

*Compliance and Internal Control*

**Commonwealth of the Northern Mariana Islands  
Public School System**

(A Component Unit of the CNMI Government)

*Year Ended September 30, 2022  
with Report of Independent Auditors*



Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Reports on Compliance and Internal Control

Year Ended September 30, 2022

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Report of Independent Auditors 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*

To the State Board of Education of the  
Commonwealth of the Northern Mariana Islands  
Public School System

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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands Public School System (PSS) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise PSS' basic financial statements (collectively referred to as the "financial statements"), and have issued our report thereon dated February 23, 2024. Our report on PSS' governmental activities was qualified due to our inability to determine the effects of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* on the financial statements of PSS' governmental activities. Our report on the financial statements of PSS' general fund, federal fund and remaining aggregate fund information was unmodified.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered PSS' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PSS' internal control. Accordingly, we do not express an opinion on the effectiveness of PSS' 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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 to be a material weakness.

## **Report on Internal Control Over Financial Reporting, continued**

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002 to be a significant deficiency.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether PSS' 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **PSS' Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on PSS' response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. PSS' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

The logo for Ernst + Young, featuring the company name in a stylized, cursive script font.

February 23, 2024



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Report of Independent Auditors 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

To the State Board of Education of the  
Commonwealth of the Northern Mariana Islands  
Public School System

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

***Qualified and Unmodified Opinions***

We have audited the Commonwealth of the Northern Mariana Islands Public School System's (PSS') compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of PSS' major federal programs for the year ended September 30, 2022. PSS' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

*Qualified Opinion on the Child Nutrition Cluster, Special Education Cluster (IDEA), ALN 84.403 Consolidated Grant to the Outlying Areas, and ALN 84.425 Education Stabilization Fund*

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, PSS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster, Special Education Cluster (IDEA), ALN 84.403 Consolidated Grant to the Outlying Areas, and ALN 84.425 Education Stabilization Fund for the year ended September 30, 2022.

*Unmodified Opinion on the Other Major Federal Program*

In our opinion, PSS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2022.

***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of PSS and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of PSS' compliance with the compliance requirements referred to above.

*Matters Giving Rise to Qualified Opinion on the Child Nutrition Cluster, Special Education Cluster (IDEA), ALN 84.403 Consolidated Grant to the Outlying Areas, and ALN 84.425 Education Stabilization Fund*

As described in Findings 2022-004, 2022-005, 2022-012, 2022-013, and 2022-014 in the accompanying Schedule of Findings and Questioned Costs, PSS did not comply with the requirements regarding the following:

<b>Finding No.</b>	<b>ALN</b>	<b>Federal Program or Cluster Name</b>	<b>Compliance Requirement</b>
2022-012	10.555	Child Nutrition Cluster	Procurement and Suspension and Debarment
2022-013	84.027	Special Education Cluster (IDEA)	Procurement and Suspension and Debarment
2022-004	84.403	Consolidated Grant to the Outlying Areas	Allowable Costs/Cost Principles
2022-014	84.403	Consolidated Grant to the Outlying Areas	Procurement and Suspension and Debarment
2022-005	84.425	Education Stabilization Fund	Allowable Costs/Cost Principles

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

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to PSS' federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on PSS' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about PSS' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding PSS' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of PSS' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 PSS' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***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 2022-003 and 2022-006 through 2022-011. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on PSS' response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. PSS' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not 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 2022-004, 2022-005, 2022-012, 2022-013, and 2022-014 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 2022-003 and 2022-006 through 2022-011 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on PSS' response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. PSS' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.


PSS is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. PSS's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 the governmental activities, each major fund, and the aggregate remaining fund information of PSS as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise PSS' basic financial statements. We have issued our report thereon dated February 23, 2024, which contained a qualified opinion on the financial statements of PSS' governmental activities due to our inability to determine the effects of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* on the financial statements of PSS' governmental activities. Our opinions on the financial statements of PSS' general fund, federal fund and remaining aggregate fund information were unmodified. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 Expenditure of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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February 23, 2024

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Child Nutrition Cluster:			
National School Lunch Program	10.555		\$ 14,806,114
Total Child Nutrition Cluster			<u>14,806,114</u>
Food Distribution Cluster:			
Emergency Food Assistance Program	10.568		522,910
Total Food Distribution Cluster			<u>522,910</u>
Child Nutrition Discretionary Grants Limited Availability	10.579		55,787
Community Facilities Loans and Grants Cluster:			
Community Facilities Loans and Grants	10.766		1,201,020
Total Community Facilities Loans and Grants Cluster			<u>1,201,020</u>
<b>Total U.S. Department of Agriculture</b>			<u>16,585,831</u>
<b>U.S. Department of Defense</b>			
Army JROTC EFT District	12.U01		<u>384,793</u>
<b>U.S. Department of Interior</b>			
Technical Assistance Program	15.875		<u>34,450</u>
<b>U.S. Department of Education</b>			
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027		5,370,518
COVID-19 Special Education - Grants to States (IDEA, Part B)	84.027X		504,054
Total Special Education Cluster (IDEA)			<u>5,874,572</u>
Special Education - Grants for Infants and Families	84.181		520,925
School Emergency Grant Program	84.184		175,543
Comprehensive Literacy Development	84.371		212,126
Statewide Longitudinal Data Systems	84.372		443,117
Consolidated Grants to the Outlying Areas	84.403		<u>18,542,203</u>
COVID-19 Education Stabilization Fund:			
COVID-19 Education Stabilization Fund – State Educational Agency (Outlying Areas)	84.425A		30,716,392
COVID-19 American Rescue Plan – State Educational Agency (Outlying Areas)	84.425X		24,394,668
Total COVID-19 Education Stabilization Fund			<u>55,111,060</u>
Elementary and Secondary Education Hurricane Relief – Immediate Aid to Restart School Operations	84.938A		571,249
<b>Total U.S. Department of Education</b>			<u>81,450,795</u>

*See accompanying notes to the Schedule of Expenditures of Federal Awards*

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Schedule of Expenditures of Federal Awards, continued

Year Ended September 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. Department of Health and Human Services</b>			
Sexual Risk Avoidance Education	93.060		240,365
Personal Responsibility Education Program	93.092		182,732
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		1,681,286
Head Start Cluster:			
Head Start Disaster Recovery	93.356		599,528
Head Start	93.600		3,662,027
COVID-19 Head Start	93.600		412,081
Total Head Start Cluster			<u>4,673,636</u>
Promote the Survival and Continuing Vitality of Native American			
Languages	93.587		115,002
Native American Programs	93.612		153,914
Mental Health Disaster Assistance and Emergency Mental Health	93.982		317,256
<b>Total U.S. Department of Health and Human Services</b>			<u>7,364,191</u>
<b>Corporation for National and Community Service</b>			
AmeriCorps	94.006		<u>289,920</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>106,109,980</u></b>

Commonwealth of the Northern Mariana Islands  
Public School System  
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Notes to the Schedule of Expenditures of Federal Awards

Year Ended September 30, 2022

**1. Scope of Review**

The Public School System (PSS) was established as a public non-profit corporation by the Commonwealth of the Northern Mariana Islands (CNMI) Public Law No. 6-10, effective October 25, 1988 and began operations on October 1, 1988. All significant operations of PSS are included in the scope of the Single Audit. The U.S. Department of the Interior's Office of the Inspector General has been designated as PSS' cognizant agency for the Single Audit.

**2. Summary of Significant Accounting Policies**

*Basis of Accounting*

The Schedule of Expenditures of Federal Awards (the Schedule) is prepared on the accrual basis of accounting. 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. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

All authorizations represent the total allotments or grant awards received. All expenses and capital outlays are reported as expenditures.

Because the Schedule presents only a selected portion of the operations of PSS, it is not intended to and does not present the financial position, changes in net position, or cash flows of PSS.

*Indirect Cost Allocation*

PSS did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance. PSS negotiated an indirect cost plan with the U.S. Department of Education for fiscal year 2022. The provisional restricted indirect cost rate is 3.80%.

The rate is applicable only to U.S. Department of Education programs and is based on total direct costs, less capital expenditures and pass-through funds. Pass-through funds are normally defined as major subcontracts, payments to participants, stipends to eligible recipients and subgrants, all of which normally require minimal administrative effort.

*Loan*

As of September 30, 2022, PSS has an outstanding \$1,092,598 loan balance due to the United States Department of Agriculture Rural Development Bank.

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs

Year Ended September 30, 2022

**Section I—Summary of Auditor’s Results**

**Financial Statements**

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

Qualified and Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

X  **yes**           **no**

Significant deficiency(ies) identified?

X  **yes**           **none reported**

Noncompliance material to financial statements noted?

    **yes**       X  **no**

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

X  **yes**           **no**

Significant deficiency(ies) identified?

X  **yes**           **none reported**

Type of auditor’s report issued on compliance for major federal programs:

Major Federal Program	Type of Opinion
Head Start Cluster	Unmodified
All Other Major Federal Programs	Qualified

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

X  **yes**           **no**

Commonwealth of the Northern Mariana Islands  
Public School System  
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Schedule of Findings and Questioned Costs, continued

**Section I—Summary of Auditor’s Results, continued**

Identification of major federal programs:

<u>Assistance Listings Number</u>	<u>Name of federal program or cluster</u>
	Child Nutrition Cluster:
10.555	National School Lunch Program
	Special Education Cluster (IDEA):
84.027	Special Education – Grants to States (IDEA, Part B)
84.403	Consolidated Grant to the Outlying Areas
	Education Stabilization Fund (ESF):
84.425A	COVID-19 ESF – State Educational Agency (SEA) (Outlying Areas)
84.425X	COVID-19 American Rescue Plan – SEA (Outlying Areas)
	Head Start Cluster:
93.356	Head Start Disaster Recovery
93.600	Head Start

Dollar threshold used to distinguish between

Type A and Type B programs:

\$3,000,000

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Auditee qualified as low-risk auditee?

\_\_\_\_\_ **yes**        X   **no**

Commonwealth of the Northern Mariana Islands  
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Schedule of Findings and Questioned Costs, continued

**Section II – Financial Statement Findings**

<u>Reference Number</u>	<u>Finding</u>
2022-001	General Ledger and Financial Statement Close Process
2022-002	General Ledger and Schedule of Expenditures of Federal Awards

**Section III – Federal Awards Findings and Questioned Costs**

<u>Reference Number</u>	<u>ALN</u>	<u>Finding</u>	<u>Questioned Costs</u>
2022-012	10.555	Procurement and Suspension and Debarment	\$ 261,889
2022-003	84.027	Allowable Costs/Cost Principles	---
2022-008	84.027	Equipment and Real Property Management	29,988
2022-013	84.027	Procurement and Suspension and Debarment	105,959
2022-004	84.403	Allowable Costs/Cost Principles	28,975
2022-009	84.403	Equipment and Real Property Management	36,244
2022-014	84.403	Procurement and Suspension and Debarment	24,595
2022-005	84.425	Allowable Costs/Cost Principles	246,285
2022-010	84.425	Equipment and Real Property Management	854,432
2022-006	93.356 93.600	Allowable Costs/Cost Principles	132,591
2022-011	93.356 93.600	Equipment and Real Property Management	165,367
2022-007	93.356 93.600	Special Tests and Provisions	---
		Total Questioned Costs	\$ 1,886,325

Commonwealth of the Northern Mariana Islands  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-001**

Area: General Ledger and Financial Statement Close Process

Criteria:

Accounting principles generally accepted in the United States of America (US GAAP) requires that cut off procedures be accurately performed such that transactions and events are recorded in the correct accounting period. In addition, US GAAP requires all assets and liabilities existing as of the end of a fiscal year be included in the statement of net position.

Condition:

Cash, capital assets, liabilities and expenses are significantly understated. Material audit adjustments were proposed to correct these misstatements.

Cause:

PSS did not perform a combination of the following: (1) reconciliations, (2) proper cut-off procedures, (3) effective communications among departments, and (4) sufficient supervision and reviews relative to significant classes of transactions.

Effect:

Material errors over the financial statement close process may exist and not be identified and corrected in a timely manner, resulting in the preparation of materially misstated financial statements.

Recommendation:

PSS management should improve controls to ensure all transactions, including non-cash transactions, are recorded in the proper accounting period.

Views of responsible officials:

PSS agrees with the finding and describes corrective actions in the PSS Corrective Action Plan.



Commonwealth of the Northern Mariana Islands  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-002**

Area: General Ledger and Schedule of Expenditures of Federal Awards

Criteria:

2 CFR 200.510 requires an auditee to prepare a Schedule of Expenditures of Federal Awards (SEFA) which must include the total federal awards expended for the period covered by the auditee’s financial statements.

Condition:

The initial SEFA provided did not agree or reconcile to the federal awards expended and recorded in the financial statements. The total federal awards expended per the initial SEFA differed by \$456,980 as compared to the financial statements. Below is a summary of the affected federal awards:

ALN	Federal Program Name	SEFA is Higher (Lower) By
84.425X	COVID-19 American Rescue Plan – State Educational Agency (Outlying Areas)	\$ 266,252
84.403	Consolidated Grants to the Outlying Areas	84,805
84.027	Special Education - Grants to States (IDEA, Part B)	80,230
10.555	National School Lunch Program	(66,234)
84.181	Special Education - Grants for Infants and Families	61,655
93.092	Personal Responsibility Education Program	30,273
		<u>\$ 456,981</u>

Cause:

PSS did not effectively perform controls over the preparation of the SEFA.

Effect:

Any interim reporting may contain materially misstated information and may also affect major program determinations.

Recommendation:

PSS should improve controls to help ensure the SEFA is prepared accurately and completely. Any cut-off procedures performed for the financial statements must also cover the SEFA.

Views of responsible officials:

PSS agrees with the finding and describes corrective actions in the PSS Corrective Action Plan.

Commonwealth of the Northern Mariana Islands  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-003**

Federal Agency: U.S. Department of Education  
 Assistance Listing No. and Title: 84.027 Special Education – Grants to States (IDEA, Part B)  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$0

Criteria:

The Schedule of Expenditures of Federal Awards (SEFA) must be supported by underlying accounting and other records used in preparing the financial statements.

2 CFR 200.403(g) provides that costs must be adequately documented to be considered allowable under Federal awards.

2 CFR 200.430(i)(1)(i) requires that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Condition:

1. For the year ended September 30, 2022, the total amount of payroll expense under ALN 84.027 determined from the journal entry details supporting the SEFA (or general ledger) was lower by \$480,743 as compared to the total amount of payroll expense per labor cost summary (or subsidiary ledger). It was further noted that \$404,198 out of this amount pertains to costs initially charged under the program but were reclassified to the Education Stabilization Fund (ESF) federal program through a general ledger entry only. No questioned costs are raised as the payroll costs that caused the variance were identified in detail.
2. For 3 (or 8%) of 40 transactions tested aggregating \$61,202 out of \$3,196,892 in total payroll expenditures, employee timecards were not provided. No questioned costs are raised as summary timesheets were provided.

FAIN	Batch Number	Employee Number	Pay Period End Date	Business Unit	Gross Pay
H027A210106	6352090	5865	06/18/22	2285LE2SPE	\$2,103
H027A220106	6353129	6582	07/16/22	2385LE3SPE	2,382
H027A220106	6354063	13486	08/13/22	2385LE3SPE	1,789
					\$6,274

Cause:

PSS did not perform a reconciliation of the general ledger and subsidiary ledger for payroll costs. In addition, PSS failed to ensure that costs charged to the grant are adequately supported.

Commonwealth of the Northern Mariana Islands  
Public School System  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-003, continued**

Federal Agency:	U.S. Department of Education
Assistance Listing No. and Title:	84.027 Special Education – Grants to States (IDEA, Part B)
Area:	Allowable Costs/Cost Principles
Questioned Costs:	\$0

Effect:

PSS is in noncompliance with applicable allowable costs/cost principles requirements.

Recommendation:

PSS should implement a regular reconciliation of its labor cost summary report with the general ledger journal entries and ensure that any discrepancies are resolved or validly supported. Further, PSS should strengthen recordkeeping procedures so that documents are readily available to substantiate costs charged to the grant.

Views of responsible officials:

The PSS Corrective Action Plan provides a detailed rationale for disagreement with the finding.

Auditor response:

Condition 1 – The finding does acknowledge that PSS reclassified the amount under ESF funds. Given the knowledge of the journal entry limitation, PSS failed to show evidence of effort to regularly reconcile the labor cost summary report with the general ledger. The condition remains.

Condition 2 – Based on our understanding of PSS’ internal controls, timecards are required to be provided every pay period to support the payment of salaries and wages. The condition remains.

Commonwealth of the Northern Mariana Islands  
Public School System  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-004**

Federal Agency: U.S. Department of Education  
 Assistance Listing No. and Title: 84.403 Consolidated Grants to the Outlying Areas  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$28,975

Criteria:

2 CFR 200.403 (g) provides that costs must be adequately documented to be considered allowable under Federal awards.

2 CFR 200.439(b) provides that capital expenditures for general purpose equipment, buildings, and land; special purpose equipment with a unit cost of \$5,000 or more; and, improvements to land, buildings, or equipment which materially increase their value or useful life, are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity.

Condition:

1. For 25 (or 63%) of 40 transactions tested, aggregating \$39,942 out of \$4,631,757 in total payroll expenditures, the Notice of Personnel Action (NOPA) form was not provided for differential payments paid to employees.

FAIN	Batch Number	Employee Number	PPE Date	Business Unit	Differential Pay
S403A200001	6352682	9084	07/02/22	212ATL1BCD	\$ 400
S403A200001	6346324	21961	03/12/22	212ATL1SBD	400
S403A210001	6351463	11991	06/04/22	2203SW2DMS	510
S403A210001	6346957	13980	03/26/22	2203SW2GES	420
S403A210001	6347597	5855	04/09/22	2203SW2GES	200
S403A210001	6348632	20514	04/23/22	2203SW2GES	350
S403A210001	6346957	2726	03/26/22	2203SW2HMS	240
S403A210001	6345010	22191	02/12/22	2203SW2KAG	240
S403A210001	6351463	8450	06/04/22	2203SW2KES	310
S403A210001	6346324	16995	03/12/22	2203SW2SNP	450
S403A210001	6346957	12549	03/26/22	2203SW2WSR	460
S403A210001	6347597	17191	04/09/22	2203SW2WSR	480
S403A210001	6352161	17185	06/18/22	2205TE2CTS	150
S403A210001	6341489	7458	11/06/21	2205TE2EID	1,013
S403A210001	6349554	7778	05/07/22	2205TE2EID	900
S403A210001	6345689	2654	02/26/22	2205TE2ETD	2,925
S403A210001	6348632	16505	04/23/22	2205TE2ETD	3,038
S403A210001	6340382	21913	10/09/21	2205TE2TTD	75
S403A210001	6342921	13936	12/18/21	2205TE2TTD	150
S403A210001	6351463	2879	06/04/22	2205TE2TTD	450
S403A210001	6341489	15917	11/06/21	2211AT2SCD	400
S403A210001	6352682	17714	07/02/22	2211AT2VCD	400
S403A210001	6352161	2356	06/18/22	2212PD2MAT	40
S403A210001	6349554	2897	05/07/22	2212PD2MPD	600
S403A220001	6356009	13526	09/24/22	2303SW3TJS	75
					<u>\$ 14,676</u>

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-004, continued**

Federal Agency:	U.S. Department of Education
Assistance Listing No. and Title:	84.403 Consolidated Grants to the Outlying Areas
Area:	Allowable Costs/Cost Principles
Questioned Costs:	\$28,975

Condition, continued:

2. For 2 (or 40%), no evidence of prior approval from the federal agency was provided for equipment acquisitions PS-049031-US and PS-055730-US, which were acquired within fiscal year 2022, totaling \$14,299.

Cause:

PSS failed to ensure that costs charged to the grant are adequately supported.

Effect:

PSS is in noncompliance with applicable allowable costs/cost principles requirements. The reportable questioned cost is \$28,975.

Recommendation:

PSS should strengthen recordkeeping procedures so that documents are readily available to substantiate costs charged to the grant.

Views of responsible officials:

The PSS Corrective Action Plan provides a detailed rationale for disagreement with Condition 1. Management agrees with Condition 2.

Auditor response:

Condition 1 – Part T60-30.1-448 (Approval of Proposals to Provide Premium Pay or Differentials) of the PSS Personnel Rules and Regulations states that all proposals for pay differentials as defined herein shall be submitted by the Commissioner of Education on a request for personnel action (form CSC P 1) to the Personnel Management Officer for review and approval. The request must be accompanied by a letter of justification addressing each of the criteria required to support the particular differential.

PSS is in noncompliance with its personnel rules and regulations as it failed to provide documentation supporting a request for personnel action, which is determined to be the NOPA for these instances. The NOPA also determines whether the employee is validly employed at date of payment of the differential. The condition remains.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-005**

Federal Agency:	U.S. Department of Education (ED)
Assistance Listing No. and Title:	COVID-19 84.425 Education Stabilization Fund
ED Subprogram:	84.425A Education Stabilization Fund – State Educational Agency (Outlying Areas; 84.425X American Rescue Plan – State Agency Educational Agency (Outlying Areas)
Federal Award No.:	COVID-19 S425A200001, COVID-19 S425X210001
Area:	Allowable Costs/Cost Principles
Questioned Costs:	\$246,285

Criteria:

The Schedule of Expenditures of Federal Awards (SEFA) must be supported by underlying accounting and other records used in preparing the financial statements.

2 CFR 200.403(a) provides that costs must be necessary and reasonable for the performance of the Federal award and be allocable thereto. 2 CFR 200.403 (g) also provides that costs must be adequately documented.

In an e-mail communication to PSS, U.S. Department of Education (ED) had stated that the proposed use of ESF funds for the purpose of paying a 10% retention incentive in response to the COVID-19 pandemic is allowable.

2 CFR 200.439(b) provides that capital expenditures for general purpose equipment, buildings, and land; special purpose equipment with a unit cost of \$5,000 or more; and, improvements to land, buildings, or equipment which materially increase their value or useful life, are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity.

Condition:

1. For the year ended September 30, 2022, the total amount of payroll expense under ALN 84.027 determined from the journal entry details supporting the SEFA (or general ledger) was higher by \$802,789 as compared to the total amount of payroll expense per labor cost summary (or subsidiary ledger). It was further noted that \$404,198 out of this amount pertains to costs initially charged under ALN 84.027 but were later reclassified to ALN 84.425A through a general ledger entry only. No questioned costs are raised as the payroll costs that caused the variance were identified in detail.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-005, continued**

Federal Agency:	U.S. Department of Education (ED)
Assistance Listing No. and Title:	COVID-19 84.425 Education Stabilization Fund
ED Subprogram:	84.425A Education Stabilization Fund – State Educational Agency (Outlying Areas; 84.425X American Rescue Plan – State Agency Educational Agency (Outlying Areas)
Federal Award No.:	COVID-19 S425A200001, COVID-19 S425X210001
Area:	Allowable Costs/Cost Principles
Questioned Costs:	\$246,285

Condition, continued

2. For 2 (or 5%) of 40 payroll transactions tested, totaling \$58,493 out of \$32,152,897 in total gross wages incurred under the program, the employee was paid a retention incentive amounting to \$3,000 instead of 10% of the employee’s annual salary, as provided by the retention incentive policy. We further noted that PSS provided fixed retention incentive payments amounting to \$3,000 for employees whose annual salaries amounted to \$30,000 and below, instead of using the rate of 10% as allowed by ED. No evidence was provided to justify the allowability of retention incentives in excess of the allowable amount for the aforementioned group of employees. Total known questioned costs for this condition amounted to \$236,490 under ALN 84.425X.

Below is a computation of the excess incentive amount for employees actively employed at fiscal year-end:

Total salaries of those earning below \$30,000	\$10,235,104
Expected 10% incentive amount	1,023,510
Actual incentive amount	<u>1,260,000</u>
 Excess incentive amount (known questioned costs)	 \$ <u>236,490</u>

3. For 1 (or 10%), no evidence of prior approval from the federal agency was provided for equipment acquisition PS-069896-US, which was acquired within fiscal year 2022 amounting to \$9,795.

Cause:

PSS did not perform a reconciliation of the general ledger and subsidiary ledger for payroll costs. In addition, PSS failed to ensure that costs charged to the grant are adequately supported.

Effect:

PSS is in noncompliance with applicable allowable costs/cost principles requirements. Total known questioned costs of \$246,285 are reported.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-005, continued**

Federal Agency:	U.S. Department of Education (ED)
Assistance Listing No. and Title:	COVID-19 84.425 Education Stabilization Fund
ED Subprograms:	84.425A Education Stabilization Fund – State Educational Agency (Outlying Areas); 84.425X American Rescue Plan – State Agency Educational Agency (Outlying Areas)
Federal Award No.:	COVID-19 S425A200001, COVID-19 S425X210001
Area:	Allowable Costs/Cost Principles
Questioned Costs:	\$246,285

Identification as a repeat finding: 2021-003

Recommendation:

PSS should implement a regular reconciliation of its labor cost summary report with the general ledger journal entries and ensure that any discrepancies are resolved or validly supported. Further, PSS should strengthen recordkeeping procedures so that documents are readily available to substantiate costs charged to the grant.

Views of responsible officials:

The PSS Corrective Action Plan provides a detailed rationale for disagreement with the findings described in Conditions 1 and 2. Management agrees with Condition 3.

Auditor response:

Condition 1 – The finding does acknowledge that PSS reclassified the amount under ESF funds. Given the knowledge of the journal entry limitation, PSS failed to show evidence of effort to regularly reconcile the labor cost summary report with the general ledger. The condition remains.

Condition 2 – A review of the communications between PSS and the U.S. Department of Education shows the latter’s approval to provide a retention incentive of 10% of annual salaries. There was no specific approval on the fixed amount of retention incentive provided for those employees with annual salaries not exceeding \$30,000. The condition remains.



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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-006**

Federal Agency:	U.S. Department of Health and Human Services
Assistance Listing No. and Title:	93.356/93.600 Head Start Cluster
Area:	Allowable Costs/Cost Principles
Questioned Costs:	\$132,591

Criteria:

2 CFR 200.403 (g) provides that costs must be adequately documented.

42 U.S. Code (USC) § 9839 (g) and (h) provide that with prior written approval from the Administration for Children and Families (ACF), Head Start Agencies (HSAs) may use funds for capital expenditures (including paying the cost of amortizing the principal, and paying interest on, loans), such as construction of new facilities, purchase of new or existing facilities, major renovations of existing facilities, and purchase of vehicles used for programs conducted at the Head Start facilities.

42 USC 9839 (c) provides that shared and indirect costs attributable to common or joint use of personnel, facilities, or services by Head Start programs and other programs must be fairly allocated among the various programs that utilize such services.

2 CFR 200.439(b) provides that capital expenditures for general purpose equipment, buildings, and land; special purpose equipment with a unit cost of \$5,000 or more; and, improvements to land, buildings, or equipment which materially increase their value or useful life, are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity.

Condition:

1. For 1 (or 2%) out of 40 payroll transactions tested totaling \$45,917 out of \$3,036,667 in total Program payroll costs, gross wages of \$1,101 were incurred by the program under FAIN 09CH01116703 for Employee No. 21199 during the pay period ended 06/18/2022. No evidence of fair allocation of the employee's payroll cost was provided.
2. For 2 (or 40%) out of 5 samples totaling \$131,490 out of \$165,367 of equipment tested, no evidence of prior approval from the federal agency was provided for equipment acquisitions PS-067026-US and PS-078607-US, which were acquired within fiscal year 2022 under FAIN COVID-19 09HE0009410C6.

Cause:

PSS failed to ensure that costs charged to the grant are adequately supported.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-006, continued**

Federal Agency:	U.S. Department of Health and Human Services
Assistance Listing No. and Title:	93.356/93.600 Head Start Cluster
Area:	Allowable Costs/Cost Principles
Questioned Costs:	\$132,591

Effect:

PSS is in noncompliance with applicable allowable costs/cost principles requirements. The reportable questioned cost is \$132,591.

Recommendation:

PSS should strengthen recordkeeping procedures so that documents are readily available to substantiate costs charged to the grant.

Views of responsible officials:

The PSS Corrective Action Plan provides a detailed rationale for disagreement with the findings.

Auditor response:

Condition 1 – The evidence of fair allocation was not provided. The condition remains.

Condition 2 – The evidence of prior approval was not received. The condition remains.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-007**

Federal Agency:	U.S. Department of Health and Human Services
Assistance Listing No. and Title:	93.356/93.600 Head Start Cluster
Federal Award No.:	09ND000031, 09CH011167
Area:	Special Tests and Provisions – Program Governance
Questioned Costs:	\$0

Criteria:

The 2022 OMB Compliance Supplement page 4-93.600-12 through 13 provides that a Head Start Agency (HSA) must share accurate and regular financial information with the governing body and the policy council, including monthly financial statements, including credit card expenditures and the financial audit (42 USC 9837(d)(2)(A) and (E)).

The governing body’s responsibilities include approving financial management, accounting, and reporting policies, and compliance with laws and regulations related to financial statements, including the: (a) approval of all major financial expenditures of the agency; (b) annual approval of the operating budget of the agency; (c) selection (except when a financial auditor is assigned by the state under state law or is assigned under local law) of independent financial auditors; and (d) monitoring of the agency’s actions to correct any audit findings and of other action necessary to comply with applicable laws (including regulations) governing financial statement and accounting practices (42 USC 9837(c)(1)(E)(iv)(VII)(aa) through (dd)).

The HSA or the auditee has provided training and technical assistance to the governing body and policy council to support understanding of financial information provided to them and support effective oversight of the Head Start award (42 USC 9837(d)(3)).

Condition:

1. Instead of the monthly requirement, PSS’ Director of Finance meets quarterly with the Board of Education’s (BOE’s) Fiscal, Personnel and Administration (FPA) Committee to discuss financial statements and expenditures.
2. No evidence was provided of the BOE’s monitoring of PSS’ actions to correct any audit findings.
3. No evidence was provided that training and technical assistance related to fiscal responsibilities was received by members of the FPA Committee of the BOE.

Cause:

PSS failed to ensure compliance with applicable special tests and provisions for program governance requirements.

Effect:

PSS is in noncompliance with special tests and provisions requirements. No questioned costs are reported as we are unable to quantify the extent of noncompliance.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-007, continued**

Federal Agency:	U.S. Department of Health and Human Services
Assistance Listing No. and Title:	93.356/93.600 Head Start Cluster
Federal Award No.:	09ND000031, 09CH011167
Area:	Special Tests and Provisions – Program Governance
Questioned Costs:	\$0

Recommendation:

PSS should improve its coordination with members of the BOE with regard to the BOE's oversight over financial statements and the related Single Audits. PSS should proactively communicate with the BOE with regard to the status of corrective actions for audit findings.

Views of responsible officials:

PSS agrees with the finding and describes corrective actions in the PSS Corrective Action Plan.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-008**

Federal Agency: U.S. Department of Education  
 Assistance Listing No. and Title: 84.027 Special Education – Grants to States (IDEA, Part B)  
 Area: Equipment and Real Property Management  
 Questioned Costs: \$29,988

Criteria:

§ 2 CFR 200.313(b) provides that a state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.

PSS Rules and Regulations § T60-20-815 Inventory Requirements Section (c)(1) provides that a fixed asset at its inception shall be assigned to one individual, who will be responsible for the care and maintenance of the specified fixed asset. The employee, who is in direct control of the fixed asset (not the supervisor of the employee), and who is using the fixed asset, shall sign for the fixed asset.

§ T60-20-815 Section (c)(5) provides that the Procurement and Supply Department and the Fiscal and Budget Division along with the responsible school principals, program managers and site coordinators shall be responsible for taking an inventory of all fixed assets. During that inventory, all custodians must be matched with the appropriate records of assigned fixed assets maintained at the Central Office. All discrepancies between custodians and their respective fixed assets must be cleared by 90 days after the closing of the fiscal year.

Further, § T60-20-815 Section (e) provides that the disposition of fixed assets shall be in accordance with procedures established by the Commissioner.

Condition:

Of 5 equipment transactions tested, aggregating \$29,988 of \$59,723 in total amount of equipment identified under the program as of September 30, 2022:

1. For 5 (or 100%), no evidence of custodian signature at inception of the fixed asset was provided. However, printed copies of the property master information record from the JD Edwards system were signed and dated by the custodian and a verifier as evidence of the most recent physical inspection in September 2022.

FAIN	Business Unit	Property Record No.	Date Acquired	Cost	Amount Tested
H027A100106	1183SE1SPE	PS-012478-US	09/30/2011	\$7,322	\$---
H027A150106	1685LE6SPE	PS-032276-US	04/06/2017	7,035	704
H027A150106	1685LE6SPE	PS-032278-US	04/06/2017	7,035	704
H027A160106	1785LE8SPE	PS-038105-US	01/08/2018	94,833	23,708
H027A170106	1883SE8SPE	PS-047509-US	05/28/2019	5,315	4,872
Total				\$121,540	\$29,988

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-008, continued**

Federal Agency:	U.S. Department of Education
Assistance Listing No. and Title:	84.027 Special Education – Grants to States (IDEA, Part B)
Area:	Equipment and Real Property Management
Questioned Costs:	\$29,988

Condition, continued:

2. For 2 (or 40%), the custodian's name and the condition of the equipment was not indicated on the property master information record for PS-012478-US and PS-047509-US, with a total amount tested of \$4,872. Evidence that custodian records were matched and updated after physical inspection was not obtained.

Cause:

PSS' existing fixed asset management policies are insufficient to ensure proper management of equipment and real property.

Effect:

PSS is in noncompliance with applicable equipment and real property requirements. The reportable questioned cost is \$29,988.

Recommendation:

PSS should improve its existing fixed asset management policies to align with the Federal requirements on equipment and real property management. The Office of Procurement and Supply should consider developing standard forms and templates that can be used to document compliance with recordkeeping, custodianship, and physical count policies.

Views of responsible officials:

PSS agrees with the finding and describes corrective actions in the PSS Corrective Action Plan.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-009**

Federal Agency:	U.S. Department of Education
Assistance Listing No. and Title:	84.403 Consolidated Grants to the Outlying Areas
Area:	Equipment and Real Property Management
Questioned Costs:	\$36,244

Criteria:

§ 2 CFR 200.313(b) provides that a state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.

PSS Rules and Regulations § T60-20-815 Inventory Requirements Section (c)(1) provides that a fixed asset at its inception shall be assigned to one individual, who will be responsible for the care and maintenance of the specified fixed asset. The employee, who is in direct control of the fixed asset (not the supervisor of the employee), and who is using the fixed asset, shall sign for the fixed asset. Refusal to sign as the custodian of a fixed asset shall prohibit the employee from custody of the fixed asset.

§ T60-20-815 Section (c)(5) also provides that the Procurement and Supply Department and the Fiscal and Budget Division along with the responsible school principals, program managers and site coordinators shall be responsible for taking an inventory of all fixed assets. During that inventory, all custodians must be matched with the appropriate records of assigned fixed assets maintained at the Central Office. All discrepancies between custodians and their respective fixed assets must be cleared by 90 days after the closing of the fiscal year.

Further, § T60-20-815 Section (e) provides that the disposition of fixed assets shall be in accordance with procedures established by the Commissioner.

Condition:

Of 5 transactions tested, aggregating \$36,244 of \$243,308 in total amount of equipment identified under the program as of September 30, 2022:

1. For 5 (or 100%), no evidence of custodian signature at inception of the fixed asset was provided. However, printed copies of the property master information record from the JD Edwards system were signed and dated by the custodian and a verifier as evidence of the most recent physical inspection in September 2022.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-009, continued**

Federal Agency: U.S. Department of Education  
 Assistance Listing No. and Title: 84.403 Consolidated Grants to the Outlying Areas  
 Area: Equipment and Real Property Management  
 Questioned Costs: \$36,244

Condition, continued:

FAIN	Business Unit	Property Record No .	Date Acquired	Cost	Amount Tested
S403A170001	183WEL8KAG	PS-039791-US	06/25/2018	\$ 9,995	\$ 3,332
S403A190001	203SWP0KAG	PS-054853-US	05/04/2020	14,348	13,152
S403A200001	213SWP1TMS	PS-066156-US	08/19/2021	5,649	5,461
S403A210001	2203SW2TES	PS-049031-US	11/03/2021	7,319	7,319
S403A180001	192LEA9NHS	PS-055730-US	06/13/2022	6,980	6,980
Total				\$ 44,291	\$ 36,244

2. For 1 (or 20%), the following were noted for PS-039791-US, with amount tested of \$3,332:
- a. The custodian’s name was not indicated on the property master information record from the JD Edwards system. Evidence that custodian records were matched and updated after physical inspection was not obtained.
  - b. The property master information record states that the asset is in “working” condition, however, evidence obtained of a survey performed on August 8, 2022 has concluded that the asset is no longer useful for PSS operations and is recommended for destruction or scrapping. The same evidence showed that the destruction/scrapping occurred in September 15, 2022.

Cause:

PSS’ existing fixed asset management policies are insufficient to ensure proper management of equipment and real property.

Effect:

PSS is in noncompliance with applicable equipment and real property requirements. The reportable questioned cost is \$36,244.



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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-009, continued**

Federal Agency:	U.S. Department of Education
Assistance Listing No. and Title:	84.403 Consolidated Grants to the Outlying Areas
Area:	Equipment and Real Property Management
Questioned Costs:	\$36,244

Recommendation:

PSS should improve its existing fixed asset management policies to align with the Federal requirements on equipment and real property management. The Office of Procurement and Supply should consider developing standard forms and templates that can be used to document compliance with recordkeeping, custodianship, and physical count policies.

Identification as a repeat finding: 2021-005

Views of responsible officials:

PSS agrees with the finding and describes corrective actions in the PSS Corrective Action Plan.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-010**

Federal Agency:	U.S. Department of Education (ED)
Assistance Listing No. and Title:	84.425 Education Stabilization Fund
Area:	Equipment and Real Property Management
Questioned Costs:	\$854,432

Criteria:

The Schedule of Expenditures of Federal Awards (SEFA) must be supported by underlying accounting and other records used in preparing the financial statements.

§ 2 CFR 200.313(b) provides that a state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.

PSS Rules and Regulations § T60-20-815 Inventory Requirements Section (c)(1) provides that a fixed asset at its inception shall be assigned to one individual, who will be responsible for the care and maintenance of the specified fixed asset. The employee, who is in direct control of the fixed asset (not the supervisor of the employee), and who is using the fixed asset, shall sign for the fixed asset. Refusal to sign as the custodian of a fixed asset shall prohibit the employee from custody of the fixed asset.

Condition:

1. As of September 30, 2022, the total amount of equipment acquired under ALN 84.425X per equipment schedule or subsidiary ledger was lower by \$18,147 as compared to the total amount of equipment expenditures identified in the general ledger journal entry details supporting the SEFA.
2. For 10 (or 100%) of 10 equipment transactions tested, aggregating \$854,432 of \$2,296,719 in total amount of equipment costs identified as of September 30, 2022, no evidence of custodian signature at inception of the fixed asset was provided. However, printed copies of the property master information record from the JD Edwards system were signed and dated by the custodian and a verifier as evidence of the most recent physical inspection in September 2022.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-010, continued**

Federal Agency: U.S. Department of Education (ED)  
Assistance Listing No. and Title: 84.425 Education Stabilization Fund  
Area: Equipment and Real Property Management  
Questioned Costs: \$854,432

Condition, continued:

FAIN	Business Unit	Property Record No.	Date Acquired	Cost	Amount Tested
S425A210001	21ESF02MHS	PS-057903-US	02/25/2021	\$ 150	\$ 150
S425A210001	21ESF04HMS	PS-065912-US	08/10/2021	7,140	6,902
S425A210001	21ESF04KHS	PS-069896-US	02/02/2022	9,795	9,795
S425A210001	21ESF02PTS	PS-070148-US	02/04/2022	160,650	160,650
S425A210001	21ESF02PTS	PS-070149-US	02/04/2022	160,650	160,650
Subtotal 84.425A				338,385	338,147
S425X210001	21ARP17BUS	PS-070151-US	02/04/2022	160,650	160,650
S425X210001	21ARP17BUS	PS-070152-US	02/04/2022	160,650	160,650
S425X210001	21ARP18VAN	PS-075895-US	03/23/2022	64,995	64,995
S425X210001	21ARP18VAN	PS-075898-US	03/23/2022	64,995	64,995
S425X210001	21ARP18VAN	PS-075903-US	03/23/2022	64,995	64,995
Subtotal 84.425X				516,285	516,285
Grand Total				\$ 854,670	\$ 854,432

Cause:

PSS' existing fixed asset management policies are insufficient to ensure proper management of equipment and real property.

Effect:

PSS is in noncompliance with applicable equipment and real property requirements. The reportable questioned cost is \$854,432.

Identification as a repeat finding: 2021-004

Recommendation:

PSS should improve its existing fixed asset management policies to align with the Federal requirements on equipment and real property management. The Office of Procurement and Supply should consider developing standard forms and templates that can be used to document compliance with recordkeeping, custodianship, and physical count policies.

Views of responsible officials:

PSS agrees with the finding and describes corrective actions in the PSS Corrective Action Plan.

Commonwealth of the Northern Mariana Islands  
Public School System  
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-011**

Federal Agency: U.S. Department of Health and Human Services  
 Assistance Listing No. and Title: 93.356/93.600 Head Start Cluster  
 Area: Equipment and Real Property Management  
 Questioned Costs: \$165,367

Criteria:

§ 2 CFR 200.313(b) provides that a state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.

PSS Rules and Regulations § T60-20-815 Inventory Requirements Section (c)(1) provides that a fixed asset at its inception shall be assigned to one individual, who will be responsible for the care and maintenance of the specified fixed asset. The employee, who is in direct control of the fixed asset (not the supervisor of the employee), and who is using the fixed asset, shall sign for the fixed asset. Refusal to sign as the custodian of a fixed asset shall prohibit the employee from custody of the fixed asset.

The 2022 OMB Compliance Supplement page 4-93.600-9 provides that property records must be maintained for equipment acquired under a federal award that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Condition:

For 5 (or 100%) of 5 equipment transactions tested, aggregating \$165,367 of \$176,733 in total amount of equipment costs as of September 30, 2022, no evidence of custodian signature at inception of the fixed asset was provided. However, printed copies of the property master information record from the JD Edwards system were signed and dated by the custodian and a verifier as evidence of the most recent physical inspection in September 2022.

FAIN	Business Unit	Property Record No	Date Acquired	Cost	Amount Tested
09HP0029-02-00	17680P7EHP	PS-039257-US	04/30/2018	\$ 44,600	\$ 13,380
09HP0029-02-00	17680P7EHP	PS-039258-US	04/30/2018	34,162	10,248
09HP0029-02-00	17680P7EHP	PS-039259-US	04/30/2018	34,162	10,249
COVID-19 09HE0009410C6	2170AR1HDS	PS-067026-US	10/15/2021	64,495	64,495
COVID-19 09HE0009410C6	2170AR1HDS	PS-078607-US	07/18/2022	66,995	66,995
				\$ 244,414	\$ 165,367

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-011, continued**

Federal Agency:	U.S. Department of Health and Human Services
Assistance Listing No. and Title:	93.356/93.600 Head Start Cluster
Area:	Equipment and Real Property Management
Questioned Costs:	\$165,367

Cause:

PSS' existing fixed asset management policies are insufficient to ensure proper management of equipment and real property.

Effect:

PSS is in noncompliance with applicable equipment and real property requirements. The reportable questioned cost is \$165,367.

Recommendation:

PSS should improve its existing fixed asset management policies to align with the Federal requirements on equipment and real property management. The Office of Procurement and Supply should consider developing standard forms and templates that can be used to document compliance with recordkeeping, custodianship, and physical count policies.

Views of responsible officials:

PSS agrees with the finding and describes corrective actions in the PSS Corrective Action Plan.

Commonwealth of the Northern Mariana Islands  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-012**

Federal Agency:	U.S. Department of Agriculture
Assistance Listing No. and Title:	10.555 National School Lunch Program
Area:	Procurement and Suspension and Debarment
Questioned Costs:	\$261,889

Criteria:

§ 2 CFR 200.317 provides that when procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds.

PSS Procurement Rules and Regulations Part § T60-40-210(b) provides that purchases not exceeding \$500 may be made without securing bids or price quotations if the Chief of Procurement and Supply considers the price reasonable. Such determination shall be made in writing and shall indicate: (1) the reason why price quotations were not sought; (2) the utility of the purchase; (3) an explanation of why the price is reasonable under the circumstances.

§ T60-40-210(d) also provides that price quotations from at least three vendors must be obtained and the selection must be based on competitive price and quality for procurement valued at under \$10,000. Any price quotations obtained must be written, documented, and submitted to the Chief of Procurement and Supply for approval.

PSS Procurement Rules and Regulations Part § T60-40-225(a) Competitive Sealed Proposals provides that when the Commissioner of Education determines in writing upon the advice of legal counsel that the use of a competitive sealed bidding is either not practical or not advantageous to the Public School System, a contract may be entered into by competitive sealed proposals. § T60-40-225(c) further provides that adequate public notice of the request for proposals shall be given in the same manner as provided for in competitive sealed bids.

Condition:

Of 60 non-payroll transactions tested aggregating \$263,083 of \$14,119,504 in total program non-payroll expenditures, we noted the following:

1. For 2 (or 3%), Doc. Nos. 333590 and 28221, totaling \$26, pertained to small purchases not exceeding \$500 and for which no price quotations were made. No written determination of the reasonableness of price was provided in accordance with § T60-40-210(b).
2. For 2 (or 3%), Doc. Nos. 332318 and 333718, totaling \$739 pertained to small purchases not exceeding \$10,000 and for which no price quotations were obtained in accordance with § T60-40-210(d).

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-012, continued**

Federal Agency: U.S. Department of Agriculture  
Assistance Listing No. and Title: 10.555 National School Lunch Program  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$261,889

Condition, continued:

3. For 1 (or 2%), Doc. No. 27345, amounting to \$575, pertained to a small purchase not exceeding \$10,000 and for which only 2 price quotations were obtained, instead of the 3 quotations required by § T60-40-210(d).
  
4. For 49 (or 82%), transactions totaling \$260,549 were procured through competitive sealed proposals. Evidence was not provided showing that the Commissioner of Education has determined in writing that the procurement satisfies the condition for use of competitive sealed proposals in accordance with § T60-40-225(a).

FAIN	Business Unit	Doc. No.	P.O. No.	P.O. Amount	Amount Tested
207NMMN3N1074	2077BLOFNS	322421	168322	\$ 3,758,048	\$ 18,951
217NMMN3N1074	2177BL1FNS	321975	167924	1,007,197	672
207NMMN3N1074	2077BLOFNS	322420	168318	4,406,562	1,513
217NMMN3N1074	2177BL1FNS	323391	168322	3,758,048	33
217NMMN3N1074	2177BL1FNS	325134	168354	4,075,943	271
217NMMN3N1074	2177BL1FNS	327021	168318	4,406,562	1,108
217NMMN3N1074	2177BL1FNS	334098	176797	3,490,047	3,724
217NMMN3N1074	2177BL1FNS	334429	176825	3,167,097	1,961
217NMMN3N1074	2177BL1FNS	334746	176849	3,279,504	3,006
217NMMN3N1074	2177BL1FNS	335044	176797	3,490,047	12,923
217NMMN3N1074	2177BL1FNS	335304	176825	3,167,097	1,039
217NMMN3N1074	2177BL1FNS	336308	176825	3,167,097	10,590
217NMMN3N1074	2179NE1FNS	324933	168317	4,215,109	1,953
217NMMN3N1074	2179NE1FNS	327348	167924	1,007,197	1,026
227NMMN3N1074	2277BL2FNS	323173	167924	1,007,197	7,364
217NMMN3N1074	2177BL1FNS	323457	168317	4,215,109	19,825
207NMMN3N1074	2077BLOFNS	323698	168318	4,406,562	1,888
227NMMN3N1074	2277BL2FNS	323700	168322	3,758,048	648
207NMMN3N1074	2077BLOFNS	323819	168318	4,406,562	3,545
217NMMN3N1074	2177BL1FNS	324942	168354	4,075,943	4,933
217NMMN3N1074	2177BL1FNS	325125	168322	3,758,048	1,286
227NMMN3N1074	2277BL2FNS	325278	168318	4,406,562	2,523
227NMMN3N1074	2277BL2FNS	325571	168318	4,406,562	4,337
217NMMN3N1074	2177BL1FNS	325588	168354	4,075,943	1,655
227NMMN3N1074	2277BL2FNS	325579	168317	4,215,109	14,903
227NMMN3N1074	2277BL2FNS	326213	167924	1,007,197	11,167
227NMMN3N1074	2277BL2FNS	327025	168322	3,758,048	20,831
227NMMN3N1074	2277BL2FNS	327051	167924	1,007,197	374
227NMMN3N1074	2277BL2FNS	327239	167924	1,007,197	504
227NMMN3N1074	2277BL2FNS	327244	168354	4,075,943	684
227NMMN3N1074	2277BL2FNS	327764	168317	4,215,109	221
227NMMN3N1074	2277BL2FNS	327764	168317	4,215,109	20,414

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-012, continued**

Federal Agency: U.S. Department of Agriculture  
Assistance Listing No. and Title: 10.555 National School Lunch Program  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$261,889

Condition, continued:

FAIN	Business Unit	Doc. No.	P.O. No.	P.O. Amount	Amount Tested
227NMMN3N1074	2277BL2FNS	328105	168322	\$ 3,758,048	\$ 22
227NMMN3N1074	2277BL2FNS	328136	168317	4,215,109	761
227NMMN3N1074	2277BL2FNS	328551	168317	4,215,109	10,150
227NMMN3N1074	2277BL2FNS	328554	167924	1,007,197	7,013
227NMMN3N1074	2277BL2FNS	328859	168322	3,758,048	3,187
217NMMN3N1074	2177BL1FNS	328856	168318	4,406,562	15,623
217NMMN3N1074	2177BL1FNS	330176	168318	4,406,562	902
227NMMN3N1074	2277BL2FNS	330426	168317	4,215,109	8,880
217NMMN3N1074	2177BL1FNS	331992	168354	4,075,943	3,577
227NMMN3N1074	2277BL2FNS	332079	169629	4,406,562	3,997
227NMMN3N1074	2277BL2FNS	335733	176823	3,291,196	15,871
217NMMN3N1074	2177BL1FNS	321979	167922	1,043,081	7,184
217NMMN3N1074	2177BL1FNS	322146	167922	1,043,081	452
227NMMN3N1074	2277BL2FNS	324058	167922	1,043,081	433
227NMMN3N1074	2277BL2FNS	324057	167922	1,043,081	476
227NMMN3N1074	2277BL2FNS	327237	167922	1,043,081	5,592
227NMMN3N1074	2277BL2FNS	327760	167922	1,043,081	557
Total					<u>\$ 260,549</u>

Cause:

PSS failed to effectively implement its procurement rules and regulations.

Effect:

PSS is in noncompliance with applicable procurement and suspension and debarment requirements. The reported questioned cost is \$261,889.

Recommendation:

PSS should ensure compliance with its procurement rules and regulations. The Procurement and Supply office should implement additional controls to ensure that procurement documentation is complete in accordance with PSS Procurement Rules and Regulations § T60-40. PSS should also perform a regular review of its procurement rules and regulations to align with federal requirements on procurement.



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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-012, continued**

Federal Agency:	U.S. Department of Agriculture
Assistance Listing No. and Title:	10.555 National School Lunch Program
Area:	Procurement and Suspension and Debarment
Questioned Costs:	\$261,889

Views of responsible officials:

The PSS Corrective Action Plan provides a detailed rationale for disagreement with the finding.

Auditor response:

Condition 1 – PSS’ procurement regulations in T60-40-210(b) specifically provides the information required to be made in writing by the Chief of Procurement and Supply, namely: (1) the reason why price quotations are sought, (2) the utility of the purchase; and (3) an explanation of why the price is reasonable under the circumstances. The supporting documents signed by the Chief of Procurement and Supply and the Commissioner of Education do not provide these representations. The condition remains.

Condition 2 – Upon review of the supporting documents provided, only one vendor provided a supporting quotation. Evidence of effort to obtain the remaining two vendor quotations or justification of not being able to obtain additional quotations were not provided. The condition remains.

Condition 3 – Upon review of the supporting documents provided, only two vendor quotations were sought. Evidence of effort to obtain the third vendor quotation or justification of not being able to obtain the additional quotation was not provided. The condition remains.

Condition 4 – Ultimately, written communication from the Commissioner of Education for the condition for use of competitive sealed proposals is required in T60-40-225(a). The condition remains.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-013**

Federal Agency:	U.S. Department of Education
Assistance Listing No. and Title:	84.027 Special Education – Grants to States (IDEA, Part B)
Area:	Procurement and Suspension and Debarment
Questioned Costs:	\$105,959

Criteria:

§ 2 CFR 200.317 provides that when procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds.

PSS Procurement Rules and Regulations Part § T60-40-210(b) provides that purchases not exceeding \$500 may be made without securing bids or price quotations if the Chief of Procurement and Supply considers the price reasonable. Such determination shall be made in writing and shall indicate: (1) the reason why price quotations were not sought; (2) the utility of the purchase; (3) an explanation of why the price is reasonable under the circumstances.

§ T60-40-210(d) also provides that price quotations from at least three vendors must be obtained and the selection must be based on competitive price and quality for procurement valued at under \$10,000. Any price quotations obtained must be written, documented, and submitted to the Chief of Procurement and Supply for approval.

PSS Procurement Rules and Regulations Part § T60-40-225(a) Competitive Sealed Proposals provides that when the Commissioner of Education determines in writing upon the advice of legal counsel that the use of a competitive sealed bidding is either not practical or not advantageous to the Public School System, a contract may be entered into by competitive sealed proposals. Also, § T60-40-225(g) provides that after proposal evaluation, a notice of intent to award the contract to the responsible offeror whose proposal is determined in writing to be the most advantageous to PSS, taking into consideration price and the evaluation factors set forth in the request for proposals, shall be issued to all offerors.

Condition:

Of 60 non-payroll transactions tested aggregating \$120,642 of \$1,895,080 in total program non-payroll expenditures, we noted the following:

1. For 7 (or 12%), transactions totaling \$1,356 pertained to small purchases not exceeding \$500 and for which no price quotations were made. Evidence was not provided showing that a written determination of the reasonableness of price was performed in accordance with § T60-40-210(b).

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-013, continued**

Federal Agency: U.S. Department of Education  
 Assistance Listing No. and Title: 84.027 Special Education – Grants to States (IDEA, Part B)  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$105,959

Condition, continued:

FAIN	Business Unit	Doc. No.	P.O. No.	P.O. Amount	Amount Tested
H027A190106	2083SE0SPE	26906	169802	\$ 500	\$ 500
H027A190106	2085LE0SPE	323058	168619	443	14
H027A200106	2183SE1SPE	28190	172389	401	401
H027A200106	2185LE1SPE	29974	176429	234	234
H027A210106	2285LE2SPE	324744	171404	75	75
H027A210106	2285LE2SPE	27210	169629	498	116
H027A210106	2285LE2SPE	325219	168619	443	16
				Total	\$ 1,356

2. For 18 (or 30%) transactions totaling \$104,603 pertained to procurements entered into by competitive sealed proposals. Evidence was not provided showing that the Commissioner of Education has determined in writing that the procurement satisfies the condition for use of competitive sealed proposals in accordance with § T60-40-225(a). Further, Notices of Intent to Award were not provided for the reason that there was only one proposer. § T60-40-225(g) does not discuss exemptions for instances where there is only one proposer.

FAIN	Business Unit	Doc. No.	P.O. No.	P.O. Amount	Amount Tested
H027A200106	2183PV1SPE	324600	167169	\$ 256,875	\$ 561
H027A200106	2184AD1SPE	322721	165275	54,180	210
H027A200106	2185LE1SPE	329350	165275	54,180	210
H027A200106	2185LE1SPE	323384	158085	279,000	3,555
H027A210106	2283SE2SPE	323640	162427	97,020	5,566
H027A210106	2283SE2SPE	323643	155255	336,000	20,190
H027A200106	2184AD1SPE	328892	163899	1,015,444	341
H027A220106	2383SE3SPE	334775	167178	865,200	36,069
H027X210106	2286AR2SPE	329470	172563	84,000	5,575
H027X210106	2286AR2SPE	332374	176039	75,000	8,961
H027X210106	2286AR2SPE	334753	167169	256,875	23,365
				Total	\$ 104,603

Cause:

PSS failed to effectively implement its procurement rules and regulations.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-013, continued**

Federal Agency:	U.S. Department of Education
Assistance Listing No. and Title:	84.027 Special Education – Grants to States (IDEA, Part B)
Area:	Procurement and Suspension and Debarment
Questioned Costs:	\$105,959

Effect:

PSS is in noncompliance with applicable procurement and suspension and debarment requirements. The reported questioned cost is \$105,959.

Recommendation:

PSS should ensure compliance with its procurement rules and regulations. The Procurement and Supply office should implement additional controls to ensure that procurement documentation is complete in accordance with PSS Procurement Rules and Regulations § T60-40. PSS should also perform a regular review of its procurement rules and regulations to align with federal requirements on procurement.

Views of responsible officials:

The PSS Corrective Action Plan provides a detailed rationale for disagreement with the finding.

Auditor response:

Condition 1 – PSS’ procurement regulations in T60-40-210(b) specifically provides the information required to be made in writing by the Chief of Procurement and Supply, namely: (1) the reason why price quotations are sought, (2) the utility of the purchase; and (3) an explanation of why the price is reasonable under the circumstances. The supporting documents signed by the Chief of Procurement and Supply and the Commissioner of Education do not provide these representations. The condition remains.

Condition 2 – Ultimately, written communication from the Commissioner of Education for the condition for use of competitive sealed proposals is required in T60-40-225(a). The condition remains.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-014**

Federal Agency: U.S. Department of Education  
 Assistance Listing No. and Title: 84.403 Consolidated Grants to the Outlying Areas  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$24,595

Criteria:

§ 2 CFR 200.317 provides that when procuring property and services, states must use the same policies and procedures they use for procurements from their non-federal funds.

PSS Procurement Rules and Regulations Part § T60-40-210(b) provides that purchases not exceeding \$500 may be made without securing bids or price quotations if the Chief of Procurement and Supply considers the price reasonable. Such determination shall be made in writing and shall indicate: (1) the reason why price quotations were not sought; (2) the utility of the purchase; (3) an explanation of why the price is reasonable under the circumstances.

§ T60-40-210(d) also provides that price quotations from at least three vendors must be obtained and the selection must be based on competitive price and quality for procurement valued at under \$10,000. Any price quotations obtained must be written, documented, and submitted to the Chief of Procurement and Supply for approval.

PSS Procurement Rules and Regulations Part § T60-40-225 Competitive Sealed Proposals provides that when the Commissioner of Education determines in writing upon the advice of legal counsel that the use of a competitive sealed bidding is either not practical or not advantageous to PSS, a contract may be entered into by competitive sealed proposals.

Condition:

Of 60 non-payroll transactions tested aggregating \$57,035 of \$13,545,658 total program non-payroll expenditures:

1. For 18 (or 30%), transactions totaling \$5,747 pertained to small purchases not exceeding \$500 and for which no price quotations were made. No written determination of the reasonableness of price was provided in accordance with § T60-40-210(b).

FAIN	Business Unit	Doc. No.	P.O. No.	P.O. Amount	Amount Tested
S403A200001	212ATL1CEL	332202	173688	\$ 6,819	\$ 245
S403A200001	212PDP1RTS	323228	171260	179	105
S403A200001	212PDP1RTS	324175	171258	111	111
S403A210001	2202AD2FPM	27702	171730	108	39
S403A210001	2203SW2AEP	28602	171981	499	499
S403A210001	2203SW2HMS	27152	170831	499	499
S403A210001	2203SW2KAG	28359	172691	150	150

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-014, continued**

Federal Agency: U.S. Department of Education  
Assistance Listing No. and Title: 84.403 Consolidated Grants to the Outlying Areas  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$24,595

Condition, continued:

FAIN	Business Unit	Doc. No.	P.O. No.	P.O. Amount	Amount Tested
S403A210001	2203SW2KAG	30391	175188	\$ 133	\$ 133
S403A210001	2203SW2SSH	334693	171329	1,300	400
S403A210001	2203SW2SSH	29260	172284	399	330
S403A210001	2203SW2SVS	31032	174847	169	75
S403A210001	2203SW2TJS	323897	171104	165	165
S403A210001	2203SW2WSR	28123	170694	1,861	141
S403A210001	2205TE2DSL	335668	171694	1,272	109
S403A210001	2219PV2H07	330392	175398	200	200
S403A210001	2219PV2Q02	28024	171708	131	13
S403A220001	2300AS3SIS	334812	178213	2,466	2,466
S403A220001	2303SW3WSR	31248	178475	3,201	67
				Total	<u>\$ 5,747</u>

2. For 4 (or 7%), transactions totaling \$18,848 pertained to procurements entered into by competitive sealed proposals. Evidence was not provided showing that the Commissioner of Education has determined in writing that the procurement satisfies the condition for use of competitive sealed proposals in accordance with § T60-40-225(a).

FAIN	Business Unit	Doc. No.	P.O. No.	P.O. Amount	Amount Tested
S403A200001	212DET1NCS	328892	163899	\$ 1,015,444	\$ 875
S403A190001	202LEA0LAP	324230	163447	600,000	16,130
S403A200001	212DET1NCS	325145	163899	1,015,444	950
S403A200001	212DET1NCS	326613	163899	1,015,444	893
				Total	<u>\$ 18,848</u>

Cause:

PSS failed to effectively implement its procurement rules and regulations.

Effect:

PSS is in noncompliance with applicable procurement and suspension and debarment requirements. The reportable questioned cost is \$24,595 because the projected questioned cost exceeds the threshold.

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Schedule of Findings and Questioned Costs, continued

**Finding No. 2022-014, continued**

Federal Agency:	U.S. Department of Education
Assistance Listing No. and Title:	84.403 Consolidated Grants to the Outlying Areas
Area:	Procurement and Suspension and Debarment
Questioned Costs:	\$24,595

Recommendation:

PSS should ensure compliance with its procurement rules and regulations. The Procurement and Supply office should implement additional controls to ensure that procurement documentation is complete in accordance with PSS Procurement Rules and Regulations § T60-40. PSS should also perform a regular review of its procurement rules and regulations to align with federal requirements on procurement.

Views of responsible officials:

The PSS Corrective Action Plan provides a detailed rationale for disagreement with the finding.

Auditor response:

Condition 1 – PSS’ procurement regulations in T60-40-210(b) specifically provides the information required to be made in writing by the Chief of Procurement and Supply, namely: (1) the reason why price quotations are sought, (2) the utility of the purchase; and (3) an explanation of why the price is reasonable under the circumstances. The supporting documents signed by the Chief of Procurement and Supply and the Commissioner of Education do not provide these representations. The condition remains.

Condition 2 – Ultimately, written communication from the Commissioner of Education for the condition for use of competitive sealed proposals is required in T60-40-225(a). The condition remains.



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Vice Chairperson

## CORRECTIVE ACTION PLAN

Gregory P. Borja  
Secretary/Treasurer

### Finding No. 2022-001

Andrew L. Orsini  
Member

### Area: General Ledger and Financial Statement Close Process

Antonio L. Borja  
Member

### Views of Auditee and Planned Corrective Action

Non-Voting Members

PSS agrees with the finding.

Dora B. Miura, PhD  
Teacher Representative

Currently, the PSS Director of Finance and BOE Internal Auditor are working on developing and implementing the standard operating procedures for the Finance department.

Ronald Snyder, EdD  
Non-Public School Rep.

The ongoing work in creating and establishing an SOP for the Finance department and financial-related processes.

Jane Nicole Mozunder  
Student Representative

Prior to these findings, the PSS-Finance department was JD Edward Financial System's limited capability in generating and providing a seamless process.

This year, 2023, PSS has invested with the Tyler Munis System, a leading-edge financial software that is designed to ensure that PSS operates in the most efficient way and, at the same time, is able to maintain accurate records of all the school district's financial activities to continually meet both local and federal regulations.

### Anticipated Completion Date:

This is an ongoing transition from our current JD Edward System to the Tyler Munis System. PSS expects to complete the transition and full implementation will commence by September 30, 2024.

### Name of Contact Person and Title

Contact Person – Arlene Lizama, Director of Finance  
Contact – [arlene.lizama@cnmipss.org](mailto:arlene.lizama@cnmipss.org)

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## **Finding No. 2022-002**

### **Area: General Ledger and Schedule of Expenditures of Federal Awards**

#### **Views of Auditee and Planned Corrective Action**

PSS Agrees with the finding.

The Federal Programs Office (FPO) has hired a Director of Internal Control & Evaluation and Deputy Budget Officer to oversee and ensure that SEFA is prepared accurately and completely while working closely with Federal Programs Officer and Financial Budget Analyst. Additionally, the Internal Auditor is working with the FPO on developing and implementing the standard operating procedures.

#### **Anticipated Completion Date:**

September 30, 2024

#### **Name of Contact Person and Title**

Contact Person – Jacqueline Che, Federal Programs Officer

Contact – [jacqueline.che@cnmipss.org](mailto:jacqueline.che@cnmipss.org)

## **Finding No. 2022-003**

### **Area: Allowable Costs/Cost Principles**

#### **Views of Auditee and Planned Corrective Action**

**Condition 1.** Disagree with the finding.

The Education Stabilization Fund (ESF) of the Public System was awarded to and was designed to provide additional funding (supplement) support to the local school system (PSS) as a result of the impact of the COVID-19 pandemic.

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*Background: On March 16, 2020 PSS suspended classroom instruction, ease central office operation to a certain level, implemented furloughs, and effectuated cost-containment initiatives, among drastic measures to mitigate the crisis brought about by the pandemic.*

*Of the public elementary, middle, and high schools on Saipan, Tinian, and Rota, only one school - Kagman Elementary School - was provided limited instruction (during summer of 2020). Kagman Elementary School was the first to reconfigure its facilities to maintain a safe (social distancing) facility for in-person student learning.*

The \$480,743 as cited (Condition 1) was an ESF-approved and sanctioned funding allocation. However, the change in funding source was initiated after the payroll processing.

And in order to reflect the correct funding source, the JE adjustment was initiated.

Due to JE limitation these entries are not reflected to “subsidiary” ledgers.

**Condition 2. Disagree with the finding.**

Cited in this finding were three (3) 190-day employees. The 190-day employees worked for ten months, however, their pay is stretched out over a period of twelve months. Further, these pay periods are inclusive of the days that they are not supposed to report to work including summer months. Hence, no timesheet(s) is/are required.

Anticipated Completion Date:

N/A

Name of Contact Person and Title

Contact Person – Arlene Lizama, Director of Finance

Contact – [arlene.lizama@cnmipss.org](mailto:arlene.lizama@cnmipss.org)

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## Finding No. 2022-004

### Area: Allowable Costs/Cost Principles

### Views of Auditee and Planned Corrective Action

#### Condition 1. Disagree with the finding.

For the 25 or (63%) samples, Notice of Personnel Action (NOPA) forms were not provided for differential payments paid to employees.

We disagree. There is no need for the issuance of Notice of Personnel Action (NOPA) nor is it required for the issuance and or granting of pay differential.

The PSS is granted by virtue of the State BOE Policy, Rules and Regulation that in paying pay differential the requesting department should/can only issue a memorandum (memo), and must be fully signed by and approved by the

Commissioner of Education, before it is provided to the Payroll division of the PSS Finance department for the payment of pay differential.

#### Condition 2.

For 2 or (40%) equipment transactions identified as PS-049031-US and PS-055730-US which were acquired within fiscal year 2022 totaling \$14,299, evidence of prior approval was not provided.

We agree.

However, as of FY2023, the Federal Programs Office has instituted a stringent Standard Operating Procedure for seeking prior approval for equipment costing over \$5,000.00.

### Anticipated Completion Date:

N/A

### Name of Contact Person and Title

Contact Person – Arlene Lizama, Director of Finance

Contact – [arlene.lizama@cnmipss.org](mailto:arlene.lizama@cnmipss.org)

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## Finding No. 2022-005

### Area: Allowable Costs/Cost Principles

### Views of Auditee and Planned Corrective Action

#### Condition 1. Disagree with the finding.

The Education Stabilization Fund (ESF) of the Public System was awarded to and was designed to provide additional funding (supplement) support to the local school system (PSS) as a result of the impact of the COVID-19 pandemic.

*Background: On March 16, 2020 PSS suspended classroom instruction, ease central office operation to a certain level, implemented furloughs, and effectuated cost-containment initiatives, among drastic measures to mitigate the crisis brought about by the pandemic.*

*Of the public elementary, middle, and high schools on Saipan, Tinian, and Rota, only one school - Kagman Elementary School - was provided limited instruction (during summer of 2020). Kagman Elementary School was the first to reconfigure its facilities to maintain a safe (social distancing) facility for in-person student learning.*

The \$802,789 as cited (Condition 1) was an ESF-approved and sanctioned funding allocation. However, the change in funding source was initiated after the payroll processing.

And in order to reflect the correct funding source, the JE adjustment was initiated.

Due to JE limitation these entries are not reflected to “subsidiary” ledgers.

#### Condition 2. Disagree with the finding.

#### 2. Retention incentive

The Public School System maintains that both the Education Stabilization Fund (ESF) and American Rescue Plan Act (ARPA) spending plans were approved by the federal grantor.

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The Retention Incentive Plan in question is a component of both ESF and ARPA spending plans.

Gregory P. Borja  
Secretary/Treasurer

Further, an additional communication from the U.S. Department of Education affirms the PSS authority in the ESF and ARPA spending plans, including the Retention Incentive Plan in question.

Andrew L. Orsini  
Member

Antonio L. Borja  
Member

Ernst and Young in its 2021 audit report (*issued on April 26, 2023*) on the same condition (issuance of retention incentive, *see page 66*) does acknowledge that “PSS sought and received prior grantor approval.”

### Non-Voting Members

*Background: The Commissioner of Education has the sole expenditure authority vested as the chief state school superintendent to come up and produce a spending plan. As such, the Commissioner of Education proposed the funding disbursements and presented it with the State Board of Education. The BOE is the governing body of PSS.*

Dora B. Miura, PhD  
Teacher Representative

*The BOE approved the COE’s spending plan.*

Ronald Snyder, EdD  
Non-Public School Rep.

**Condition 3.** PSS agrees with the finding.

Jane Nicole Mozunder  
Student Representative

However, as of FY2023, the Federal Programs Office has instituted a stringent Standard Operating Procedure for seeking prior approval for equipment costing over \$5,000.00.

### Anticipated Completion Date:

N/A

### Name of Contact Person and Title

Contact Person – Arlene Lizama, Director of Finance

Contact – [arlene.lizama@cnmipss.org](mailto:arlene.lizama@cnmipss.org)

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## Finding No. 2022-006

### Area: Allowable Costs/Cost Principles

### Views of Auditee and Planned Corrective Action

Disagree with the finding.

Condition 1. For 1 or (2%) sample, identified as employee no. 21199, evidence of fair allocation of the employee's payroll cost was not provided.

We disagree. Evidence of fair allocation document reflecting the payroll cost (amount) was provided to the Ernst & Young audit team.

Condition 2. For 2 (or 40%) transactions identified as PS-067026-US and PS-078607-US with a total cost of \$131,490, evidence of prior approval of the acquisition by the federal agency was not provided.

We disagree.

Prior approval documents of PS-067026-US and PS-078607 were provided to the Ernst & Young audit team.

### Anticipated Completion Date

N/A

### Name of Contact Person and Title

Contact Person – Arlene Lizama, Director of Finance

Contact – [arlene.lizama@cnmipss.org](mailto:arlene.lizama@cnmipss.org)

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## Finding No. 2022-007

### Area: Special Tests and Provisions

### Views of Auditee and Planned Corrective Action

#### Condition

1. Instead of the monthly requirement, PSS' Director of Finance meets quarterly with the Board of Education's (BOE's) Fiscal, Personnel and Administration (FPA) Committee to discuss financial statements and expenditures.

We agree. Going forward, the Public School System's Finance department through the Office of the Commissioner of Education will provide a monthly financial statement and expenditures reports, as required.

2. No evidence was provided of the BOE's monitoring of PSS' actions to correct any audit findings.

We agree. Going forward, the Public School System's Finance department through the Office of the Commissioner of Education will provide any or all corrective actions and or relating information pertaining to audit.

3. No evidence was provided that training and technical assistance related to fiscal responsibilities was received by members of the FPA Committee of the BOE.

We agree. However, there were informal meetings that Head Start and Early Head Start Program conducts regularly to the Board of Education on various occasions on responsibilities and about the objectives of the Head Start and Early Head Start Program.

We are cognizant of the need to continually provide fiscal training to the governing body, the State Board of Education.

#### Anticipated Completion Date:

September 30, 2024

#### Name of Contact Person and Title

Contact Person – Arlene Lizama, Director of Finance

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### **Finding No. 2022-008**

#### **Area: Equipment and Real Property Management**

#### **Views of Auditee and Planned Corrective Action**

Condition 1. For 5 (or 100%) transactions, no evidence of custodian signature at inception of the fixed asset was not provided.

We partially agree.

This is because the Public School System is in the process of improving its standard operating procedures (SOPs) pertaining to and relating with equipment and real property management.

Condition 2. For 2 (or 40%) transactions identified as PS-012478-US and PS-047509-US, with a total cost of \$12,636, the custodian's name and the condition of the equipment was not indicated on the property master information record.

We partially agree.

This is because the Public School System is in the process of improving its standard operating procedures (SOPs) pertaining to and relating with equipment and real property management.

#### **Anticipated Completion Date:**

September 30, 2024

#### **Name of Contact Person and Title**

Contact Person – Arlene Lizama, Director of Finance

Contact – [arlene.lizama@cnmipss.org](mailto:arlene.lizama@cnmipss.org)

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## Finding No. 2022-009

### Area: Equipment and Real Property Management

#### Views of Auditee and Planned Corrective Action

**Condition 1.** For 5 (or 100%) transactions, no evidence of custodian signature at inception of the fixed asset was not provided. However, printed copies of the property master information record from the JD Edwards system were signed and dated by the custodian and a verifier as evidence of the most recent physical inspection in September 2022.

We partially agree. This is because the Public School System is in the process of improving its standard operating procedures (SOPs) pertaining to and relating with equipment and real property management.

#### **Condition 2.**

2 (a) The custodian's name was not indicated on the property master information record from the JDE system. Evidence that custodian records were matched and updated after physical inspection was not obtained.

We agree. The Public School System is already in the process of improving its standard operating procedures (SOPs) pertaining to and relating with equipment and real property management.

2 (b) The property master information record states that the asset is in working condition, however evidence obtained of a survey performed has concluded that the asset is no longer useful for PSS operations and is recommended for destruction or scrapping. The same evidence showed that the destruction/scrapping occurred in September 15, 2022.

We agree. This is because the Public School System is in the process of improving its standard operating procedures (SOPs) pertaining to and relating with equipment and real property management.

#### Anticipated Completion Date:

\_September 30, 2024

#### Name of Contact Person and Title

Contact Person – Arlene Lizama, Director of Finance

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## Finding No. 2022-010

### Area: Equipment and Real Property Management

### Views of Auditee and Planned Corrective Action

#### Condition 1.

As of September 30, 2022, the total amount of equipment acquired under ALN 84.425X per equipment schedule or subsidiary ledger was lower by \$18,147 as compared to the total amount of equipment expenditures identified in the general ledger journal entry details supporting the SEFA.

We agree.

The Public School System is already in the process of improving its standard operating procedures (SOPs) and asset management system pertaining to and relating with equipment and real property management.

#### Condition 2.

For 10 (or 100%) transactions, no evidence of custodian signature at inception of the fixed asset was not provided.

We agree.

The Public School System is already in the process of improving its standard operating procedures (SOPs) and asset management system pertaining to and relating with equipment and real property management.

#### Anticipated Completion Date:

September 30, 2024

#### Name of Contact Person and Title

Contact Person – Arlene Lizama, Director of Finance

Contact – [arlene.lizama@cnmipss.org](mailto:arlene.lizama@cnmipss.org)

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## Finding No. 2022-011

### Area: Equipment and Real Property Management

### Views of Auditee and Planned Corrective Action

#### Condition.

For 5 (or 100%) transactions, no evidence of custodian signature at inception of the fixed asset was provided. However, printed copies of the property master information record from the JD Edwards system were signed and dated by the custodian and a verifier as evidence of the most recent physical inspection in September 2022.

We agree.

This is an asset accountability procedure that the Public School System is currently improving— as part of an encompassing improvement work on its standard operating procedures.

#### Anticipated Completion Date:

September 30, 2024

#### Name of Contact Person and Title

Contact Person – Arlene Lizama, Director of Finance

Contact – [arlene.lizama@cnmipss.org](mailto:arlene.lizama@cnmipss.org)

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## Finding No. 2022-012

### Area: Procurement, Suspension and Debarment

### Views of Auditee and Planned Corrective Action

#### Condition 1.

2 (or 3%) transactions totaling \$26 identified as doc nos. 333590 and 28221 pertained to small purchases not exceeding \$500 and for which no price quotations were made. No evidence was provided showing that a written determination of the reasonableness of price was performed.

We disagree.

Based on existing Public School System Procurement Rules and Regulations, the Public School System through the Finance department strongly maintains that the Commissioner of Education, being the chief state school superintendent and the Chief of Procurement and Supply, are vested with the determination authority in all Procurement and Supply matters, among others.

Such affirmation is further articulated in the Public School System's October 30, 2023 letter to Ernst & Young, LLP Executive Director James N. Whitt, that, among others and in particular, as cited in Part T60-40-210(b) 2:

“Expertise and Authority of the Chief: The Chief of Procurement and Supply possesses specific and comprehensive experience in the procurement of goods. We argue that their signature is not merely an administrative formality but a professional endorsement of the price’s reasonableness. “

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### Condition 2.

2 (or 3%) transactions totaling \$739 identified as Doc Nos 332318 and 332718 pertained to small purchases not exceeding \$10,000 and for which no price quotations were obtained.

We disagree.

Price quotations for Document Nos 332318 and 332718 were provided to the Ernst & Young audit team.

### Condition 3.

1 (or 2%) transaction amounting to \$575 identified as Doc. No. 27345 pertained to a small purchase not exceeding \$10,000 and for which only 2 price quotations were obtained, instead of the 3 quotations required by § T60-40-210(d).

We disagree.

Doc No. 27345 price quotations were provided to the Ernst & Young audit team.

### Condition 4.

43 (or 72%) transactions totaling \$245,856 were procured through competitive sealed proposals. No evidence was provided showing that the Commissioner of Education has determined in writing that the procurement satisfies the condition for use of competitive sealed proposals in accordance with § T60-40-225(a).

We disagree.

Based on existing Public School System Procurement Rules and Regulations, the Public School System through the Finance department strongly maintains that the Commissioner of Education, being the chief state school superintendent and the Chief of Procurement and Supply, are vested with the determination authority in all Procurement and Supply matters, among others.

Such affirmation is further articulated in the Public School System's October 30, 2023 letter to Ernst & Young, LLP Executive Director James N. Whitt, that, among others and in particular, as cited in the following under:

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### ***Part T60-40-225(a):***

*Interpreting Rule Language: The rule explicitly requires the Commissioner of Education to determine "in writing" upon the advice of legal counsel when the use of competitive sealed bidding is not practical or advantageous. However, it doesn't prescribe a specific form or extent of justification needed.*

*Commissioner's Signature as Written Determination: We believe that the Commissioner's signature on a cover letter stating that competitive sealed proposals will be used fulfills the "in writing" requirement. The signature, in this context, serves*

*as an acknowledgment that the Commissioner has considered the matter and found it advantageous to PSS.*

*Subjectivity of 'Advantageous': The rule leaves room for interpretation by using the term "advantageous," which is inherently subjective. Since it does not stipulate the need for detailed justification, the Commissioner's decision that the method is advantageous should suffice.*

*Legal Counsel's Role: The regulation specifies that the determination should be made "upon the advice of legal counsel." It can be inferred that this due process has been followed if the Commissioner signs a letter or document related to competitive sealed proposals, thereby adding another layer of checks and balances.*

*Presumption of Expertise: As the Commissioner of Education, it is presumed that the individual is capable of making informed decisions that are in the best interest of PSS. Their signature, therefore, carries the weight of their expertise and authority.*

### Anticipated Completion Date:

N/A

### Name of Contact Person and Title

Contact Person – Arlene Lizama, Director of Finance

Contact – [arlene.lizama@cnmipss.org](mailto:arlene.lizama@cnmipss.org)

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## Finding No. 2022-013

### Area: Procurement, Suspension and Debarment

### Views of Auditee and Planned Corrective Action

#### Condition 1

7 (or 12%) transactions totaling \$1,356 pertained to small and for which no price quotations were made. No evidence was provided showing that a written determination of the reasonableness of price was performed in accordance with § T60-40-210(b).

We disagree.

Based on existing Public School System Procurement Rules and Regulations, the Public School System through the Finance department strongly maintains that the Commissioner of Education, being the chief state school superintendent and the Chief of Procurement and Supply, are vested with the determination authority in all Procurement and Supply matters, among others.

Such affirmation is further articulated in the Public School System's October 30, 2023 letter to Ernst & Young, LLP Executive Director James N. Whitt, that, among others and in particular, as cited in Part T60-40-210(b) 2:

“Expertise and Authority of the Chief: The Chief of Procurement and Supply possesses specific and comprehensive experience in the procurement of goods. We argue that their signature is not merely an administrative formality but a professional endorsement of the price’s reasonableness. “

#### Condition 2

18 (or 30%) transactions totaling \$104,603 pertained to procurements entered into by competitive sealed proposals. No evidence was provided showing that the Commissioner of Education has determined in writing that the procurement satisfies the condition for use of competitive sealed proposals in accordance with § T60-40-225(a). Further, Notices of Intent to Award were not provided for the reason that there was only one proposer. § T60-40-225(g) does not discuss about exemptions for instances where there is only one proposer.

We disagree.

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Based on existing Public School System Procurement Rules and Regulations, the Public School System through the Finance department strongly maintains that the Commissioner of Education, being the chief state school superintendent and the Chief of Procurement and Supply, are vested with the determination authority in all Procurement and Supply matters, among others.

Such affirmation is further articulated in the Public School System's October 30, 2023 letter to Ernst & Young, LLP Executive Director James N. Whitt, that, among others and in particular, as cited in the following under:

### **Part T60-40-225(a):**

*Interpreting Rule Language: The rule explicitly requires the Commissioner of Education to determine "in writing" upon the advice of legal counsel when the use of competitive sealed bidding is not practical or advantageous. However, it doesn't prescribe a specific form or extent of justification needed.*

*Commissioner's Signature as Written Determination: We believe that the Commissioner's signature on a cover letter stating that competitive sealed proposals will be used fulfills the "in writing" requirement. The signature, in this context, serves as an acknowledgment that the Commissioner has considered the matter and found it advantageous to PSS.*

*Subjectivity of 'Advantageous': The rule leaves room for interpretation by using the term "advantageous," which is inherently subjective. Since it does not stipulate the need for detailed justification, the Commissioner's decision that the method is advantageous should suffice.*

*Legal Counsel's Role: The regulation specifies that the determination should be made "upon the advice of legal counsel." It can be inferred that this due process has been followed if the Commissioner signs a letter or document related to competitive sealed proposals, thereby adding another layer of checks and balances.*

*Presumption of Expertise: As the Commissioner of Education, it is presumed that the individual is capable of making informed decisions that are in the best interest of PSS. Their signature, therefore, carries the weight of their expertise and authority.*

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### Anticipated Completion Date:

N/A

### Name of Contact Person and Title

Contact Person – Arlene Lizama, Director of Finance

Contact – [arlene.lizama@cnmipss.org](mailto:arlene.lizama@cnmipss.org)

### **Finding No. 2022-014**

### **Area: Procurement, Suspension and Debarment**

### **Views of Auditee and Planned Corrective Action**

#### **Condition 1**

18 (or 30%) transactions totaling \$5,747 pertained to small purchases not exceeding \$500 and for which no price quotations were made. No evidence was provided showing that a written determination of the reasonableness of price was performed in accordance with § T60-40-210(b).

We disagree.

Based on existing Public School System Procurement Rules and Regulations, the Public School System through the Finance department strongly maintains that the Commissioner of Education, being the chief state school superintendent and the Chief of Procurement and Supply, are vested with the determination authority in all Procurement and Supply matters, among others.

Such affirmation is further articulated in the Public School System's October 30, 2023 letter to Ernst & Young, LLP Executive Director James N. Whitt, that, among others and in particular, as cited in Part T60-40-210(b) 2:

“Expertise and Authority of the Chief: The Chief of Procurement and Supply possesses specific and comprehensive experience in the procurement of goods. We argue that their signature is not merely an administrative formality but a professional endorsement of the price’s reasonableness.”

#### **Condition 2**

4 (or 7%) transactions totaling \$18,848 pertained to procurements entered into by competitive sealed proposals. No evidence was provided showing that the Commissioner of Education has determined in writing that the procurement satisfies

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the condition for use of competitive sealed proposals in accordance with § T60-40-225(a).

We disagree.

Based on existing Public School System Procurement Rules and Regulations, the Public School System through the Finance department strongly maintains that the Commissioner of Education, being the chief state school superintendent and the Chief of Procurement and Supply, are vested with the determination authority in all Procurement and Supply matters, among others.

Such affirmation is further articulated in the Public School System's October 30, 2023 letter to Ernst & Young, LLP Executive Director James N. Whitt, that, among others and in particular, as cited in the following under:

### **Part T60-40-225(a):**

*Interpreting Rule Language: The rule explicitly requires the Commissioner of Education to determine "in writing" upon the advice of legal counsel when the use of competitive sealed bidding is not practical or advantageous. However, it doesn't prescribe a specific form or extent of justification needed.*

*Commissioner's Signature as Written Determination: We believe that the Commissioner's signature on a cover letter stating that competitive sealed proposals will be used fulfills the "in writing" requirement. The signature, in this context, serves as an acknowledgment that the Commissioner has considered the matter and found it advantageous to PSS.*

*Subjectivity of 'Advantageous': The rule leaves room for interpretation by using the term "advantageous," which is inherently subjective. Since it does not stipulate the need for detailed justification, the Commissioner's decision that the method is advantageous should suffice.*

*Legal Counsel's Role: The regulation specifies that the determination should be made "upon the advice of legal counsel." It can be inferred that this due process has been followed if the Commissioner signs a letter or document related to competitive sealed proposals, thereby adding another layer of checks and balances.*

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### Anticipated Completion Date:

N/A

### Name of Contact Person and Title

Contact Person – Arlene Lizama, Director of Finance

Contact – [arlene.lizama@cnmipss.org](mailto:arlene.lizama@cnmipss.org)

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### Summary Schedule of Prior Year Audit Findings For the year ended September 30, 2022

Finding Number	Assistance Listings Number	Requirement	Status
2018-001	-	General Ledger and Financial Statement Close Process	Not resolved. Similar to Finding No. 2022-001.
2018-002	-	General Ledger and Schedule of Expenditures of Federal Awards	Not resolved. Similar to Finding No. 2022-002.
2019-004	-	General Ledger is not Reconciled to Subsidiary Records	Not resolved. Similar to Finding No. 2022-001.
2020-001	-	General Ledger and Financial Statement Close Process	Not resolved. Similar to Finding No. 2022-001.
2020-002	-	General Ledger and Schedule of Expenditures of Federal Awards	Not resolved. Similar to Finding No. 2022-002.
2020-002	84.425A	Reporting	Not resolved. Pending Federal grantor agency feedback.
2020-005	84.938A	Allowable Costs/ Cost Principles	Not resolved. Pending Federal grantor agency feedback.
2020-008	84.403	Procurement, Suspension and Debarment	Corrective action still on-going.
2021-001	-	General Ledger and Financial Statement Close Process	Not resolved. Similar to Finding No. 2022-001.
2021-002	-	General Ledger and Schedule of Expenditures of Federal Awards	Not resolved. Similar to Finding No. 2022-002.
2021-003	84.425A	Allowable Costs/ Cost Principles	Not resolved. Conditions 1 and 2a are pending Federal grantor agency feedback. Condition 2b is similar to Finding No. 2022-005 Condition 3a.
2021-004	84.425A	Equipment and Real Property Management	Not resolved. Similar to Finding No. 2022-010.
2021-005	84.403	Equipment and Real Property Management	Not resolved. Similar to Finding No. 2022-009.
2021-006	93.243	Matching, Level of Effort, and Earmarking	Corrective action still on-going.

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