
2018-023	93.268	Immunization Cooperative Agreements	Special Tests and Provisions
2018-025	93.505/93.870	Maternal, Infant, and Early Childhood Home Visiting Cluster	Procurement and Suspension and Debarment

Compliance with such requirements is necessary, in our opinion, for CHCC to comply with the requirements applicable to those programs.

***Qualified Opinion on Each Major Federal Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, CHCC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-007, 2018-016, 2018-024, and 2018-026. Our opinion on each major federal program is not modified with respect to these matters.

CHCC’s response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. CHCC’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of CHCC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CHCC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CHCC's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2018-008 through 2018-015, 2018-017 through 2018-023 and 2018-025 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2018-007, 2018-016, 2018-024 and 2018-026 to be significant deficiencies.

CHCC's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. CHCC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of CHCC as of and for the year ended September 30, 2018, and have issued our report thereon dated February 18, 2022, which contained a qualified opinion due to our inability to determine the effects of the lack of adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* on CHCC's financial statements, to validate the existence of capital assets, and to determine the propriety of inventories and related expenses. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Deloitte & Touche LLC*

February 18, 2022



COMMONWEALTH HEALTHCARE CORPORATION

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE DIRECT PROGRAM</b>				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		\$ -	\$ 4,020,770
<b>U.S. DEPARTMENT OF THE INTERIOR DIRECT PROGRAM:</b>				
Economic, Social, and Political Development of the Territories	15.875		-	588,017
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES DIRECT PROGRAMS</b>				
Public Health Emergency Preparedness	93.069		-	49,568
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073		-	200,824
Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements (2018)				
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074		-	613,692
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104		-	789,153
Maternal and Child Health Federal Consolidated Programs	93.110		-	55,762
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		-	748,965
Projects for Assistance in Transition from Homelessness (PATH)	93.150		-	33,299
Family Planning Services	93.217		-	148,480
Health Center Program Cluster:				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		-	484,813
Total Health Center Program Cluster			-	484,813
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		303,705	1,404,176
Universal Newborn Hearing Screening	93.251		-	236,026
Immunization Cooperative Agreements	93.268		-	4,204,462
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		-	250
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314		-	57,434
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		-	294,700
Maternal, Infant, and Early Childhood Home Visiting Cluster:				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505		-	919,161
Total Maternal, Infant, and Early Childhood Home Visiting Cluster			-	919,161
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521		-	23,905
Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	93.644		-	127,123
Opioid STR	93.788		-	28,061
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815		-	130,770
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		-	11,594
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		-	514,634
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912		-	94,296
HIV Care Formula Grants	93.917		-	42,087
Assistance Programs for Chronic Disease Prevention and Control	93.945		-	198,454
Block Grants for Community Mental Health Services	93.958		-	61,192
Block Grants for Prevention and Treatment of Substance Abuse	93.959		-	279,593
Preventive Health and Health Services Block Grant	93.991		-	49,274
Maternal and Child Health Services Block Grant to the States	93.994		-	454,304
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>303,705</u>	<u>12,256,052</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY PASS-THROUGH PROGRAM FROM:</b>				
CNMI Government - Disaster Assistance Projects	97.088	FEMA-4235-DR	-	248,138
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 303,705</u>	<u>\$ 17,112,977</u>
Reconciliation:				
Federal grant expenditures				\$ 17,116,547
Unreconciled differences				(3,570)
				<u>\$ 17,112,977</u>

See accompanying notes to schedule of expenditures of federal awards.



COMMONWEALTH HEALTHCARE CORPORATION

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

(1) Scope of Review

CHCC was created through CNMI Public Law 16-51, effective October 1, 2011. All significant operations of CHCC are included in the scope of the Uniform Guidance audit (the "Single Audit").

(2) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of CHCC under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CHCC, it is not intended to and does not present the financial position, changes in net position or cash flows of CHCC.

(3) Summary of Significant Accounting Policies

a. Basis of Accounting

For purposes of this report, certain accounting procedures were followed which help illustrate the expenditures of the individual programs. The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. All expenses and capital outlays are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Any federal funds expended in excess of federal funds received are recorded as a receivable from the grantor agency and any federal funds received in excess of federal funds expended are recorded as unearned revenue and/or restricted net position.

b. Subgrantees

Certain program funds are passed through CHCC to subgrantee organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subgrantees outside of CHCC's control utilized the funds.

c. Indirect Costs

CHCC does not have an indirect cost negotiation agreement and elected to use the de minimis indirect cost rate allowed under the Uniform Guidance.

COMMONWEALTH HEALTHCARE CORPORATION

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

**Section I - Summary of Auditors' Results**

*Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Qualified

Internal control over financial reporting:

2. Material weakness(es) identified? Yes

3. Significant deficiency(ies) identified? Yes

4. Noncompliance material to the financial statements noted? Yes

*Federal Awards*

Internal control over major federal programs:

5. Material weakness(es) identified? Yes

6. Significant deficiency(ies) identified? Yes

7. Type of auditors' report issued on compliance for major federal programs: Qualified

8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

9. Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance
93.268	Immunization Cooperative Agreements Maternal, Infant, and Early Childhood Home Visiting Cluster

10. Dollar threshold used to distinguish between type A and type B Programs: \$750,000

11. Auditee qualified as low-risk auditee? No

COMMONWEALTH HEALTHCARE CORPORATION

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

**Section II - Financial Statement Findings**

<u>Reference Number</u>	<u>Finding</u>
2018-001	Local Procurement/Non-Payroll Expenditures
2018-002	Payroll/Employee Benefits
2018-003	Inventory
2018-004	Capital Assets
2018-005	Due to Related Parties
2018-006	Withholding Taxes Payable
2018-008	Equipment and Real Property Management

**Section III - Federal Award Findings and Questioned Costs**

<u>Reference Number</u>	<u>CFDA Numbers</u>	<u>Finding</u>	<u>Questioned Costs</u>
2018-007	10.557	Eligibility	\$ 204
2018-008	10.557	Equipment and Real Property Management	-
2018-009	10.557	Period of Performance	40,773
2018-010	10.557	Procurement and Suspension and Debarment	-
2018-011	93.104	Allowable Costs/Cost Principles	10,674
2018-012	93.104	Matching, Level of Effort, Earmarking	39,975
2018-013	93.104	Procurement and Suspension and Debarment	70,257
2018-014	93.104	Reporting	-
2018-015	93.243	Allowable Costs/Cost Principles	2,440
2018-016	93.243	Matching, Level of Effort, Earmarking	55,000
2018-017	93.243	Procurement and Suspension and Debarment	207,725
2018-018	93.243	Reporting	-
2018-019	93.243	Subrecipient Monitoring	205,310
2018-020	93.268	Allowable Costs/Cost Principles	52,188
2018-021	93.268	Program Income	56,608
2018-022	93.268	Reporting	-
2018-023	93.268	Special Tests and Provisions	-
2018-024	93.505/93.870	Period of Performance	5,297
2018-025	93.505/93.870	Procurement and Suspension and Debarment	45,005
2018-026	93.505/93.870	Reporting	-
			<u>\$ 791,456</u>

COMMONWEALTH HEALTHCARE CORPORATION

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

Local Procurement/Non-Payroll Expenditures

Finding No. 2018-001

Criteria: CHCC procurement regulations and a memo regarding purchase threshold changes state the following:

- Non-medical procurement greater than \$3,000 up to \$10,000 and medical procurement greater than \$3,000 up to \$50,000 require at least three quotations.
- For any sole source procurement, a written justification for sole source procurement shall be prepared by the Chief Executive Officer (CEO), the official with expenditure authority and shall contain the specific unique capabilities required; the specific unique capabilities of the contractor; the efforts made to obtain competition; and the specific considerations given to alternative sources and specific reasons why alternative sources were not selected.
- Conditions for use. When the CEO, the official with expenditure authority, determines in writing that the use of a competitive sealed bidding is either not practical or not advantageous to the government and receives the approval of the CHCC Procurement & Supply (P&S) Director, a contract may be entered into by competitive sealed proposals.
- A written justification of the basis for the emergency and for the selection of the particular contractor must be made by the CEO, the official with expenditure authority. The CHCC P&S Director shall state approval in writing.
- Adequate public notice of the request for proposals shall be given in the same manner as provided for in competitive sealed bids.

Further, an effective system of internal control includes policies and procedures to determine that transactions are adequately substantiated and that relevant supporting documents are maintained on file.

Condition: Of twenty locally funded nonpayroll expenditures tested, totaling \$517,300, we noted the following:

- a. For 5%, or one small purchase, only two quotations were obtained, with no evidence of effort to obtain at least one other vendor quotation.

<u>General Ledger Date</u>	<u>Document No.</u>	<u>Contract/ Purchase Order (PO) No.</u>	<u>Contract/ PO Amount</u>	<u>Amount of Expenditure Tested</u>	<u>Description</u>
04/05/18	PV 1373615	641399 OP	\$ 4,595	\$ 2,298	Purchase of preventative maintenance supplies

- b. For 30%, or six sole source procurements, the required written justification was not provided.

<u>General Ledger Date</u>	<u>Document No.</u>	<u>Contract/ Purchase Order (PO) No.</u>	<u>Contract/ PO Amount</u>	<u>Amount of Expenditure Tested</u>	<u>Description</u>
09/20/18	PV 1420400	658385 OC	\$ 900,000	\$ 68,435	Laboratory services
01/12/18	PV 1369623	612044 OC	\$ 572,002	\$ 15,000	Preventative maintenance repair & calibration services
06/29/18	PV 1409258	609794 OC	\$ 1,200,000	\$ 34,729	Hemodialysis machine consumables and supplies for maintenance of the hemodialysis machines
06/19/18	PV 1406478	659162 OP	\$ 20,521	\$ 20,521	Chemistry reagents and supplies
04/16/18	PV 1379441	643128 OC	\$ 72,020	\$ 36,010	Replacement of Operating Room Ultrasonic Cleaner
04/23/18	PV 1380165	654083 OC	\$ 245,180	\$ 61,295	Database management system services

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No. 2018-001, Continued

Condition, Continued:

- c. For 10%, or two requests for proposal, neither the required written determination by the CEO nor the approval of the CHCC P&S Director was provided.

<u>General Ledger Date</u>	<u>Document No.</u>	<u>Contract/ Purchase Order (PO) No.</u>	<u>Contract/ PO Amount</u>	<u>Amount of Expenditure Tested</u>	<u>Description</u>
12/06/17	PV 1366277	643560 OC	\$ 408,000	\$ 34,000	Housekeeping services
11/20/17	BE 309251	639096 OC	\$ 48,587	\$ 48,587	Perform demolition, repair, and finish work of CHCC, Area 10 partition.

- d. For 10%, or two emergency procurements, neither the required written justification by the CEO nor the approval of the CHCC P&S Director was provided.

<u>General Ledger Date</u>	<u>Document No.</u>	<u>Contract/ Purchase Order (PO) No.</u>	<u>Contract/ PO Amount</u>	<u>Amount of Expenditure Tested</u>	<u>Description</u>
11/21/18	PV 1364677; PV 1403149	632171 OC	\$ 307,507	\$ 6,589	Qualified healthcare personnel, specifically nurses, due to shortage
04/09/18	PV 1378755	654742 OC	\$ 256,840	\$ 84,757	Installation of a new IV room

- e. For 5%, or one RFP, the required public notice was not provided.

<u>General Ledger Date</u>	<u>Document No.</u>	<u>Contract/ Purchase Order (PO) No.</u>	<u>Contract/ PO Amount</u>	<u>Amount of Expenditure Tested</u>	<u>Description</u>
11/20/17	BE 309251	639096 OC	\$ 48,587	\$ 48,587	To perform demolition, repair, and finish work of CHCC, Area 10 partition.

- f. For one (or 5%), supporting procurement documents evidencing full and open competition were not provided.

<u>General Ledger Date</u>	<u>Document No.</u>	<u>PV Amount</u>	<u>Amount of Expenditure Tested</u>	<u>Description</u>
09/25/18	PV 1421117	\$ 9,648	\$ 1,965	Communications services

Cause: CHCC did not enforce controls over adherence to procurement rules and regulations and over the systematic retention of procurement documentation.

Effect: CHCC is in noncompliance with procurement regulations.

Identification as a Repeat Finding: Finding No. 2017-001.

Recommendation: CHCC should strengthen procedures to comply with procurement regulations and to retain supporting procurement documentation.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement.

COMMONWEALTH HEALTHCARE CORPORATION

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

Payroll/Employee Benefits

Finding No. 2018-002

Criteria: Personnel expenses should be supported by an authorized notice of personnel action (NOPA), signed timecards, approved leave/ holiday work forms and approved timesheets. Relevant supporting documents should be on file.

Condition: Of forty payroll items tested, totaling \$3,161,061, we noted the following:

- a. For twenty-four (or 60%), NOPAs were not signed as approved by the Human Resources Officer at a reasonable time from the effective date.
- b. For twenty-one (or 52%), we were unable to determine if allotments were authorized by the employees.
- c. For one (or 2%), the annual leave form was approved after the leave date.

<u>Business Unit</u>	<u>Payroll Period Ended</u>	<u>Employee No.</u>
1841A	08/04/18	102861

- d. For two (or 5%), annual and/or sick leave forms did not indicate approval dates, and we were unable to determine if the employee's annual and/or sick leave was approved prior to or after the leave dates.

<u>Business Unit</u>	<u>Payroll Period Ended</u>	<u>Employee No.</u>
1811A	03/17/18	415134
1808A	05/12/18	579034

- e. For one (or 2%), the holiday work for one employee was incurred without approval.

<u>Business Unit</u>	<u>Payroll Period Ended</u>	<u>Employee No.</u>
1863A	12/09/17	480580

- f. For three (or 8%), timecards were manually entered without supporting justification and approval.

<u>Business Unit</u>	<u>Payroll Period Ended</u>	<u>Employee No.</u>
1822A	08/18/18	933630
1831A	09/29/18	934478
1832A	09/01/18	933994

Cause: CHCC did not enforce controls over the timely approval of NOPAs, the review and approval of payroll documents, and the maintenance of required documentation.

Effect: There is potential for invalid/unauthorized payroll expenses to remain undetected and uncorrected.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No. 2018-002, Continued

Identification as a Repeat Finding: Finding No. 2017-002.

Recommendation: CHCC should design and implement an effective system of internal controls over the payroll process. CHCC should consider the following areas:

- Review of related payroll entries;
- Proper authorization and supporting documentation for employee deductions;
- Timely review and approval of all payroll related transactions prior to posting;
- Proper documentation of signed timecards, approved leave/comp time forms, and holiday work authorizations to substantiate employee hours; and
- Review of payroll expenses for recording in the proper period.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement.



COMMONWEALTH HEALTHCARE CORPORATION

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

Inventory

Finding No. 2018-003

Criteria: An effective system of control includes procedures to: (1) reconcile inventory to the general ledger on a periodic basis and (2) monitor the movement and recording of inventory.

Condition:

- (1) The pharmacy inventory system is not linked to the general ledger.
- (2) Advances to vendors (vendor ID no. 816749) for pharmacy purchases are recorded as supplies expense. Further, invoices received for purchases are not reviewed. We were unable to quantify the total outstanding advances at September 30, 2018.
- (3) Changes to the inventory master file/database are not documented.
- (4) An assessment of inventory obsolescence was not provided.
- (5) Tests of the inventory subledger noted the following:

- a. As of September 30, 2018, general ledger inventory balances in Fund 1075 were not adjusted to reflect results of year-end physical counts. Variances between the general ledger and physical inventory balances are summarized as follows:

	<u>General Ledger Account No.</u>	<u>Physical Inventory Balance</u>	<u>General Ledger Balance</u>	<u>Variance</u>
Medical Supply	14110	\$ 907,668	\$ 1,749,516	\$ (841,848)
Central Supply	14120	\$ 25,830	\$ 2,360	\$ 23,470
Pharmacy	14140	\$ 573,918	\$ 511,495	\$ 62,423

Variances were corrected through proposed audit adjustments.

- b. CHCC's pharmacy does not maintain perpetual inventory records; therefore, the general ledger is not timely adjusted.
  - c. Fourteen inventory items for Medical Supply Room (index nos. 31208, 27642, 31747, 31704, 33464, 33448, 25704, 25712, 25720, 25674, 25690, 7757, 32667 and 30252) and seven inventory items for Central Supply Room (index nos. 25720, 25704, 25690, 25674, 33464, 33448 and 30252) were included more than once in the inventory valuation reports, resulting in an overstatement of \$26,291.
- (6) Of two medical supply items tested, the item ledger to support the system's calculation of unit cost for one item was not provided.

<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>	<u>Description</u>
08/09/18	51922 II	\$ 230	BAG,16GL YELLOW PLASTIC (Item No. 023469)

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No. 2018-003, Continued

Condition, Continued:

- (7) Of fourteen items physically counted at the Medical Supply office, seven do not agree to the final inventory valuation report.

<u>Index No.</u>	<u>Quantity Per Test Count</u>	<u>Quantity Per Final Valuation Report</u>	<u>Difference</u>
23388	318	359	(41)
10901	112	238	(126)
13366	35	54	(19)
13315	23	45	(22)
12831	73	42	31
10146	118	119	(1)
15172	29	30	(1)

- (8) Of twenty-three items physically counted at the Outpatient Pharmacy, one does not agree to the final inventory valuation report.

<u>NDC No.</u>	<u>Quantity Per Test Count</u>	<u>Quantity Per Final Valuation Report</u>	<u>Difference</u>
59310-0579-22	187	179	8

Cause: CHCC lacks controls over reconciliations to the general ledger, over policies and procedures to value inventories at net realizable value, and over management reviews of the inventory valuation report.

Effect: Inventories and related expenses could be materially misstated, and the potential for fraud exists.

Identification as a Repeat Finding: Finding No. 2017-003.

Recommendation: CHCC should establish policies and procedures to monitor, record and reconcile inventory to the general ledger and adopt a perpetual inventory system. Also, CHCC should determine and record inventory at net realizable value.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement with Conditions 3 through 8 and states disagreement with Conditions 1 and 2, as follows:

Condition 1 - We believe that having a stand-alone inventory monitoring for inpatient pharmacy is not a hindrance to proper accounting of inventory on hand and recording of actual expenditures.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No. 2018-003, Continued

Views of Responsible Officials, Continued:

Condition 2 - Pursuant to the Supply Agreement between CHCC and the in-patient pharmacy supplier, CHCC prepays at least \$50,000 to McKesson for purchase of drugs. The Pharmacy Manager provides monthly to Accounting all invoices for purchases for each month. A log of prepayments and purchases applied to these prepayments are maintained by the Supplier and verified by our Pharmacy Manager. At any given time, we know the balance of the "prepayment". Considering that pharmaceutical supplies are very fast moving and that we do not really maintain huge volume on hand, the effort of maintaining an inventory using the perpetual inventory method would outweigh the benefit. Hence, we account for pharmaceutical using the expense method. We do acknowledge that although the method of accounting is acceptable, we failed to prepare the journal entries at year end to adjust ending inventory and the balance of the prepayment or liability to vendor. Beginning fiscal year 2018, we will prepare the analysis and journal entries to reconcile our general ledger pharmaceutical inventory balance to the stand-alone inventory monitoring and the prepayment log.

Auditor Response:

Condition 1 - Having the inventory system interfaced to the general ledger would greatly reduce duplicate data entries made, thus, increasing the accuracy of the transactions being posted to the GL.

Condition 2 - A perpetual inventory system precisely benefits a large entity such as CHCC, that carry many different supplies on hand and are fast-moving. By using the perpetual system, real time updates occur, and management can make more informed decisions. Further, by interfacing the inventory system to the general ledger, it reduces the posting of certain repetitive journal entries and account errors.

COMMONWEALTH HEALTHCARE CORPORATION

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

Capital Assets

Finding No. 2018-004

Criteria: Capital assets should be properly recorded and maintained. Also, CHCC's Operating Policy: Inventory Control requires an annual physical inventory count of all capital items at least once every two years.

Condition: During the year ended September 30, 2018, CHCC recorded machinery, equipment, office equipment, improvements and computer software expenses totaling \$1,655,114, which qualify as capital asset acquisitions based on CHCC's capitalization policy. However, related depreciation expense and accumulated depreciation were not recorded at year end. These conditions were corrected through proposed adjustments at September 30, 2018.

In addition, CHCC did not perform a capital asset physical inventory for fiscal year 2018. No physical inventory was performed in fiscal years 2017 and 2016.

Cause: CHCC's policies and procedures over the accounting, physical inventory, and maintenance of capital assets and over adequate file maintenance became effective in April 2018.

Effect: Capital assets could be materially misstated.

Identification as a Repeat Finding: Finding No. 2017-004.

Recommendation: CHCC should perform its recently established policies and procedures over the accounting, physical inventory, and maintenance of capital assets. Additionally, CHCC should complete the physical inventory of capital assets and should reflect the results in CHCC's financial statements.

Views of Responsible Officials:

CHCC's Corrective Action Plan states disagreement regarding depreciation expense and accumulated depreciation, as follows:

CHCC Accounting maintains an excel listing of all capital assets and prepares the depreciation entries. We have not fully utilized the capabilities of the Accounting System to automatically calculate and post depreciation entries as our Procurement and Supply Office does not currently have the manpower trained to process such transaction. We believe that the excel file and the annual depreciation entries are enough to meet the reporting requirement of CHCC. Furthermore, CHCC believes that the recording of depreciation as year-end conversion entry from book fund basis financial statements to accrual financial statement is not a violation any accounting standards.

Auditor Response:

Related depreciation expense and accumulated depreciation were not recorded at year end, despite using the stand-alone Excel application.

COMMONWEALTH HEALTHCARE CORPORATION

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

Due to Related Parties

Finding No. 2018-005

Criteria: Related party transactions should be recorded in the financial statements and be timely reconciled.

Condition:

1. At September 30, 2018, CHCC recorded \$3,181,279 for unpaid employer contributions related to its defined benefit plan. The amount confirmed by the CNMI Government was \$6,842,972, resulting in a difference of \$3,661,693. A reconciliation of the variance was not available.
2. Public Law 19-08 (the Appropriations and Budget Authority Act of 2016) requires the expenditure authority to submit an itemized expenditures report on operations and personnel and payments of the public auditor's fee to the presiding officers of the legislature at the end of each quarter and year to date totals as of the close of the reporting period, if applicable. We have been advised that such a report has not been provided to the legislature.

Cause: CHCC lacks controls over the recording of related party transactions and the timely reconciliation of account balances.

Effect: Account balances could be materially misstated.

Identification as a Repeat Finding: Finding No. 2017-005.

Recommendation: CHCC should record and reconcile all related party transactions and accounts.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement with Condition 2 and states disagreement with Condition 1, as follows:

Condition 1 - The Settlement Order for federal District Court for the CNMI Case No. 09-00023, which states that the NMIRF shall assign to the CNMI government all rights to collect employer contributions deficient as of August 6, 2013 and related costs from the Autonomous Agencies, or any other CNMI instrumentalities. With this order, the previous obligation of CHCC to the NMI Retirement Fund became part of the CNMI Government obligation in form of Settlement Payments to the NMI Settlement Fund. We acknowledge that we did not reconcile with the NMI Retirement Fund prior to the Settlement Order. However, we believe that such liability is no longer the obligation of CHCC. The unfunded pension obligation should be calculated based on a recent actuarial valuation and allocation of CHCC share should be included in the valuation. Without such information, CHCC has no basis to recognize the liability.

Auditor Response:

Condition 1 - CHCC should discuss the matter and obtain concurrence with the CNMI Government or the Attorney General's (AG) Office if it believes the unpaid employer contribution liability is no longer its responsibility.

COMMONWEALTH HEALTHCARE CORPORATION

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

Withholding Taxes Payable

Finding No. 2018-006

Criteria: CNMI tax laws (Chapter 2 local tax and Chapter 7 NMTIT) require employers to withhold taxes from each employee's salary and to remit and report on the last day of the month following the end of the quarter to the CNMI Division of Revenue and Taxation (R&T), the taxing authority of the CNMI Government. Further, the Annual Reconciliation of Taxes Withheld (Form OS 3710) is required to be filed on or before February 28 of the following year.

Condition:

1. CHCC did not report Chapter 2 and Chapter 7 withholding taxes withheld from employee salaries on or before the due date for the third quarter of fiscal year 2018.
2. Payments were sporadic throughout the year and not specifically referenced to the quarter being paid. Similarly, the withholding returns did not indicate when payments were made.
3. A reconciliation of the quarterly returns to actual payments made is not being maintained.

Cause: CHCC lacks controls over compliance with CNMI tax laws and over the monitoring of required payments for each payroll period.

Effect: CHCC is in noncompliance with local laws and is subject to interest and penalties for nonpayment and failure to file.

Identification as a Repeat Finding: Finding No. 2017-006.

Recommendation: CHCC should report and remit to R&T withholding taxes payable in accordance with applicable CNMI laws.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement with Conditions 2 and 3 and states disagreement with Condition 1, as follows:

Condition 1 - Employer share of social security and Medicare Tax liabilities have been properly recorded and were timely paid during fiscal year 2018. Perhaps this finding was erroneously carried forward from prior year.

Auditor Response:

Condition 1 - The PY finding noted the 2017 first and third quarter filings were not reported before the due date. This finding is for the 2018 third quarter, which was filed late.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-007  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.557 WIC Special Supplemental Nutrition Program for Women, Infants, and Children  
Federal Award Number: 7NM700NM7  
Area: Eligibility  
Questioned Costs: \$204

Criteria: In accordance with applicable eligibility requirements, an applicant must meet an income standard established by the State agency or be determined to be automatically (adjunctively) income-eligible based on documentation of his/her eligibility, or certain family members' eligibility, for the following Federal programs: Medicaid or Supplemental Nutrition Assistance Program.

Condition: For one (or 4%) of twenty-five applicants tested, client ID 10010013688 (12/11/17) was not income-eligible as the applicant's actual monthly income of \$3,458 exceeded the applicable income threshold of \$3,148. The total amount of food benefits received by the client in fiscal year 2018 and obtained from the WIC Program was \$204, which is a questioned cost.

Cause: CHCC did not effectively perform monitoring controls over compliance with income-eligibility requirements.

Effect: CHCC is in noncompliance with applicable eligibility requirements, and questioned costs of \$204 exist as projected questioned costs exceed the threshold.

Recommendation: CHCC should monitor income eligibility determinations in accordance with applicable eligibility requirements. Responsible personnel should verify an applicant's Medicaid eligibility status prior to approving an automatic income-eligible determination.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement.



COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-008  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.557 WIC Special Supplemental Nutrition Program for Women, Infants, and Children  
Federal Award Number: 7NM700NM7  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

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

The CNMI Property Management Policies states that equipment, whether acquired in whole or in part with grant funds, until disposition takes place will, at a minimum, meet the following requirements:

- Description of the property.
- Manufacturer's serial and model numbers, federal stock number, national stock number, or other identification.
- Acquisition source of the property, including grant or agreement number and method of procurement.
- Whether title is vested with the CNMI or U.S. Government.
- Acquisition date and cost.
- Percentage (at the end of the budget year) of U.S. participation in the project or program for which the property was acquired.
- Location, use, condition, and the date the information was reported.
- Unit Acquisition Cost.
- Date of disposal and sale price method used to determine fair market value where the CNMI compensates the agency for its share.

Further, the Materials Supply Office (MSO) will conduct an annual inventory of property held by each Accountable Person as reflected in the master inventory control record. Further, MSO shall perform random audits of property held by each Accountable Person to validate the integrity of the property control process.

Condition: Tests of major program expenditures noted the following:

1. MSO did not perform a fixed asset physical inventory for FY 2018. No physical inventory was performed in fiscal years 2017 and 2016.
2. Property records maintained by MSO were not provided.
3. The total fixed assets schedule per the WIC program did not agree to the general ledger details, resulting in a variance of \$39,995.
4. A reconciliation was not performed between the Program and MSO.
5. The WIC program's fixed assets schedule did not include required information such as whether title is vested with the CNMI or U.S. Government, the grant number, method of procurement, and the use of the asset.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-008, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.557 WIC Special Supplemental Nutrition Program for Women, Infants, and Children  
Federal Award Number: 7NM700NM7  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Cause: CHCC did not enforce compliance with applicable equipment and real property management requirements.

Effect: CHCC is in noncompliance with applicable equipment and real property management requirements. No questioned cost is presented as we are unable to quantify the extent of the noncompliance. A summary of total capital outlays for FY 2018 major programs that do not have zero balances is as follows:

<u>CFDA Number</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY2016</u>	<u>FY2015</u>	<u>FY2014</u>	<u>Total</u>
10.557	\$ 22,526	\$ 39,619	\$ 80,285	\$ -	\$ -	\$ 142,430

Identification as a Repeat Finding: Finding No. 2017-026.

Recommendation: CHCC should consider identifying a fixed asset team and providing training on applicable equipment and real property management requirements, including documentation requirements. The responsible personnel should coordinate and conduct the required annual physical inventories and should reconcile results to the property records in accordance with applicable equipment and real property management requirements.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-009  
 Federal Agency: U.S. Department of Agriculture  
 CFDA Program: 10.557 WIC Special Supplemental Nutrition Program for Women, Infants, and Children  
 Federal Award Number: 7NM700NM7  
 Area: Period of Performance  
 Questioned Costs: \$40,773

Criteria: In accordance with applicable period of performance requirements, the grantee should liquidate all obligations incurred under the award not later than 120 days after the end of the funding period. Further, time extensions should be approved by the grantor.

Condition: For one (or 5%) of eighteen non-payroll expenditures tested, aggregating \$115,938 of a total population of \$671,766, liquidation occurred beyond 120 days from the budget end date of 09/30/17. Grant extension documentation was not provided.

<u>Business Unit</u>	<u>Document No.</u>	<u>General Ledger Date</u>	<u>Check No.</u>	<u>Cleared Date</u>	<u>Liquidation End Date</u>	<u>Days Lapsed</u>	<u>Questioned Costs</u>
CHA75570	1369744	01/16/18	7410	02/08/18	01/30/18	9	\$ 40,773

Cause: CHCC did not effectively monitor compliance with applicable period of performance requirements.

Effect: CHCC is in noncompliance with applicable period of performance requirements, and questioned costs of \$40,773.

Recommendation: Responsible personnel should review funding period dates prior to charging expenditures to a Federal award. Furthermore, responsible personnel should monitor check payments so that liquidations occur timely. Grantor approval should be sought if extensions are needed.

Views of Responsible Officials:

CHCC's Corrective Action Plan states disagreement, as follows:

CHCC does not concur with the finding. Check No 7410 for \$40,773 was written on January 16, 2018, 14 days prior to end of liquidation and was immediately subsequently mailed. CHCC have no control over when the vendor deposits the check.

Auditor Response:

The check was not dated January 16, 2018 as CHCC stated; it was dated January 26, 2018 or four days before the liquidation end date. Check payments were not monitored; hence, the liquidation did not occur timely.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-010  
 Federal Agency: U.S. Department of Agriculture  
 CFDA Program: 10.557 WIC Special Supplemental Nutrition Program for Women, Infants, and Children  
 Federal Award Number: 7NM700NM7  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$-0-

Criteria: In accordance with applicable procurement requirements, States will use the same policies and procedures used for procurements from non-Federal Funds. In accordance with CHCC’s procurement regulations, the expedited procurement method is available for special circumstances to harden and enhance the capability of protecting critical infrastructures. Such method shall be as competitive as possible under the circumstances and does not require the solicitation of bids for proposals below \$50,001.

Condition: For one (or 5%) of eighteen non-payroll expenditures tested, totaling \$115,938 of a total population of \$671,766, expedited procurement was used for repainting the Administrative Building and Clinic for purposes of meeting the grant’s expiration date. However, such rationale does not appear to justify the use of the expedited procurement method.

<u>Business Unit</u>	<u>TA/ Contract No.</u>	<u>Contract Amount</u>	<u>Total FY18 Expenditures Charged</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>
CHH75570	642515-OC	\$ 40,773	\$ 40,773	64520	01/16/18	1369744

Cause: CHCC did not effectively perform monitoring controls over the availability of funding.

Effect: CHCC is in noncompliance with applicable procurement requirements. No questioned cost is presented as the procurement was advertised and two proposals were received.

Recommendation: Responsible personnel should monitor grant expiry dates and should plan for requisitions earlier during the period of performance to allow for full and open competition in the procurement process.

Views of Responsible Officials:

CHCC’s Corrective Action Plan states agreement.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-011  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)  
 Federal Award Numbers: 5U79SM062447-02, 5U79SM062447-03, 6U79SM062447-03 and 6U79SM062447-04  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$10,674

**Criteria:** In accordance with applicable allowable costs/cost principles requirements, costs must be adequately documented in order to be allowable under Federal awards.

**Condition:** Of nineteen nonpayroll expenditures tested, aggregating \$59,253 of a total population of \$358,934, we noted the following deficiencies:

1. For one (or 5%), the Program incurred \$3,650 in travel expenses pertaining to off-island training; however, the individual did not travel. Documentation that the airfare cost was refunded to the Program was not provided.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Object No.</u>	<u>Document No.</u>	<u>Amount</u>	<u>Questioned Costs</u>
07/27/18	CHH71040	62500	1413002	\$ 3,650	\$ 3,650

2. For two (or 11%), certificates of attendance or equivalent for an off-island summit and a conference were not provided. For document number 1370322, a certificate of attendance was on file for February 11, 2018 but not for the February 12, 2018 and the February 13, 2018 training days. For document number 1411287, no questioned cost is presented as the individual who was confirmed to have attended the conference based on our interview with three other individuals who attended the same conference.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Object No.</u>	<u>Document No.</u>	<u>Amounts</u>	<u>Questioned Costs</u>
01/18/18	CHH71040	62500	1370322	\$ 1,895	\$ 1,895
07/16/18	CHH71040	62500	1411287	\$ 3,325	_____
					\$ 1,895

3. For two (or 11%), the travel segment from Saipan to Guam was in business class; however, there was no justification on file to support business class travel. No questioned cost is presented as amounts are questioned at Finding No. 2018-013, Condition 2.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Object No.</u>	<u>Document No.</u>	<u>Amounts</u>
07/16/18	CHH71040	62500	1411273	\$ 3,160
07/16/18	CHH71040	62500	1411287	\$ 3,325

4. For one (or 5%), the round-trip travel segments between Guam and Atlanta, Georgia to attend a conference was cancelled due to a typhoon. However, the Program did not obtain a refund from the travel agency for the unused travel segments. The estimated fare of \$2,245 for the cancelled segments is questioned.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-011, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)  
 Federal Award Numbers: 5U79SM062447-02, 5U79SM062447-03, 6U79SM062447-03 and 6U79SM062447-04  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$10,674

Condition, Continued:

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Object No.</u>	<u>Document No.</u>	<u>Amount</u>	<u>Questioned Costs</u>
08/31/18	CHH71040	62500	1417656	\$ 2,495	\$ 2,245

Of twenty-one payroll expenditures tested, aggregating \$265,807 of a total population of \$430,218, we noted the following:

5. For two (or 10%), timesheets were not provided.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Object No.</u>	<u>Employee No.</u>	<u>Amounts</u>	<u>Questioned Costs</u>
01/06/18	CHH71040	61100	372919	\$ 346	\$ 346
01/20/18	CHH71040	61100	860152	\$ 2,538	<u>2,538</u>
					\$ <u>2,884</u>

Cause: CHCC did not enforce recordkeeping and monitoring controls over compliance with applicable allowable costs/cost principles requirements.

Effect: CHCC is in noncompliance with allowable costs/cost principles requirements, and questioned costs of \$10,674 is presented at this finding as projected questioned costs exceed the threshold.

Identification as a Repeat Finding: Finding No. 2017-007.

Recommendation: Responsible personnel should establish a recordkeeping system whereby underlying support for each transaction is processed timely and is filed to facilitate easy retrieval for substantiating costs. Responsible personnel should not approve program expenditures unless underlying support is provided for review. Furthermore, CHCC should seek reimbursement from the travel agencies and/or airlines for unused travel segments.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement with Conditions 1, 3 and 4 and states disagreement with Conditions 2 and 5, as follows:

Condition 2 - Our policy does not require the traveler to turn-in a certificate of attendance and not all meetings/conference provide a certificate of attendance.

Condition 5 - Both employees selected are "Exempt Employees" and CHCC does not require exempt employees receiving fixed by weekly pay to clock in and out.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-011, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)  
Federal Award Numbers: 5U79SM062447-02, 5U79SM062447-03, 6U79SM062447-03 and 6U79SM062447-04  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$10,674

Auditor Response:

Condition 2 - Per Section III.C.8.B.5e of CHCC's Travel Policy, certificate of attendance (if applicable) is a required attachment to the travel voucher. For document number 1370322, a certificate of attendance was on file for 02/11/18 but not for the 02/12/18 and 02/13/18 training days which were for the same summit. Documentation substantiating that the employee also attended the 02/12/18 and 02/13/18 summit was not on file. In addition, in accordance with applicable allowable costs/cost principles requirements, costs must be adequately documented in order to be allowable under Federal awards. Either a certificate of attendance, copy of participant's sign-in sheet, confirmation of attendance or other equivalent documentation substantiates the attendance of a participant.

Condition 5 - Payroll costs for other payroll periods for employee nos. 372919 and 860152 were substantiated with timesheets but not for payroll periods ended 01/06/18 and 01/20/18, respectively. In addition, in accordance with applicable allowable costs/cost principles requirements, costs must be adequately documented in order to be allowable under Federal awards.



COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-012  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)  
Federal Award Numbers: 1U79SM061625-01, 5U79SM062447-02, 5U79SM062447-03, 6U79SM062447-03 and 6U79SM062447-04  
Area: Matching, Level of Effort, Earmarking  
Questioned Costs: \$39,975

Criteria: In accordance with the Substance Abuse and Mental Health Services Administration's standard terms and conditions, certain actions such as changes in key personnel and level of effort require prior written approval from the Grants Management Officer.

Further, the level of effort requirement for the CGC Director and Program Director is 25% and 100%, respectively.

Condition: The required level of effort is deficient, and Grantor approval to substantiate the change in key staff personnel for both the Project and Program Directors was not provided.

Required level of effort:	
CGC Director (\$71,500 x 25%)	\$ 17,875
Program Director (\$50,000 x 100%)	<u>50,000</u>
Total required level of effort	67,875
Actual level of effort	<u>(27,900)</u>
Deficient level of effort	\$ <u>39,975</u>

Total personnel costs for the current Program Director that assumed the position in February 2018 was \$31,297 for which Grantor approval of the change in key staff personnel was not obtained until 01/09/19 and was for the budget period from 09/30/18 through 09/29/19. Accordingly, the amount was not factored into the level of effort calculation above.

Cause: CHCC did not enforce internal controls over recordkeeping and grantor communications to substantiate compliance with applicable level of effort requirements.

Effect: CHCC is in noncompliance with applicable matching, level of effort, earmarking requirements, and questioned costs of \$39,975 exist.

Identification as a Repeat Finding: Finding No. 2017-008.

Recommendation: Responsible personnel should periodically monitor the level of effort requirements. If tracking levels are deficient, responsible personnel should consider requesting a waiver from the grantor in advance of the award period end date.

Views of Responsible Officials:

CHCC's Corrective Action Plan states disagreement, as follows:

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-012, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)  
Federal Award Numbers: 1U79SM061625-01, 5U79SM062447-02, 5U79SM062447-03, 6U79SM062447-03 and 6U79SM062447-04  
Area: Matching, Level of Effort, Earmarking  
Questioned Costs: \$39,975

Views of Responsible Officials, Continued:

CHCC may have not timely communicated the change of key staff to the grantor, but the essential service and function was performed hence we believe that the finding should be on the timely reporting of the change of key personnel and not the level of effort pursuant to "2 CFR 200.430 (vii) support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity."

Auditor Response:

The condition included untimely reporting to the grantor of the change of key personnel. However, the required level of effort at September 30, 2018 is deficient by \$39,975 as the \$31,297 in personnel costs for the current Program Director was not factored into the level of effort calculation covering FY2018 as the grantor approval of the change in key personnel that was subsequently obtained on 01/09/19 was for the budget period from 09/30/18 - 09/29/19.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-013  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)  
 Federal Award Numbers: 5U79SM062447-03, 6U79SM062447-03 and 6U79SM062447-04  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$70,257

Criteria: In accordance with applicable procurement requirements, States will use the same policies and procedures used for procurements from non-Federal Funds.

CHCC's procurement regulations, pursuant to Commonwealth law, state the following:

- All procurement records shall be retained by the CHCC P&S Director for a period of 7 years after completion of construction, or full delivery of the goods or services under the contract.
- For procurement valued at \$3,000 or below (increased to \$4,999 effective 08/29/18), only one quote is needed for medical and non-medical procurement;
- For non-medical procurement, greater than \$3,000 (increased to \$4,999 effective 08/29/18) up to \$10,000, requires at least 3 quotations.
- For any non-medical procurement in excess of \$10,000 competitive bidding must be utilized (Request for Proposal - RFP, Invitation to Bid- ITB) except in cases where non-competitive procurement is allowed such as sole source. The same applies to medical procurement greater than \$50,000.
- Invitations for bids shall be advertised at least once in each week from the time the solicitation is issued, including the week when the bidding period expires.

Condition: Of nineteen nonpayroll expenditures tested, aggregating \$59,253 of a total population of \$358,934, we noted the following deficiencies:

1. For two (or 11%), procurement records were not provided. No questioned cost is presented for document no. 1370122, as the contract is the same with document no. 1365901.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Object No.</u>	<u>Document No.</u>	<u>Contract Amount</u>	<u>Total FY2018 Expenditures and Questioned Costs</u>
12/04/17	CHH71040	62440	1365901	\$ 36,000	\$ 15,000
01/17/18	CHH71040	62440	1370122	See above	_____
					<u>\$ 15,000</u>

2. For five (or 26%), less than three quotations were obtained. For the procurements of travel in July and of air conditioners in February, only one quotation was solicited, and there is no justification for sole source procurement. For the procurement of aluminum doors in March, only two solicitations were sent, with one response obtained. No questioned cost is presented for document no. 1413002 as the amount is questioned at Finding No. 2018-011, Condition 1.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-013, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)  
 Federal Award Numbers: 5U79SM062447-03, 6U79SM062447-03 and 6U79SM062447-04  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$70,257

Condition, Continued:

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Object No.</u>	<u>Document No.</u>	<u>Contract Amount</u>	<u>Total FY2018 Expenditures and Questioned Costs</u>
07/16/18	CHH71040	62500	1411273	\$ 3,160	\$ 3,160
07/16/18	CHH71040	62500	1411287	\$ 3,325	3,325
07/27/18	CHH71040	62500	1413002	\$ 3,650	-
02/15/18	CHH71040	63120	1373012	\$ 9,702	9,702
03/21/18	CHH71040	64520	1376779	\$ 6,070	<u>6,070</u>
					<u>\$ 22,257</u>

3. For two (or 11%), only one newspaper clipping of the public announcement was on file. Names of publication companies and dates of when public notices were announced were not reflected; thus, adequate public notice was not evident for this procurement for clinic repair services. No questioned cost is presented as five companies submitted proposals and competition occurred; however, competition may have been limited.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Object No.</u>	<u>Document No.</u>	<u>Amount</u>
01/23/18	CHH71040	62660	1370786	\$ 12,150
03/19/18	CHH71040	62660	1376557	\$ 8,250

4. For two (or 11%), evaluation forms for two bidders were not on file while one evaluation form did not contain the bidder's name. In addition, although the lowest bidder was awarded, we were not able to determine the total score rating as the evaluation form was not on file. No questioned cost is presented for document no. 1376557 as the contract is the same as document no. 1370786 below.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Object No.</u>	<u>Document No.</u>	<u>Contract Amount</u>	<u>Total FY2018 Expenditures and Questioned Costs</u>
01/23/18	CHH71040	62660	1370786	\$ 33,000	\$ 33,000
03/19/18	CHH71040	62660	1376557	See above	-
					<u>\$ 33,000</u>

Cause: CHCC did not enforce compliance with established procurement policies and procedures.

Effect: CHCC is in noncompliance with applicable procurement regulations, and questioned costs of \$70,257 exist.

Identification as a Repeat Finding: Finding No. 2017-009.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-013, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)  
Federal Award Numbers: 5U79SM062447-03, 6U79SM062447-03 and 6U79SM062447-04  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$70,257

Recommendation: Responsible personnel should monitor and enforce compliance with applicable procurement requirements, including the review of procurement files for completeness as to written rationales for any deviations from applicable procurement requirements.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement with Condition 3 and states disagreement with Conditions 1, 2 and 4, as follows:

Condition 1 - We do not concur to the finding. Beginning FY 2018, CHCC Finance reduced paper works attached to the payment voucher. The previous practice was to print the entire contract file and attach to each payment vouchers. The Financial Accounting system is able to monitor open balances of the contracts and related contract change orders hence verification is done by inquiring of contract open balance in the Financial information system. Full contract files are maintained by Procurement and supply.

Condition 2 - We do not concur to the finding. PV 1411273 pertains to purchase of airfare due to the CNMI's unique location and situation, it has been CHCC's practice to obtain quotes for airfare on a rotating basis among eligible vendors as there is only one Airline that services the Northern Mariana Islands, who meets the Fly America Act requirements. Therefore, obtaining three quotes for the same airline route using different travel agencies will be impractical as the fare would be the same regardless of the travel agency used. CHCC makes every effort to ensure equitable distribution among travel vendors. Furthermore, in 2017, CHCC updated the micro-purchase threshold from \$3,000 up to \$5,000 for all procurement including medical and non-medical equipment. The updated micro-purchase threshold should also resolve findings for PV 1411287 and 1413002.

PV 1373012 and PV 1376779. Solicitations were obtained from all known vendors, however for certain specialized items or services there are less than three qualified vendors on island. CHCC will reinforce documentation thru memorandum if there are less than three qualified vendors.

Condition 4 - CHCC agrees with the findings, that certain documentations were not presented to the auditors, however, we do not agree with the questioned cost as CHCC selected the lowest bidder on both procurements. The primary evaluation criteria on an Invitation to Bid (ITB) is the bid amount and the responsiveness of the bid to the requirements in the ITB. Since the lowest bidder was selected and it could be verified thru inspection of the bid package that the lowest bidder is a responsive bidder.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-013, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)  
Federal Award Numbers: 5U79SM062447-03, 6U79SM062447-03 and 6U79SM062447-04  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$70,257

Auditor Response:

Condition 1 - The procurement records were not provided as we were informed by Procurement and Supply personnel that the procurement records could not be located. In accordance with CHCC's procurement regulation, §140-80.1-290, all procurement records shall be retained by the CHCC P&S Director for a period of 7 years after completion of construction, or full delivery of the goods or services under the contract.

Condition 2 - PV 1411273 - CHCC's travel policy, the Program's grant terms and conditions, grant application, project narrative and cooperative agreement including CFR 45 §75.474 do not contain the Fly America Act requirement. Documentation that substantiates the Fly America Act requirement is applicable to the Program was not provided. In addition, per CHCC's travel policy, travel should be taken in the most economical and cost-effective manner. Additionally, CFR 45 §75.474 states the following:

(1) airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would:

- (i) Require circuitous routing;
- (ii) Require travel during unreasonable hours;
- (iii) Excessively prolong travel;
- (iv) Result in additional costs that would offset the transportation savings; or
- (v) Offer accommodations not reasonably adequate for the traveler's medical needs. The non-Federal entity must justify and document these conditions on a case-by-case basis in order for the use of first-class or business-class airfare to be allowable in such cases.

(2) Unless a pattern of avoidance is detected, the Federal Government will generally not question a non-Federal entity's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the non-Federal entity can demonstrate that such airfare was not available in the specific case.

PVs 1411273, 1411287 and 1413002 - Per CHCC's memorandum dated April 12, 2017, CHCC's micro-purchase threshold was updated from \$5,000 to \$3,000 to comply with federal regulation threshold and that non-medical procurement greater than \$3,000 up to \$10,000, requires at least three quotations.

Condition 4 - The contract was not procured through Invitation to Bid but rather through a Request for Proposal.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-014  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)  
 Federal Award Numbers: 1U79SM062447-01, 5U79SM062447-02, 5U79SM062447-03, 6U79SM062447-03 and 6U79SM062447-04  
 Area: Reporting  
 Questioned Costs: \$-0-

**Criteria:** In accordance applicable reporting requirements, the program is required to submit an SF-425, Federal Financial Report that is accurately prepared and is supported with underlying accounting documents.

**Condition:** Tests of SF-425, Federal Financial Report noted the following variances in reported expenditures, which are due to the inclusion of 09/30/2018 encumbrances and unsupported costs, as well as other mathematical errors.

	<u>Per SF-425</u>	<u>Per Underlying Accounting Records</u>	<u>Variance</u>
Federal cash:			
b. Cash disbursements	\$ 2,155,225	\$ 2,093,619	\$ 61,606
Federal expenditures and unobligated balances:			
10e. Federal share of expenditures	\$ 2,155,225	\$ 2,093,619	\$ 61,606
Recipient share:			
10i. Total recipient share required	\$ 718,408	\$ 538,806	\$ 179,602
10j. Recipient share of expenditures	\$ 278,974	Not provided	\$ 278,974
Indirect expense:			
11. Indirect expense	\$ 115,356	\$ 67,938	\$ 47,418

**Cause:** CHCC did not effectively perform monitoring controls over compliance with reporting requirements.

**Effect:** CHCC is in noncompliance with applicable reporting requirements. No questioned costs are presented as the errors in overreporting expenditures did not result in FY 2018 overdraws.

**Recommendation:** CHCC should monitor the SF-425 report for accuracy in accordance with applicable reporting requirements. Responsible personnel should review the SF-425 report prior to submission to the grantor to verify that amounts are supported by underlying accounting records. Such accounting records should be maintained on file to substantiate reported amounts and to facilitate any reconciliation process with the grantor.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-015  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance  
 Federal Award Numbers: 1H79SM062879-01, 5U79SP020710-04 and 6U79SP020710-04  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$2,440

Criteria: In accordance with applicable allowable costs/cost principles requirements, costs must be adequately documented in order to be allowable under Federal awards.

Condition:

1. For two (or 17%) of twelve payroll expenditures tested, aggregating \$103,899 of a total population of \$402,924, grantor approval to substantiate the change in key staff personnel for the Project Director was not provided:

<u>Pay Period Ended</u>	<u>Business Unit</u>	<u>Employee No.</u>	<u>Amounts</u>	<u>Questioned Costs</u>
07/07/18	CHH8243A	200059	\$ 2,115	\$ 2,115
08/18/18	CHH8243A	200059	\$ 2,115	<u>2,115</u>
				4,230
			Less amounts questioned at Finding No. 2018-016	<u>(4,230)</u>
				\$ _____

2. Of twenty-eight non-payroll expenditures tested, aggregating \$412,385 of a total population of \$1,001,252, documentation was not sufficient to substantiate costs, as follows:

- a. For three (or 11%), letters to the contractor from the Project Director certifying completion of all required deliverables were not on file.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Object No.</u>	<u>Document No.</u>	<u>Obligating No.</u>	<u>Amount</u>
01/09/18	CHH8243B	62060	1369297	609626-OC	\$ 23,395
03/27/18	CHH8243B	62060	1377254	609626-OC	\$ 46,790
09/24/18	CHH8243B	62060	1420934	609626-OC	\$ 23,397

No questioned costs are presented as amounts are questioned at Finding No. 2018-017, Condition 1.

- b. For one (or 4%), a trip report for the Suicide Prevention Grantee meeting held in Washington, D.C. was not on file.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Object No.</u>	<u>Document No.</u>	<u>Obligating No.</u>	<u>Amount</u>	<u>Questioned Cost</u>
03/08/18	CHH8243A	62500	1375118	TA #338725-OT	\$ 2,440	\$ 2,440



COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-015, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance  
 Federal Award Numbers: 1H79SM062879-01, 5U79SP020710-04 and 6U79SP020710-04  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$2,440

Condition, Continued:

- c. For one (or 4%), an attendance sign-in sheet or equivalent for an off-island meeting in Honolulu was not on file.

<u>GL Date</u>	<u>Business Unit</u>	<u>Object Number</u>	<u>Document Number</u>	<u>Obligating Number</u>	<u>Amount</u>
11/16/17	CHH8243B	62500	1364217	TA #335594-OT	\$ 1,801

No questioned cost is presented as the individual was confirmed to have attended the meeting based on our interview with another individual, who is a council member, who attended the same meeting, as evidenced on the draft minutes of meeting wherein the individual's name was mentioned.

Cause: CHCC did not enforce recordkeeping controls in accordance with applicable allowable costs/cost principles requirements.

Effect: CHCC is in noncompliance with allowable costs/cost principles requirements, and questioned costs of \$2,440 are presented at this finding as projected questioned costs exceed the threshold.

Identification as a Repeat Finding: Finding No. 2017-014.

Recommendation: Responsible personnel should establish a recordkeeping system whereby underlying support for each transaction is processed timely and filed accordingly for easy retrieval to substantiate costs. Responsible personnel should not approve program expenditures unless underlying support is provided for review.

Views of Responsible Officials:

CHCC's Corrective Action Plan states disagreement with Conditions 1, 2a, 2b and 2c, as follows:

Condition 1 - CHCC does not concur that this is an allowable costs/cost principles finding. We believe that the timely reporting of the change of key personnel is a reporting finding.

Condition 2a - The auditors cited lack of "letters to the contractors from Project Director certifying completion of all deliverables" as basis the condition for the services provided under the contract to be unallowed cost. Such letter may be sent to the contractor to initiate invoicing; however, vendor may initiate invoice based on meeting deliverables pursuant to the contract. CHCC processed payments for invoices with attached reports/deliverables from the contractor with the review and approval of the Project Director, hence we believe that these costs meet the criteria for payment.

Condition 2b - The selected payment voucher 1375118 was for the purchase of airfare to travel authorization 338725 OT, hence the trip report is not attached to this payment voucher. Trip reports are required documentation for the travel voucher which is documented in payment voucher 1429130.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-015, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance  
Federal Award Numbers: 1H79SM062879-01, 5U79SP020710-04 and 6U79SP020710-04  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$2,440

Views of Responsible Officials, Continued:

Condition 2c - Our policy does not require the traveler to turn-in a certificate of attendance or sign-in sheets. Furthermore, not all meetings/conference provide a certificate of attendance.

Auditor Response:

Condition 1 - The condition is an allowable costs/cost principles reportable finding as in accordance with the criteria contained in 2 CFR part 200, costs are allowable for selected items of cost that require prior grantor written approval. Prior grantor written approval is required for key personnel costs to be allowable.

Condition 2a - In accordance with the payment schedule noted on the contract, the contractor shall get a letter from the Project Director certifying completion of all required deliverables and attached to the invoice.

Condition 2b - The trip report pertaining to PV 1375118 was requested but was not provided.

Condition 2c - In accordance with applicable allowable costs/cost principles requirements, costs must be adequately documented in order to be allowable under Federal awards. Either a certificate of attendance, copy of participant's signed-in sheet, confirmation of attendance or other equivalent documentations substantiates the attendance of a participant.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-016  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance  
Federal Award Number: 1H79SM062879-01  
Area: Matching, Level of Effort, Earmarking  
Questioned Costs: \$55,000

Criteria: The level of effort requirement for the Project Director is 100%. Any changes in key staff including level of effort involving separation from the project for more than three months or a 25 percent reduction in time dedicated to the project requires prior approval.

Condition: Prior grantor approval was not provided to substantiate the change in key staff personnel for the Project Director (employee no. 200059). The Project Director's salary for fiscal year 2018 was \$55,000.

Cause: CHCC did not enforce compliance with applicable level of effort requirements.

Effect: CHCC is in noncompliance with applicable level of effort requirements, and questioned costs of \$55,000 exist.

Identification as a Repeat Finding: Finding No. 2017-015.

Recommendation: Responsible personnel should periodically monitor the level of effort requirements. If tracking levels are deficient, the responsible personnel should consider requesting a waiver from the grantor well in advance of the award period end date.

Views of Responsible Officials:

CHCC's Corrective Action Plan states disagreement, as follows:

CHCC does not concur that this is a Level of Effort finding. We believe that the not timely reporting of the change of key personnel is a reporting finding.

We do not believe that the change in key personnel in this situation constituted a change in Level of Effort. A reportable change in level of effort per SAMSHA guidelines is "separation for more than three months or a 25% reduction in the PD's time devoted to the project." We do acknowledge that the change in key personnel was not timely reported, however the level of effort of the PD is still 100% and the position was not vacant for more than three months.

Auditor Response:

The condition is a level of effort reportable finding as the approved key personnel separated from the project for more than three months and grantor approval for the current key personnel was not obtained. In addition, documentation substantiating that the position was not vacant for more than three months was not provided.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-017  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance  
 Federal Award Numbers: 1H79SM062879-01, 5U79SP020710-04 and 6U79SP020710-04  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$207,725

Criteria: In accordance with applicable procurement requirements, States will use the same policies and procedures used for procurements from non-Federal Funds.

CHCC's procurement regulations state the following:

- All procurement records shall be retained by the CHCC P&S Director for a period of 7 years after completion of construction, or full delivery of the goods or services under the contract.
- Procurement exceeding \$4,999 threshold requires three quotations.
- For procurement by Emergency Procurement, a written justification of the basis for the emergency and for the selection of the particular contractor must be made by the CEO, the official with expenditure authority. If the CHCC P&S Director is satisfied, he/she shall state his or her approval in writing.

Condition: Of twenty-eight nonpayroll expenditures tested, totaling \$412,385 of a total population of \$1,001,252, the following were noted:

1. For six (or 21%), procurement documents were not provided.

General Ledger Date	Business Unit	Object No.	Document No.	Obligating No.	Documents Not on File	Contract Amount	Total FY2018 Expenditures and Questioned Costs	
01/09/18	CHH8243B	62060	1369297	609626-OC	Public announcements, the proposal from the other proposer and rubric evaluation forms.	\$ 367,341	\$ 93,582	
03/27/18	CHH8243B	62060	1377254	See above				
09/24/18	CHH8243B	62060	1420934	See above				
12/20/17	CHH8243B	62750	1367768	612567-OC				
					Public announcements, the proposal from one of the proposers, rubric evaluation forms and the notification of the award selection to one of the proposers.	\$ 72,000	15,000	
05/01/18	CHH8243B	62250	1381283	00656452-OM	Procurement documents	\$ 2,629	1,908	
04/05/18	CHH8243A	62440	1378383	00653186-OC	Procurement documents	\$ 108,000	<u>24,000</u>	
							\$ 134,490	

2. For two (or 7%), emergency procurement was used for office rental due to the building that was being occupied was determined to be unsafe and posed employee health issues; however, written approval that the CHCC P&S Director was satisfied with the request was not on file. No questioned cost is presented for document number 1414963 as the contract is the same as document number 1375373 below.

General Ledger Date	Business Unit	Object No.	Document No.	Obligating No.	Contract Amount	Total FY2018 Expenditures and Questioned Cost
03/12/18	CHH8243B	62440	1375373	651711-OC	\$ 209,618	\$ 67,795
08/09/18	CHH8243B	62440	1414963	See above	See above	-
						\$ 67,795

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-017, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance  
 Federal Award Numbers: 1H79SM062879-01, 5U79SP020710-04 and 6U79SP020710-04  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$207,725

Condition, Continued:

3. For one (or 4%), only one quotation was obtained.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Object No.</u>	<u>Document No.</u>	<u>Obligating No.</u>	<u>Contract Amount</u>	<u>Total FY2018 Expenditures and Questioned Cost</u>
09/26/18	CHH8243A	62480	1421293	00666050-OP	\$ 5,440	\$ 5,440

Cause: CHCC did not enforce compliance with established policies and procedures over procurement.

Effect: CHCC is in noncompliance with applicable procurement regulations, and questioned costs of \$207,725 exist.

Identification as a Repeat Finding: Finding No. 2017-017.

Recommendation: The responsible personnel should monitor and enforce compliance with applicable procurement requirements, including the review of procurement files for completeness as to written rationales for any deviations from applicable procurement requirements.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement with Condition 3 and states disagreement with Conditions 1 and 2, as follows:

Condition 1 -

Contract 609626 was procured pursuant to CHCC Sole-sourced contracting, hence the documentations requested by the auditors that related to contracting thru Invitation to Bid or Request for Proposal were not provided.

656452 OM is for recurring monthly charges for Communications. We do not agree with the findings and the questioned costs as this is for the continuing expenditure for utilities. We do not believe that solicitation of quotation is necessary as the determination of the service provider was initiated when we opened the utilities account. Getting annual quotation and potentially annual changing utilities provider would be unreasonable and would be disruptive of operations.

Condition 2 - CHCC believed that although there was not Procurement Director signature/approval block on the Emergency Procurement Memorandum. The fact that such is filed in the procurement folder with the contract that is certified by the Procurement Director, approved in substance that the Memorandum satisfies the emergency procurement requirement.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-017, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance  
Federal Award Numbers: 1H79SM062879-01, 5U79SP020710-04 and 6U79SP020710-04  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$207,725

Auditor Response:

Condition 1:

Contract 609626-OC - Documentation provided and examined indicated the contract was procured through a Request for Proposal and not through the sole source procurement procedures.

Contract 656452-OM - Procurement documents substantiating the procurement procedures used were not provided.

Condition 2 - CHCC P&S Director's signature on the contract is to evidence his/her review of the contract completeness, certifying that the contract bears all signatures and is therefore complete. As also noted on the CHCC's procurement regulation under Contract Review, Processing and Oversight section, one of the steps in the contract processing is the review of the contract documents by the CHCC P&S Director and after obtaining all the approvals of the contract, the CHCC P&S Director shall forward the contract to the contractor for approval and signature. After the signature of the contractor, the CHCC P&S Director shall review the contract documents for completeness and if satisfied, he/she shall sign in the appropriate space.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-018  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance  
 Federal Award Numbers: 1U79SP020710-01, 5U79SP020710-04 and 1H79SM062879-01  
 Area: Reporting  
 Questioned Costs: \$-0-

**Criteria:** In accordance applicable reporting requirements, the program is required to submit an SF-425, Federal Financial Report that is accurately prepared and is supported with underlying accounting documents.

**Condition:** Total cumulative expenditures reported on SF-425 reports differ from underlying accounting records due to the inclusion of 09/30/2018 encumbrances, resulting in an overreporting of expenditures on SF-425.

Grant Award Nos. 1U79SP020710-01 and 5U79SP020710-04:

	<u>Per SF-425</u>	<u>Per Underlying Accounting Records</u>	<u>Variance</u>
Federal cash:			
b. Cash disbursements	\$ 3,119,148	\$ 3,037,934	\$ 81,214
Federal expenditures and unobligated balances:			
10e. Federal share of expenditures	\$ 3,119,148	\$ 3,037,934	\$ 81,214
Indirect expenses:			
11. Indirect expenses	\$ 123,631	\$ 61,874	\$ 61,757

Grant Award No. 1H79SM062879-01:

	<u>Per SF-425</u>	<u>Per Underlying Accounting Records</u>	<u>Variance</u>
Federal cash:			
b. Cash disbursements	\$ 467,802	\$ 376,029	\$ 91,773
Federal expenditures and unobligated balances:			
10e. Federal share of expenditures	\$ 376,029	\$ 467,802	\$ 91,773
Indirect expenses:			
11. Indirect expenses	\$ 37,850	\$ -	\$ 37,850

**Cause:** CHCC did not effectively perform monitoring controls over compliance with reporting requirements.

**Effect:** CHCC is in noncompliance with applicable reporting requirements. No questioned costs are presented as the errors in overreporting expenditures did not result in FY 2018 overdraws.

**Recommendation:** CHCC should monitor the SF-425 report for accuracy in accordance with applicable reporting requirements. Responsible personnel should review the SF-425 report prior to submission to the grantor to verify that amounts are supported by underlying accounting records. Such accounting records should be maintained on file to substantiate reported amounts and to facilitate any reconciliation process with the grantor.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-019  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance  
 Federal Award Numbers: 5U79SP020710-03, 5U79SP020710-04 and 6U79SP020710-04  
 Area: Subrecipient Monitoring  
 Questioned Costs: \$205,310

**Criteria:** In accordance with applicable subrecipient monitoring requirements, a pass-through entity’s responsibilities include monitoring that every subrecipient is audited when it is expected that the subrecipient’s Federal awards expended during the respective fiscal year equaled or exceeded the \$750,000 threshold set forth in §200.501 Audit requirements.

**Condition:** For five (or 100%) of five subrecipient expenditures tested, aggregating \$168,310 of a total population of \$280,310, no evidence of subrecipient monitoring activities was provided. The total FY2018 expenditures under the subrecipient agreement was \$205,310, which is a questioned cost. No questioned cost is presented for document no. 1382041 as the transaction falls under the same contract as document no. 1376490 below for which total expenditure is questioned.

<u>Business Unit</u>	<u>Contract No.</u>	<u>Amount</u>	<u>Contract Amount</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>FY2018 Expenditures and Questioned Costs</u>
CHH7243B	00608456	\$ 19,310	\$ 69,140	62060	10/24/17	1362434	\$ 19,310
CHH8243B	00650826	\$ 25,000	\$ 100,000	62060	03/19/18	1376490	75,000
CHH8243B	00650826	\$ 50,000	\$ 100,000	62060	05/08/18	1382041	-
CHH8243B	00650839	\$ 50,000	\$ 100,000	62060	07/11/18	1410887	75,000
CHH8243B	00650838	\$ 24,000	\$ 48,000	62060	09/19/18	1420305	<u>36,000</u>
							<u>\$ 205,310</u>

**Cause:** CHCC did not enforce recordkeeping and monitoring controls over applicable subrecipient monitoring requirements.

**Effect:** CHCC is in noncompliance with applicable subrecipient monitoring requirements, and questioned costs of \$205,310 exist.

**Identification as a Repeat Finding:** Finding No. 2017-018.

**Recommendation:** CHCC should establish a record keeping system whereby underlying support for each transaction is processed timely and filed accordingly for easy retrieval to substantiate costs.

Views of Responsible Officials:

CHCC’s Corrective Action Plan states disagreement, as follows:

CHCC disagrees with this finding. Subgrantees are monitored through quarterly progress reports submitted and approved by the Program on a quarterly basis throughout the duration of the subgrant implementation.

CHCC monitors by reviewing each quarterly report which includes all invoices and expenses from each subgrantee. Without the submission of each progress report, the subgrantee would not receive their subsequent disbursement of funds.



COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-019, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance  
Federal Award Numbers: 5U79SP020710-03, 5U79SP020710-04 and 6U79SP020710-04  
Area: Subrecipient Monitoring  
Questioned Costs: \$205,310

Views of Responsible Officials, Continued:

Additionally, the program manager has initiated several improvements in subrecipient monitoring. The terms and conditions to Subrecipients agreement have been amended to include more specific reporting and monitoring activities. This also includes the use of monitoring tools and checklists.

Auditor Response:

Documentation of the monitoring procedures performed to determine whether any of the subrecipients expended \$750,000 or more in federal funds and whether those that expended \$750,000 or more were audited, were not provided:

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-020  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.268 Immunization Cooperative Agreements  
 Federal Award Numbers: 5 NH23IP000736-05-00  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$52,188

Criteria: In accordance with applicable allowable costs/cost principles requirements, costs must be adequately documented to be allowable under Federal awards.

Condition: Of ten payroll expenditures tested, aggregating \$112,241 of a population of \$610,454, the following were noted:

1. For four (or 40%), the payroll labor cost distribution report was not provided.

<u>Fund</u>	<u>Business Unit</u>	<u>Object No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Document Type</u>	<u>Questioned Costs</u>
02023	CHH72687	61100	11/11/17	10603	T2	\$ 16,510
02023	CHH72687	61100	06/23/18	10965	T2	15,423
02023	CHH72687A	61100	09/29/18	11174	T2	12,385
02023	CHH72687	61196	10/28/17	10581	T3	<u>1,046</u>
						\$ <u>45,364</u>

2. For ten (or 100%), timesheets and personnel action forms were not provided for the following employees and related payroll periods:

<u>Payroll Period</u>	<u>Employee No.</u>	<u>Document No.</u>	<u>Questioned Costs</u>
11/11/17	311268	10603	\$ 1,231
06/23/18	264518	10965	769
09/29/18	795540	11174	519
10/28/17	402339	10581	1,000
12/23/17	402339	10705	1,000
02/17/18	679631	10795	1,077
03/31/18	713819	10849	923
05/12/18	172485	10911	923
08/18/18	169107	11059	923
03/03/18	103103	10814	<u>1,978</u>
			10,343
Less costs questioned at document numbers in Condition 1 above			<u>(3,519)</u>
			\$ <u>6,824</u>

Cause: CHCC did not enforce recordkeeping and monitoring controls over compliance with applicable allowable costs/cost principles requirements.

Effect: CHCC is in noncompliance with allowable costs/cost principles requirements and questioned costs of \$52,188 exist.

Identification as a Repeat Finding: Finding No. 2017-020.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-020, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.268 Immunization Cooperative Agreements  
Federal Award Numbers: 5 NH23IP000736-05-00  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$52,188

Recommendation: Responsible personnel should establish a recordkeeping system whereby underlying support for each transaction is processed timely and filed accordingly for easy retrieval to substantiate costs. Responsible personnel should not approve payroll costs unless underlying support is provided for review.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-021  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Programs: 93.268 Immunization Cooperative Agreements Award  
Federal Award Number: 5 NH23IP000736-05-00  
Area: Program Income  
Questioned Costs: \$56,608

Criteria: In accordance with applicable program income requirements, grantees providing direct immunization services may generate program income from fees or donations. Any program income generated under this cooperative agreement will be used in accordance with the additional cost alternative (used for costs that are in addition to the allowable costs of the project for any purposes that further the objectives of the legislation under which the cooperative agreement was made). The disposition of program income must have written prior approval from the Chief Executive Officer and any Governing Body of the Project.

Condition: The program charged administration fees for direct immunization services and generated \$56,608 in program income. However, no documentation was provided to demonstrate that the program income was used to further the objectives of the program.

Cause: CHCC did not enforce compliance with applicable program income requirements.

Effect: CHCC is in noncompliance with applicable program income requirements, and questioned costs of \$56,608 exist.

Recommendation: Responsible personnel should monitor the uses of program income in order to demonstrate compliance with applicable program income requirements.

Views of Responsible Officials:

CHCC's Corrective Action Plan states disagreement, as follows:

CHCC does not agree with the finding. The finding stated that the program income was not used for Immunization Program, However, we have supporting documents to show that such program income remains unexpended.

Auditor Response:

A request was made for program expenditure details which was not provided. As a result, we could not confirm that program income was used for the immunization program. The finding remains.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-022  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.268 Immunization Cooperative Agreements  
 Federal Award Number: 5NH23IP000736-05-00  
 Area: Reporting  
 Questioned Costs: \$-0-

**Criteria:** In accordance with applicable reporting requirements, the program is required to submit an SF-425, Federal Financial Report that is accurately prepared and supported with underlying accounting documents. Furthermore, in accordance with the OMB Compliance Supplement, the annual dollar value of federally funded vaccines should be treated by the grantee as expenditures under a Federal award for purposes of reporting on the Schedule of Expenditures of Federal Awards.

**Condition:**

1. Based on total expenditures reported to the grantor on SF-425 for the reporting period ended June 30, 2018, we noted the following variances:

	Per SF-425	Per Fund Status Report	Variance
<b>Business Units CHH72681 and CHH72686</b>			
Federal Cash:			
10a. Cash receipts	\$ 1,757,043	\$ 1,669,246	\$ 87,797
10b. Cash disbursements	\$ 1,757,043	\$ 1,673,149	\$ 83,894
10c. Cash on hand	\$ -	\$ (3,903)	\$ 3,903
Federal Expenditures and Unobligated Balance:			
10d. Total federal funds authorized	\$ 1,931,734	\$ 2,086,709	\$ (154,975)
10e. Federal share of expenditures	\$ 1,757,043	\$ 1,673,149	\$ 83,894
10g. Total federal share	\$ 1,766,158	\$ 1,682,264	\$ 83,894
10h. Unobligated balance of federal funds	\$ 165,576	\$ 404,445	\$ (238,869)
<b>Business Unit CHH72687</b>			
Federal Cash:			
10a. Cash receipts	\$ 798,374	\$ 778,801	\$ 19,573
10c. Cash on hand	\$ -	\$ (19,573)	\$ 19,573

2. The value of federally funded vaccines is not treated by the grantee as expenditures in the Schedule of Expenditures of Federal Awards (SEFA). The total dollar value of vaccines received during FY2018 is \$3,510,734. CHCC recorded the proposed audit adjustment.

**Cause:** CHCC did not monitor reports for accuracy and completeness prior to report submission and lacks controls over compliance with applicable reporting requirements.

**Effect:** CHCC is in noncompliance with applicable reporting requirements over SF-425s and over federally funded vaccines. No questioned costs are raised as the funds drawn are based on expenditures that are recorded in the general ledger, and vaccines are provided by the grantor.

**Identification as a Repeat Finding:** Finding No. 2017-023.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-022, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.268 Immunization Cooperative Agreements  
Federal Award Number: 5NH23IP000736-05-00  
Area: Reporting  
Questioned Costs: \$-0-

Recommendation: CHCC should take steps to maintain underlying accounting records used in the preparation of SF-425, should obtain an understanding of Federal requirements over federally funded vaccines, and should implement procedures to treat vaccines as expenditures for reporting in the Schedule of Expenditures of Federal Awards.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-023  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.268 Immunization Cooperative Agreements  
Federal Award Number: 5NH23IP000736-05-00  
Area: Special Tests and Provisions  
Questioned Costs: \$-0-

Criteria: In accordance applicable special test and provision requirements, the program is required demonstrate compliance with the following:

- Provide oversight of program-enrolled providers to ensure that effective control and accountability is maintained for all vaccine under the VFC program. Vaccine must be adequately safeguarded and used solely for authorized purposes (42 USC 1396s). This includes administration only to VFC program-eligible children, as defined in 42 USC 1396s(b)(2)(A)(i) through (A)(iv), regardless of the child's parent's ability to pay (42 USC 1396s(c)(2)(C)(iii)).
- Provide oversight of vaccinating providers to ensure that a record of vaccine administered shall be made in each person's permanent medical record (or in a permanent office log or file to which a legal representative shall have access upon request) (42 USC 300aa-25), which includes, date of administration of the vaccine; vaccine manufacturer and lot number of the vaccine; and name and address and, if appropriate, the title of the health care provider administering the vaccine is maintained.

Condition: No evidence was provided to demonstrate compliance with special tests and provisions requirements in fiscal year 2018.

Cause: CHCC did not enforce recordkeeping and monitoring controls over compliance with applicable special tests and provision requirements.

Effect: CHCC is in noncompliance with applicable special test and provision requirements. No questioned costs are raised as we are unable to quantify the extent of noncompliance.

Recommendation: Responsible personnel should properly maintain documentation to demonstrate compliance with applicable special tests and provisions requirements.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No.: 2018-024  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Programs: 93.505/93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster  
 Federal Award Number: 1X10MC29495-01-00  
 Area: Period of Performance  
 Questioned Costs: \$5,297

Criteria: In accordance with applicable period of performance requirements, the grantee should liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. Further, time extensions should be approved by the grantor.

Condition: For five (or 63%) of eight expenditures tested, aggregating \$7,037 of a total population of \$54,598, liquidation occurred beyond 90 days from the budget end date of 09/30/18. Further, the obligation date of document no. 1426510 was on 10/31/18. Grant extension documentation was not provided.

<u>Business Unit</u>	<u>Document No.</u>	<u>General Ledger Date</u>	<u>Check No.</u>	<u>Cleared Date</u>	<u>Liquidation End Date</u>	<u>Days Lapsed</u>	<u>Questioned Costs</u>
CHH55050	1426510	11/07/18	9576	03/15/19	12/29/18	76	\$ 188
CHH55050	1427758	11/28/18	9584	03/20/19	12/29/18	81	94
CHH55050	1428583	12/10/18	9805	05/06/19	12/29/18	128	4,615
CHH55050	248823	10/15/18	9579	03/12/19	12/29/18	73	330
CHH55050	1425564	10/22/18	9577	03/14/19	12/29/18	75	<u>70</u>
							\$ 5,297

Cause: CHCC did not effectively monitor compliance with applicable period of performance requirements.

Effect: CHCC is in noncompliance with applicable period of performance requirements, and questioned costs of \$5,297 exist since the projected questioned costs exceed the threshold.

Recommendation: Responsible personnel should review funding period dates prior to charging expenditures to a Federal award. Furthermore, responsible personnel should monitor check payments so that liquidations occur timely. Grantor approval should be sought if extensions are needed.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement.



COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No: 2018-025  
 Federal Agency: U.S. Department of Health & Human Services  
 CFDA Programs: 93.505/93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster  
 Federal Award Number: 1X10MC29495-01-00  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$45,005

Criteria: In accordance with applicable procurement requirements, States will use the same policies and procedures used for procurements from non-Federal Funds. CHCC’s procurement regulations, pursuant to Commonwealth law, state the following:

For any sole source procurement, a written justification for sole source procurement shall be prepared by the official with expenditure authority and shall contain the specific unique capabilities required; the specific unique capabilities of the contractor; the efforts made to obtain competition; and the specific considerations given to alternative sources and specific reasons why alternative sources were not selected.

Condition: Of sixteen nonpayroll expenditures tested, totaling \$101,549 of a total population of \$409,076, we noted the following:

1. For two (or 12%), sole source was used. For document no. 1414932, the written justification stated that the program had no knowledge of any vendors who have the experience to develop a data system capable of meeting its model developer and data collection and reporting requirements. However, documentation was not provided to show that efforts were made to seek out other vendors. For PV 247905, no documentation was provided to demonstrate efforts to contact and solicit from other book suppliers.

<u>Business Unit</u>	<u>Contract No.</u>	<u>PO/Contract Amount</u>	<u>Total FY18 Expenditures Charged</u>	<u>Object No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Questioned Costs</u>
CHH55050	650287-OC	\$ 27,690	\$ 13,845	62060	08/09/18	1414932	\$ 13,845
CHH55050	631855-OA	\$ 4,330	\$ 4,330	63010	08/09/18	247905	<u>4,330</u>
							<u>\$ 18,175</u>

2. For one (or 6%), the program exercised the renewal option in the original contract, which was for one additional year. However, a second change order continued the service when it should have been put out to bid.

<u>Business Unit</u>	<u>Contract No.</u>	<u>PO/Contract Amount</u>	<u>Total FY18 Expenditures Charged</u>	<u>Object No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Questioned Costs</u>
CHH55050	611868-OC	\$ 23,400	\$ 23,400	62420	07/17/18	1411535	\$ 23,400

3. For one (or 6%), the required minimum three price quotations were not obtained. Further, there was no evidence of efforts made to obtain quotations from alternative sources.

<u>Business Unit</u>	<u>PO/Contract No.</u>	<u>PO/Contract Amount</u>	<u>Total FY18 Expenditures Charged</u>	<u>Object No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Questioned Costs</u>
CHH55050	649551-OP	\$ 3,920	\$ 3,430	62750	06/04/18	1403511	\$ 3,430

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No: 2018-025, Continued  
Federal Agency: U.S. Department of Health & Human Services  
CFDA Programs: 93.505/93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster  
Federal Award Number: 1X10MC29495-01-00  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$45,005

Cause: CHCC did not enforce compliance with established procurement policies and procedures over procurement.

Effect: CHCC is in noncompliance with applicable procurement regulations, and questioned costs of \$45,005 exist.

Identification as a Repeat Finding: Finding No. 2017-025.

Recommendation: Responsible personnel should monitor and enforce compliance with applicable procurement requirements, including the review of procurement files for completeness as to written rationales for any deviations from applicable procurement requirements.

Views of Responsible Officials:

CHCC's Corrective Action Plan states disagreement with Conditions 1, 2 and 3, as follows:

Condition 1 - To address lack of solicitation for sole-sourced specialized services (650287 OC), our Procurement Division started in FY 2022, certifying qualified vendors thru the "Indefinite delivery / Indefinite quantity (IDIQ)" contracting methodology, wherein specialist vendors are prequalified and program managers are provided a list of these prequalified vendors.

631855 OA is below the micro-purchase threshold of \$4,999, hence we believe that the finding does not apply to this procurement.

Condition 2 - CHCC believes that executing an additional year change order was for the best interest of the program to ensure continuation of the home visiting services. Although CHCC contract only obligates annual due to the budget period of the grant, the vendor agreement to allow for total of 5 years lease.

Condition 3 - 631855 OA is below the micro-purchase threshold of \$4,999, hence we believe that the finding does not apply to this procurement.

Auditor Response:

Condition 1 - The micro-purchase threshold of \$4,999 did not take effect until August 29, 2018, the date the memorandum was signed by the Chief Financial Officer.

Condition 2 - The original contract had a termination date on 5/1/17, with the option to extend for one additional year, which CHCC exercised. The contract did not indicate agreement to allow for a total of 5 years to lease.

Condition 3 - The micro-purchase threshold of \$4,999 did not take effect until August 29, 2018, the date the memorandum was signed by the Chief Financial Officer.

COMMONWEALTH HEALTHCARE CORPORATION

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

Finding No: 2018-026  
 Federal Agency: U.S. Department of Health & Human Services  
 CFDA Programs: 93.505/93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster  
 Federal Award Number: 1X10MC29495-01-00  
 Area: Reporting  
 Questioned Costs: \$-0-

Criteria: In accordance with applicable reporting requirements, the program is required to submit an SF-425, Federal Financial Report.

Condition: Based on total expenditures reported to the grantor for the reporting period ended September 30, 2018, we noted an overreporting of expenditures, as follows:

Report Details - Business Unit CHH55050	Per SF-425	Per General Ledger	Variance
Federal Expenditures:			
10e. Federal Share of Expenditures	\$ 957,023	\$ 927,405	\$ 29,618

Cause: CHCC did not monitor reports for accuracy and completeness prior to report submission.

Effect: CHCC is in noncompliance with applicable reporting requirements. No questioned costs are reported as the amount per the SF-425 is higher than the general ledger amount and did not result in FY 2018 overdraws.

Recommendation: Responsible personnel should review the SF-425 report prior to submission to the grantor to verify that amounts are supported by underlying accounting records. Such accounting records should be maintained on file to substantiate reported amounts and to facilitate any reconciliation process with the grantor.

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement.



**Commonwealth Healthcare Corporation**  
Commonwealth of the Northern Mariana Islands  
1 Lower Navy Hill Road Navy Hill, Saipan, MP 96950



**CORRECTIVE ACTION PLAN**  
Year Ended September 30, 2018

Finding No. 2018-001 - Local Procurement/Non-payroll Expenditures

Contact Persons: Requesting Program Managers, Procurement Director, and Chief Financial Officer

Corrective Action:

We acknowledge the weakness in documentation of the required elements of a sole source procurement. In fiscal year 2020, CHCC implemented the document routing repository for the procurement process using Laserfiche Forms. This will enable CHCC to warehouse all supporting documentation related to procurement activities and document the approval process.

Proposed Completion Date: On-going improvement process, we are securing more user license for FY 2021 and 2022, while waiting for the transition to the new Financial Information System.

Finding No. 2018-002 - Payroll/Employee Benefits

Contact Persons: Human Resources Officer, Comptroller and Chief Financial Officer

Corrective Action:

- a. The Human Resources Department have grown from 7 employees in 2017 to currently 10 employees. With this we aim to be timely in our preparation or contracts and notice of personnel action.
- b. Several of the employees selected for test of allotment certifications have been employees of the Corporation prior to our autonomy. The allotment data have been carried over automatically in the accounting and payroll system and original documents were not transfer. To address auditor's concern whether these allotments were authorized, we shall have all employees acknowledge on accounting copies of pay stubs for pay period ending September 14, 2019 that all the allotments are properly authorized by the employee and are correct.
- c. Although not documented, we believe that these are for emergency annual leave. Our policy states, "In general, annual leave in excess of 24 hours should be approved 1 week in advance by the Supervisor or Manager. A denial by the Supervisor or Manager may be appealed to the Hospital Administrator or Division Director. If an employee needs to take annual leave for an emergency, he or she should inform the supervisor or manager as soon as is practicable. The more serious the emergency, the more leeway the supervisor or manager should give in consideration of the request." Hence, there would be valid instances wherein the leave form would be signed after the leave were taken.

- d. Although not prior approved, CHCC has the obligation to pay non-exempt employees who work at the approval of their department heads pursuant to FLSA.
- e. Payroll will ensure that all manual entries on timesheets are initial by appropriate supervisors.

Proposed Completion Date: On-going improvement process

Finding No. 2018-003 – Inventory

Contact Persons: Pharmacy Manager, Procurement Director and Chief Financial Officer.

- (1) We believe that having a stand-alone inventory monitoring for inpatient pharmacy is not a hindrance to proper accounting of inventory on hand and recording of actual expenditures.
- (2) Pursuant to the Supply Agreement between CHCC and the in-patient pharmacy supplier, CHCC prepays at least \$50,000 to McKesson for purchase of drugs. The Pharmacy Manager provides monthly to Accounting all invoices for purchases for each month. A log of prepayments and purchases applied to these prepayments are maintained by the Supplier and verified by our Pharmacy Manager. At any given time, we know the balance of the “prepayment”. Considering that pharmaceutical supplies are very fast moving and that we do not really maintain huge volume on hand, the effort of maintaining an inventory using the perpetual inventory method would outweigh the benefit. Hence, we account for pharmaceutical using the expense method. We do acknowledge that although the method of accounting is acceptable, we failed to prepare the journal entries at year end to adjust ending inventory and the balance of the prepayment or liability to vendor. Beginning fiscal year 2018, we will prepare the analysis and journal entries to reconcile our general ledger pharmaceutical inventory balance to the stand-alone inventory monitoring and the prepayment log.

The cost of time and effort to address recurring findings for inventory and material management identified in conditions 3 to 8 and the financial statement qualification due to Inventory, outweighs the benefit as the Financial Information has errors from CHCC inception. To address this issue, CHCC will acquire a new inventory management system that integrates to the Electronic Health Information System (FY 2022) and will also be integrated to the Financial Information System (FY2023)

Proposed Completion Date: FY 2023

#### Finding No. 2018-004 - Capital Assets

Contact Persons: Procurement Director and Chief Financial Officer.

Corrective Action:

CHCC Accounting maintains an excel listing of all capital assets and prepares the depreciation entries. We have not fully utilized the capabilities of the Accounting System to automatically calculate and post depreciation entries as our Procurement and Supply Office does not currently have the manpower trained to process such transaction. We believe that the excel file and the annual depreciation entries are enough to meet the reporting requirement of CHCC. Furthermore, CHCC believes that the recording of depreciation as year-end conversion entry from book fund basis financial statements to accrual financial statement is not a violation any accounting standards.

CHCC did conduct a physical count of capital assets in FY 2019. However, such count has not been reconciled with the recorded capital assets. With the new Procurement Director hired August 2019, CHCC aims to address this repeat finding.

Proposed Completion Date: FY 2020

#### Finding No. 2018-005 - Due to Related Parties

Contact Persons: Chief Financial Officer.

- (1) The Settlement Order for federal District Court for the CNMI Case No. 09-00023, which states that the NMIRF shall assign to the CNMI government all rights to collect employer contributions deficient as of August 6, 2013 and related costs from the Autonomous Agencies, or any other CNMI instrumentalities. With this order, the previous obligation of CHCC to the NMI Retirement Fund became part of the CNMI Government obligation in form of Settlement Payments to the NMI Settlement Fund. We acknowledge that we did not reconcile with the NMI Retirement Fund prior to the Settlement Order. However, we believe that such liability is no longer the obligation of CHCC. The unfunded pension obligation should be calculated based on a recent actuarial valuation and allocation of CHCC share should be included in the valuation. Without such information, CHCC has no basis to recognize the liability.
- (2) We agree with the condition, CHCC intends to reconcile with the Office of the Public Auditor and to negotiate a lower rate. We have been seeking abatement of this OPA fee as to assist CHCC in its deficit reduction. In fact, in the Appropriation Act of 2018, the CHCC OPA fee have been waived.

Proposed Completion Date: Unable to provide a target completion date as other parties outside of CHCC are involved

Finding No. 2018-006 - Withholding Taxes Payable

Contact Persons: Chief Financial Officer.

CHCC Comment

1. Employer share of social security and Medicare Tax liabilities have been properly recorded and were timely paid during fiscal year 2018. Perhaps this finding was erroneously carried forward from prior year.
2. CHCC concur.
3. Reconciliations are prepared upon preparation of the quarterly returns.

Corrective Action:

CHCC will ensure timely reconciliation and filling of quarterly tax returns. CHCC did made timely remittances of withholding taxes during the beginning calendar year 2018, however when super typhoon Yutu hit the CNMI in October and remittances of appropriation from the CNMI government halted, CHCC was unable to make timely payment.

Planned corrective action to resolve prior year unpaid taxes is to request for an offset with the CNMI Government of unremitted appropriations with CHCC unpaid taxes.

Proposed Completion Date: Unable to provide a target completion date as other parties outside of CHCC are involved

Finding No.: 2018-007

Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.557 WIC Special Supplemental Nutrition Program for Women, Infants and Children  
Area: Eligibility  
Questioned Costs: \$204

Contract Persons: WIC Administrator and Chief Financial Officer

The WIC cash collection point was established on 02/06/2018 pursuant to Operating Policy 7039. WIC has not issued any sanction or claim letters and has reported zero collections since December 2019. This can be attributed to active WIC participant and vendor training on program and eWIC processing requirements. Therefore, WIC is requesting to close the WIC cash collection point up at our Administrative Office, surrender all unused manual official cash receipts, and utilize the CHC Business Office Cashiers for any payment to be made by a WIC participant or vendor for penalties or claims should any be imposed in the future.

Finding No.: 2018-008

Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Contract Persons: WIC Administrator and Chief Financial Officer

CHCC Accounting maintains an excel listing of all capital assets and prepares the depreciation entries. We have not fully utilized the capabilities of the Accounting System to automatically calculate and post depreciation entries as our Procurement and Supply Office does not currently have the manpower trained to process such transaction. We believe that the excel file and the annual depreciation entries are sufficient to meet the reporting requirement of CHCC.

CHCC did conduct a physical count of capital assets in FY 2019. However, such count has not been reconciled with the recorded capital assets. With the new Procurement Director hired August 2019, CHCC aims to address this repeat finding.

Proposed Completion Date: FY 2020



Finding No.: 2018-009

Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children  
Area: Period of Performance  
Questioned Costs: \$40,773

Contract Persons: WIC Administrator and Chief Financial Officer

CHCC do not concur with the finding. Check No 7410 for \$40,773 was written on January 16, 2018, 14 days prior to end of liquidation and was immediately subsequently mailed. CHCC have no control over when the vendor deposits the check.

Finding No.: 2018-010

Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Contract Persons: WIC Administrator

The delay in the receipt of this fiscal year's WIC formula funding levels and grantor agency prior approval requirements for infrastructure improvements such as this, led to the justification and use of expedited procurement for this major project. The unusual circumstances related to WIC funding and the need for this improvement project was believed to justify expedited procurement and in the best interest of the CHCC. CNMI WIC will ensure to continue monitoring its grant funding and grant expiration dates and plan for its procurement within a reasonable time during the period of performance, as funding permits, to allow for full and open competition in the process.

Finding No.: 2018-011

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.104 Comprehensive Community Mental  
Area: Allowable Costs/Cost Principles  
Questioned Cost: \$10,674

Contract Persons: Director of CGC, Grants Management Administrator and Chief Financial Officer

1. CHCC will reverse the transaction and record the receivable from the traveler.
2. Our policy does not require the traveler to turn-in a certificate of attendance and not all meetings/conference provide a certificate of attendance.
3. CHCC will better document the reason for the business class segment. There are instances wherein due to limited flights from Saipan to Guam wherein only business class are available, a business class segment maybe allowed depending on the importance of the travel to the administration of the program.
4. For this trip, the cancellation was not due to the airlines. CHCC will update the travel policy to strengthen the documentation on travel cancellations.
5. Both employees selected are "Exempt Employees" and CHCC does not require exempt employees receiving fixed by weekly pay to clock in and out.

Finding No.: 2018-012

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program 93104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)  
Area: Matching, Level of Effort, Earmarking  
Questioned Costs: \$39,975

Contract Persons: Director of CGC, Grants Management Administrator and Chief Financial Officer

CHCC may have not timely communicated the change of key staff to the grantor, but the essential service and function was performed hence we believe that the finding should be on the timely reporting of the change of key personnel and not the level of effort pursuant to "2 CFR 200.430 (vii) support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity."

Finding No.: 2018-013

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program 93104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)  
Area: Procurement, Suspension and Debarment  
Questioned Costs: \$70,257

Contract Persons: Director of CGC, Grants Management Administrator, Procurement Director and Chief Financial Officer

1. We do not concur to the finding. Beginning FY 2018, CHCC Finance reduced paper works attached to the payment voucher. The previous practice was to print the entire contract file and attach to each payment vouchers. The Financial Accounting system is able to monitor open balances of the contracts and related contract change orders hence verification is done by inquiring of contract open balance in the Financial information system. Full contract files are maintained by Procurement and supply.
2. We do not concur to the findings.  
PV 1411273 pertains to purchase of airfare Due to the CNMI's unique location and situation, it has been CHCC's practice to obtain quotes for airfare on a rotating basis among eligible vendors as there is only one Airline that services the Northern Mariana Islands, who meets the Fly America Act requirements. Therefore, obtaining three quotes for the same Airline route using different travel agencies will be impractical as the fare would be the same regardless of the travel agency used. CHCC makes every effort to ensure equitable distribution among travel vendors. Furthermore, in 2017, CHCC updated the micro-purchase threshold from \$3,000 up to \$5,000 for all procurement including medical and non-medical equipment. The updated micro-purchase threshold should also resolve findings for PV 1411287 and 1413002.

PV 1373012 and PV 1376779. Solicitations were obtained from all know vendors, however for certain specialized items or services there are less that three qualified vendors on island. CHCC will reinforce documentation thru memorandum if there are less that three qualified vendors.

3. CHCC will require the newspaper company to provide electronic copies of the publications of advertisement, wherein the name of the newspaper and the dates of the publication is clearly displayed.
4. CHCC agrees with the findings, that certain documentations were not presented to the auditors, however, we do not agree with the questioned cost as CHCC selected the lowest bidder on both procurements. The primary evaluation criteria on an Invitation to Bid (ITB) is the bid amount and the responsiveness of the bid to the requirements in the ITB. Since the lowest bidder was selected and it could be verified thru inspection of the bid package that the lowest bidder is a responsive bidder.

Finding No.: 2018-014

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program 93104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)  
Area: Reporting  
Questioned Costs: \$0

Contract Persons: Grants Management Administrator and Chief Financial Officer

Corrective action:

CHCC Grants Management Office hired additional Grants Fiscal Specialist last August 17, 2020 to assist in the preparation of reports and timely recording of transactions so that reports generated could be timely reconciled to the Financial Reports.

The erroneous reports have been updated and reuploaded to the Grants portal.

Estimated completion date: December 2021

Finding No.: 2018-015

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$2,440

Contract Persons: Director of CGC, Grants Management Administrator, Procurement Director and Chief Financial Officer

1. CHCC do not concur that this is an allowable cost/cost principles finding. We believe that the timely reporting of the change of key personnel is a reporting finding.
2. Summarized below are CHCC's view on the conditions cited:
  - a. The auditors cited lack of "letters to the contractors from Project Director certifying completion of all deliverables" as basis the condition for the services provided under the contract to be unallowed cost. Such letter maybe sent to the contractor to initiate invoicing; however, vendor may initiate invoice based on meeting deliverables pursuant to the contract. CHCC processed payments for invoices with attached reports/deliverables from the contractor with the review and approval of the Project Director, hence we believe that these costs meet the criteria for payment.
  - b. The selected payment voucher 1375118 was for the purchase of airfare to travel authorization 338725 OT, hence the trip report is not attached to this payment voucher. Trip reports are required documentation for the travel voucher which is documented in payment voucher 1429130.

- c. Our policy does not require the traveler to turn-in a certificate of attendance or sign-in sheets. Furthermore, not all meetings/conference provide a certificate of attendance.

Further Corrective Actions:

Grants Management Office will develop a tracking system of all required reporting and coordinate with the program key personnel to ensure that both financial and non-financial reporting are timely submitted. Estimated completion date: December 2021.

We will update our travel policies and procedures to address weaknesses in documentation. Estimated completion date: March 2022

Finding No.: 2018-016

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance  
Area: Matching, Level of Effort, Earmarking  
Questioned Costs: \$55,000

Contract Persons: Director of CGC, Grants Management Administrator and Chief Financial Officer

CHCC do not concur that this is a Level of Effort finding. We believe that the not timely reporting of the change of key personnel is a reporting finding.

We do not believe that the change in key personnel in this situation constituted a change in Level of Effort. A reportable change in level of effort per SAMSHA guidelines is "separation for more than three months or a 25% reduction in the PD's time devoted to the project." We do acknowledge that the change in key personnel was not timely reported, however the level of effort of the PD is still 100% and the position was not vacant for more than three months.

Further Corrective Actions:

Grants Management Office will develop a tracking system of all required reporting and coordinate with the program key personnel to ensure that both financial and non-financial reporting are timely submitted. Estimated completion date: December 2021.

Finding No.: 2018-017

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program 93.243 Substance Abuse and Mental Health Services Projects of  
Regional and National Significance  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$207,725

Contract Persons: Director of CGC, Grants Management Administrator, Procurement Director and Chief Financial Officer

1. Contract 609626 was procured pursuant to CHCC Sole-sourced contracting, hence the documentations requested by the auditors that related to contracting thru Invitation to Bid or Request for Proposal were not provided.

Contracts 612567 was originally executed in FY 2016. With three turnover of Procurement Director and contracting officer since then, some documentations were not properly turned over.

656452 OM is for recurring monthly charges for Communications. We do not agree with the findings and the questioned costs as this is for the continuing expenditure for utilities. We do not believe that solicitation of quotation is necessary as the determination of the service provider was initiated when we opened the utilities account. Getting annual quotation and potentially annual changing utilities provider would be unreasonable and would be disruptive of operations.

CHCC Procurement personnel were also unable to locate the original contract file for 653186.

2. CHCC believed that although there was not Procurement Director signature/approval block on the Emergency Procurement Memorandum. The fact that such is filed in the procurement folder with the contract that is certified by the Procurement Director, approved in substance that the Memorandum satisfies the emergency procurement requirement.
3. The venue selected has the only function area that could meet the number of attendees for the event. We will improve documentation for sole-sourced procurement to clearly state the unique requirement of the program.

Corrective Action: To address procurement documentation repeat findings, CHCC started utilizing the Laserfiche software beginning Fiscal year 2021 to electronically route for approval and store all procurement documentation in a repository server that is maintained and backed-up by CHCC Information Systems Division. Although physical file will still be maintained, the electronic file will provide for secondary supporting documentation.

To address required supporting memorandums and the required signature block for each procurement documentation, the Grants Management Office, in collaboration with Procurement Division, conducted training with Federal Administrative Staff on the procurement workflows and memorandum templated. We are also finalizing the Grants Management Playbook, which aims to document in plain English the processes in the grants' life cycle.

Finding No.: 2018-018

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program 93.243 Substance Abuse and Mental Health Services Projects of  
Regional and National Significance  
Area: Reporting  
Questioned Costs: \$0

Contract Persons: Grants Management Administrator and Chief Financial Officer

Corrective action:

CHCC Grants Management Office hired additional Grants Fiscal Specialist last August 17, 2020 to assist in the preparation of reports and timely recording of transactions so that reports generated could be timely reconciled to the Financial Reports. The erroneous reports have been updated and reuploaded to the Grants portal. Estimated completion date: December 2021

Finding No.: 2018-019

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program 93.243 Substance Abuse and Mental Health Services Projects of  
Regional and National Significance  
Area: Subrecipient Monitoring  
Questioned Costs: \$205,310

Contract Persons: Director of CGC, Grants Management Administrator and Chief Financial Officer

CHCC disagrees with this finding. Subgrantees are monitored through quarterly progress reports submitted and approved by the Program on a quarterly basis throughout the duration of the subgrant implementation.

CHCC monitors by reviewing each quarterly report which includes all invoices and expenses from each subgrantee. Without the submission of each progress report, the subgrantee would not receive their subsequent disbursement of funds.

Additionally, the program manager has initiated several improvements in subrecipient monitoring. The terms and conditions to Subrecipients agreement have been amended to include more specific reporting and monitoring activities. This also includes the use of monitoring tools and checklists.

Finding No.: 2018-020

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program 93.268 Immunization Cooperative Agreement Award  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$52,188

Contract Persons: Payroll Section Supervisor and Chief Financial Officer

1. Our Financial Accounting System is over 20 years old and there are some reporting issues that we are unable to resolve and we acknowledge that we were not able to provide 4 payroll distribution reports. Although the payroll distribution report facilitates the auditing of payroll transaction, we believe there are alternative ways to determine whether the posted batch transactions agree to detailed payroll transactions, such as tracing payroll register to the posted transaction thru detailed inquiry in the Financial Accounting System.
2. CHCC acknowledge that we have not timely provided the requested timesheets and supporting documents.

Corrective Action:

The CNMI Department of Finance included CHCC in its the Financial Systems improvement project. We are going to transition a new financial information system that aims to address the reporting gaps of our legacy software.

We have initiated beginning Fiscal Year 2020 the electronic filing of all payroll documents including personnel actions, timesheets, leave forms, overtime authorizations among others. This aims to facilitate the retrieval of document for audits.

Finding No.: 2018-021

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program 93.268 Immunization Cooperative Agreement Award  
Area: Program Income  
Questioned Costs: \$56,608

Contract Persons: Director of MICAH, Grants Management Administrator and Chief Financial Officer

CHCC does not agree with the finding. The finding stated that the program income was not used for Immunization Program, However, we have supporting documents to show that such program income remains unexpended.



Finding No.: 2018-022

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program 93.268 Immunization Cooperative Agreement Award  
Area: Reporting  
Questioned Costs: \$0

Contract Persons: Director of MICAH, Grants Management Administrator and Chief Financial Officer

1. SF-425 is an inception to date reporting, the significant difference noted by the auditor was because the auditor only used Fund Status Reports of Business Units with FY 2018 expenditures in comparing to the SF-425 which covers commutative expenditures since FY 2013.
2. CHCC financial statements are maintained at Fund basis, hence the in-kind donation and related expenditures related to federally funded vaccines are not recorded on our in-house financial statements. We do account for all vaccines received and have provided the auditor with the conversion entries to record these transactions.

Finding No.: 2018-023

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program 93.268 Immunization Cooperative Agreement Award  
Area: Special test and Provision  
Questioned Costs: \$0

Contract Persons: Director of MICAH, Grants Management Administrator, HIT Director and Chief Financial Officer

CHCC acknowledge the weakness in document filing and retention. The Program administrator resigned while FY 2018 audit is in progress.

Corrective action: CHCC will develop electronic document achieving policies. In line with this goal, CHCC Health Information Division is hardening our server hardware, software and security.

Finding No.: 2018-024

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program 93.505/93.870 Maternal, Infant, and Early Childhood Home Visiting  
Cluster  
Area: Period of Performance  
Questioned Costs: \$5,297

Contract Persons: Director of MICAH, Grants Management Administrator and Chief Financial Office

CHCC acknowledged that the payments were issued after the liquidation period. The Maternal, Infant, and Early Childhood Home Visiting Cluster is a block grant requiring grantor prior authorization for drawdown of funds. Although all services and goods were received during period of liquidation as documented in the "General Ledger Dates", CHCC was not able to release payments until funds prior authorization and review of grantor is received and fund released to CHCC. For this grant, prior authorization request was submitted within the liquidation period, however authorization and funds were received on February 28, 2019 (hence check Nos. 9576, 9584, 9579 and 9577 were written on March 4, 2019) and April 12, 2019 (hence check No. 9805 was written on April 16, 2019).

Finding No.: 2018-025

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program 93.505/93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$45,005

Contract Persons: Director of MICAH, Grants Management Administrator, Procurement Director and Chief Financial Officer

1. To address lack of solicitation for sole-sourced specialized services (650287 OC), our Procurement Division started in FY 2022, certifying qualified vendors thru the "Indefinite delivery / Indefinite quantity (IDIQ)" contracting methodology, wherein specialist vendors are prequalified and program managers are provided a list of these prequalified vendors.

631855 OA is below the micro-purchase threshold of \$4,999, hence we believe that the finding does not apply to this procurement.

2. CHCC believes that executing an additional year change order was for the best interest of the program to ensure continuation of the home visiting services. Although CHCC contract only obligates annual due to the budget period of the grant, the vendor agreement to allow for total of 5 years lease.
3. 631855 OA is below the micro-purchase threshold of \$4,999, hence we believe that the finding does not apply to this procurement.

Corrective Action: To address procurement documentation repeat findings, CHCC started utilizing the Laserfiche software beginning Fiscal year 2021 to electronically route for approval and store all procurement documentation in a repository server that is maintained and backed-up by CHCC Information Systems Division. Although physical file will still be maintained, the electronic file will provide for secondary supporting documentation.

To address required supporting memorandums and the required signature block for each procurement documentation, the Grants Management Office, in collaboration with Procurement Division, conducted training with Federal Administrative Staff on the procurement workflows and memorandum templated. We are also finalizing the Grants Management Playbook, which aims to document in plain English the processes in the grants' life cycle.

Finding No.: 2018-026

Federal Agency:	U.S. Department of Health and Human Services
CFDA Program	93.505/93.870 Maternal, Infant, and Early Childhood Home Visiting Cluster
Area:	Reporting
Questioned Costs:	\$0

Contract Persons: Director of MICAH, Grants Management Administrator and Chief Financial Officer

Beginning Fiscal Year 2020, Grants Management Office took over all financial reporting from the Program Fiscal Specialist. With all financial reports generated by one office, the review and reconciliation process can be timely done prior to submission of reports.



**Commonwealth Healthcare Corporation**  
Commonwealth of the Northern Mariana Islands  
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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**2 CFR 200.511(b)**

**September 30, 2018**

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, 2018 and subsequently resolved prior to the release of this single audit report:

Questioned costs as previously reported:		
Fiscal year 2017	\$	1,044,595
Fiscal year 2016		336,863
Fiscal year 2015		<u>80,238</u>
		1,461,696
Less questioned costs resolved pursuant to 200.511		
Fiscal year 2015		(22,889)
Fiscal year 2016		(191,330)
Less questioned cost resolved by Grantor:		
A-09-18-31906 MDL 09/24/2020		(44,977)
A-09-20-52298 MDL 02/26/2020		(114,981)
A-09-20-52298 MDL 05/14/2020		(135,282)
A-09-16-00036 MDL 12/10/2020		(129,013)
Less administrative offset		
A-09-20-52298 MDL 05/14/2020		(108,757)
Less paid my CHCC		
A-09-16-00036 MDL 12/10/2020		<u>(16,520)</u>
Unresolved Prior Year Questioned Costs	\$	<u>697,947</u>

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>	<b>Contact Person</b>
2017-001 2016-003 2015-004 2014-004	Local Procurement/Non-payroll Expenditures	In Progress	We acknowledge the weakness in documentation of the required element of a sole source procurement. We have communicated with requesting program managers the requirements of §140-80.1-225 of our Procurement Regulations. We have also obtained written documentation of the justifications for the sole sourced contracts referenced in this finding.	Requesting Program Managers, Procurement Director, Comptroller and Chief Financial Officer
2017-002 2016-004 2015-005 2014-005	Payroll/Employee Benefits	In Progress	The Human Resources Department have grown from 7 employees in 2017 to currently 10 employees. With this we aim to be timely in our preparation or contracts and notice of personnel action.	Human Resources Officer, Comptroller and Chief Financial Officer
2017-003 2016-005 2015-009 2014-009	An effective system of control includes procedures to: (1) reconcile inventory to the general ledger on a periodic basis and (2) monitor the movement and recording of inventory.	In Progress	To address recurring findings for inventory and material management identified and the financial statement qualification due to Inventory, the Chief Financial Officer have tasked Procurement Director and Comptroller to review current policies and procedures, including inventory costing method applied. CHCC would implement and document these changes beginning with ending inventory in FY 2020 and all inventory transactions in FY 2021 going forward.	Pharmacy Manager, Procurement Director, Comptroller and Chief Financial Officer
2017-004 2016-006 2015-010 2014-010	Recording and reconciliation of Capital Assets and Related depreciation.	In Progress	Procurement Director was tasked to fully utilized the JDE System in recording all Capital Assets transactions	Procurement Director, Comptroller and Chief Financial Officer.

Finding Number	Finding Summary	Status	Additional Information	Contact Person
2017-005 2016-008 2015-012 2014-012	Related party transactions should be recorded in the financial statements and be timely reconciled.	In Progress	<p>(1) The Settlement Order for federal District Court for the CNMI Case No. 09-00023, which states that the NMIRF shall assign to the CNMI government all rights to collect employer contributions deficient as of August 6, 2013 and related costs from the Autonomous Agencies, or any other CNMI instrumentalities. With this order, the previous obligation of CHCC to the NMI Retirement Fund became part of the CNMI Government obligation in form of Settlement Payments to the NMI Settlement Fund. We acknowledge that we did not reconcile with the NMI retirement Fund prior to the Settlement Order. However, we believe that such liability is no longer the obligation of CHCC. The unfunded pension obligation should be calculated based on a recent actuarial valuation and allocation of CHCC share should be included in the valuation. Without such information, CHCC has no basis to recognize the liability.</p> <p>(2) We agree with the condition, CHCC intends to reconcile with the Office of the Public Auditor and to negotiate a lower rate. We have been seeking abatement of this OPA fee as to assist CHCC in its deficit reduction. In fact, in the Appropriation Act of 2018, the CHCC OPA fee have been waived.</p>	Comptroller and Chief Financial Officer
2017-006 2016-009 2015-013 2014-013	Reporting and Payment of Withholding Taxes Payable	Reporting – Resolved in FY 2019  Payment – In Progress	Planned corrective action to resolve prior year unpaid taxes is to request for an offset with the CNMI Government of unremitted FY 2018 appropriations with CHCC unpaid taxes.	Comptroller and Chief Financial Officer

Finding Number	Finding Summary	Status	Additional Information	Contact Person
2017-007  CFDA 93.104	Allowable Costs/Cost Principles  Questioned Costs: \$47,418	We do not concur with the finding.	CHCC do not agree with the finding and the questioned cost. In accordance with 2 CFR 200.414(f), non-federal entity who have not received a negotiated indirect cost rate previously can now utilize the de minimis rate. CHCC have elected to use this di minimis rate.	Comptroller, Grants Administrator and Chief Financial Officer
2017-008  CFDA 93.104	Matching, Level of Effort, Earmarking  Questioned Costs \$340,669	We do not concur with the finding	<p>1. CHCC do not agree with the finding. An appraisal is not the only allowed basis for determining the fair value of an in kind donation for property. Fair market value can be determined through an appraisal, the market rate on similar assets, or the net present value of the expected future cash flows generated by the asset.</p> <p>We believe that the in-kind donation recorded for the land and building is reasonable. To illustrate, absent an appraisal, we believe a reasonable monthly rental we could get for that property is \$2,000 per month. Using 6.99% interest rate (which is the current borrowing rate for loans in the CNMI, the present value of monthly annuity due for 10 years is \$292,874.90, hence, CHCC met the require match.</p> <p>2 The auditor calculated the level of effort based on the approved budget. Level of effort should be comparing charges to the program to the actual level of effort made and paid.</p> <p>Pursuant to 200.430 (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.</p>	CGC Director, Program Manager, Grants Management Officer, Comptroller and Chief Financial Officer

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>	<b>Contact Person</b>
2017-009 CFDA 93.104	Procurement and Suspension and Debarment  Questioned Costs: \$8,783	We do not concur with the finding	We acknowledge the weakness in documentation of the required element of a sole source procurement but do not agree to the questioned costs.  Although not documented, the program believes that the Sole Source procurement was reasonable and necessary. With the absence of on-island Trainor's, the reasonableness of cost was determined by comparing the cost of professional serviced to the cost of sending wraparound key staff to off Island training with.  We have communicated with requesting program managers the requirements of §140-80.1-225 of our Procurement Regulations.	Program Manager, Grants Management Officer, Procurement Director and Chief Financial Officer
2017-010 CFDA 93.224	Allowable Costs/Cost Principles  Questioned Costs: \$27,490	Resolved by Grantor	HRSA MDL dated 05/14/2020	Program Manager, Grants Management Officer, Procurement Director and Chief Financial Officer
2017-011 CFDA 93.224	Procurement and Suspension and Debarment  Questioned Costs \$27,792	Resolved by Grantors - \$17,792  Paid thru administrative offset - \$10,000	HRSA MDL dated 05/14/2020	Program Manager, Grants Management Officer, Procurement Director and Chief Financial Officer
2017-012 CFDA 93.224	Reporting  Questioned Cost: \$0	Unresolved	We are unable to reconcile the information nor provide corrective action to this reporting findings. KCHC separated with CHCC beginning May 1, 2018 without proper turnover of data and documents.	Grants Management Officer, Comptroller and Chief Financial Officer



Finding Number	Finding Summary	Status	Additional Information	Contact Person
2017-013  CFDA 93.243	Activities Allowed or Unallowed  Questioned Cost: \$35,000	In Progress	With the strengthening of CHCC Grants Management Office, all budget revision and reprogramming are reviewed by the Grants Management Officer and Chief Financial Officer and approved by Chief Executive Officer to ensure that such budget revisions are not only approved by the Grantor but also aligns with CHCCs overall mission.	Grants Management Officer, Comptroller and Chief Financial Officer
2017-014 2016-017  CFDA 93.243	Allowable Costs/Cost Principles  Questioned Cost: \$71,282	In Progress	<p>1.The Human Resources Department have grown from 7 employees in 2017 to currently 10 employees. With this we aim to be timely in our preparation or contracts and notice of personnel action.</p> <p>2.The transaction was be properly subsequently voided.</p> <p>3.The cost incurred is not for renovation but for repairs and maintenance necessary to make the space safe for the employees to operate the program. We will try to obtain copies of the communications between the grantor and then program manager. If we are unable to locate such correspondence, we will have the program manager obtain confirming ratification from the grantor,</p> <p>4. We acknowledge that the liability and expenditure were not accrued on the proper fiscal year, but we do not agree to the questioned costs as the expenses paid were for valid expensed during the performance period and were paid during period of liquidation.</p>	Human Resources Officer, Grants Management Officer, Comptroller and Chief Financial Officer

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>	<b>Contact Person</b>
2017-015 CFDA 93.243	Matching, Level of Effort, Earmarking  Questioned Cost: \$47,500	We do not concur with the finding.	We do not agree with the finding and the auditor interpretation of the level of effort requirement. The cited employee worked only on this one federal program, hence charged 100% to this program.  We believe that Level of effort documentation would be required only pursuant to 200.430 (vii) "Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity."	Grants Management Officer, Comptroller and Chief Financial Officer
2017-016 2016-018  CFDA 93.243	Period of Performance  Questioned Cost: \$23,134	We do not concur with the finding.	The auditor is looking at check cleared date which is beyond the control of CHCC as the measure of late liquidation. We do acknowledge that the selected checks were written of January 12, 2017. The final drawdown for December 31, 2016 for the grant was only received by CHCC on January 12, 2017 and immediately after the receipt of the of the drawdown all vendors were issued payment on that day.	Grants Management Officer, Comptroller and Chief Financial Officer
2017-017 2016-019  CFDA 93.243	Procurement and Suspension and Debarment  Questioned Cost: \$11,785	In Progress	Procurement Director will ensure that all justification memorandum attached to procurement documents comply with CHCC Procurement regulations.	Grants Management Officer, Procurement Director and Chief Financial Officer
2017-018  CFDA 93.243	Subrecipient Monitoring  Questioned Cost: \$100,000	In Progress	The program manager initiated in FY 2019 several improvements in the subrecipient monitoring. Terms and conditions to Subrecipients agreement have been amended to include more specific reporting and monitoring activities.	Program Manager, Grants Management Officer and Chief Financial Officer

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>	<b>Contact Person</b>
2017-019 2016-020  CFDA 93.243	Special Tests and Provisions - Wage Rate Requirements  Questioned Cost: \$0	In Progress	CHCC will ensure that all contractors and vendors for contracts and purchase orders requiring compliance to the Special Wage Rate are aware of the Davis Bacon requirement and include compliance to such requirements in the terms of the contract.	Grants Management Officer, Procurement Director and Chief Financial Officer
2017-020  CFDA 93.268	Allowable Costs/Cost Principles  Questioned Cost: \$75,710	Partially Resolved by Grantor	CDC MDL dated 02/26/2020	
2017-021  CFDA 93.268	Period of Performance  Questioned Cost: \$9,642	Resolved by Grantor	CDC MDL dated 02/26/2020	
2017-022  CFDA 93.268	Procurement and Suspension and Debarment  Questioned Cost: \$29,632	Resolved by Grantor	CDC MDL dated 02/26/2020	
2017-023  CFDA 93.268	Reporting  Questioned Cost: \$0	Resolved by Grantor	CDC MDL dated 02/26/2020	
2017-024  CFDA 93.505	Matching, Level of Effort, Earmarking  Questioned Cost: \$98,757	Administrative offset - \$98,757	CDC MDL dated 02/26/2020	
2017-025  CFDA 93.505	Procurement and Suspension and Debarment  Questioned Cost: \$90,000	Resolved by Grantor	CDC MDL dated 02/26/2020	

Finding Number	Finding Summary	Status	Additional Information	Contact Person
2017-026 2016-032 2015-048  CFDA 93.224 93.268 10.557	Equipment and Real Property Management  Questioned Cost: \$0	In Progress	<p>CHCC Accounting maintains an excel listing of all capital assets and prepares the depreciation entries. We have not fully utilized the capabilities of the Accounting System to automatically calculate and post depreciation entries as our Procurement and Supply Office does not currently have the manpower trained to process such transaction. We believe that the excel file and the annual depreciation entries are sufficient to meet the reporting requirement of CHCC.</p> <p>CHCC did conduct a physical count of capital assets in FY 2019. However, such count has not been reconciled with the recorded capital assets. With the new Procurement Director hired August 2019, CHCC aims to address this repeat finding</p>	Grants Management Officer, Procurement Director and Chief Financial Officer
2016-012	CFDA 93.224 Allowable Costs/Cost Principles - \$5,301	Resolved by Grantor and Administrative Offset	MDL dated December 10, 2020	
2016-013	CFDA 93.224 Period of Availability of Federal Funds - \$1,348	Resolved by Grantor	MDL dated December 10, 2020	
2016-014	CFDA 93.224 Procurement and Suspension and Debarment - \$52,901	Resolved by Grantor	MDL dated December 10, 2020	
2016-015	CFDA 93.224 Reporting	Resolved by Grantor	MDL dated December 10, 2020	
2016-016	CFDA 93.243 Activities Allowed or Unallowed	Resolved Pursuant to §200.511		
2016-026	CFDA 93.505 Period of Availability of Federal Funds - \$12,781  Period of Performance - \$91	Administrative Offset	MDL dated December 10, 2020	

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>	<b>Contact Person</b>
2016-027	CFDA 93.505 Procurement and Suspension and Debarment - \$73,111	Resolved by Grantor	MDL dated December 10, 2020	
2016-028	CFDA 93.505 Reporting	Resolved by Grantor	MDL dated December 10, 2020	
2016-029	CFDA 93.982 Allowable Costs/Cost Principle - \$50,903	Resolved Pursuant to §200.511		
2016-030	CFDA 93.982 Period of Performance - \$7,033	Resolved Pursuant to §200.511		
2016-031	CFDA 93.982 Procurement and Suspension and Debarment - \$29,720	Resolved Pursuant to §200.511		
2015-019	CFDA 93.069 Allowable Costs/Cost Principles - \$5,956	Unresolved	Pending administrative offset	
2015-026	CFDA 93.116 Allowable Costs/Cost Principles - \$6,416	Unresolved	Pending administrative offset	
2015-027	CFDA 93.116 Cash Management - \$22,889	Resolved Pursuant to §200.511	No mentioned by grantor in MDL dated Sept 24, 2020	
2015-040	CFDA 93.268 Program Income – \$19,977	Resolved by Grantor	MDL dated Sept 24, 2020	
2015-043	CFDA 93.268	Resolved by Grantor	MDL dated Sept 24, 2020	