



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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ELECTRONIC MAIL

Glenn Muna, M. Ed.
Commissioner of Education
CNMI Public School System
P.O. Box 501370 CK
Saipan, MP 96950

Dear Commissioner Muna:

AUDIT SURVEY RESULTS

The Office of the Public Auditor (OPA) has completed the survey phase of the audit of the CNMI Public School System's (PSS) procurement and human resource functions, and determined that additional work is not necessary at this time. However, OPA would like to communicate several areas that need improvement. This letter is a public document and will be made available as such.

Background

We began our audit survey in June 2018 with the objective of identifying potential areas for review related to the procurement of professional services contracts in FY 2017 and 2018, and current personnel contracts of Highly Qualified Teachers.

To achieve our objective, we performed the following procedures:

1. Gained an understanding of relevant laws, regulations, and standard operating procedures of the PSS Procurement & Supply Office and Human Resource Office;
2. Reviewed prior OPA performance audit reports and PSS financial audit reports from FY 2015 to 2017;
3. Gained an understanding of the current operations by interviewing staff; and
4. Conducted a review of several procurement and personnel contracts to determine if the corresponding files contained specific documentations required by regulations, policies, or standard operating procedures.

Survey Results

Procurement Contract Files Did Not Contain Required Documentation

Professional Services Contracts procured under Competitive Sealed Proposal (CSP)

According to PSS Procurement Regulations § 60-40-225 and § 60-40-230, and the Procurement & Supply (P&S) Standard Operating Procedures Manual:

- Request for proposals (RFP) must be accompanied by complete supporting documentation that includes a justification memo, scope of work, specifications, and source of funds chargeable;
- The RFP must be forwarded to the COE for consideration before it is processed by the P&S Office;
- A period of at least four weeks shall be provided for announcement, unless the P&S Officer determines in writing that a shorter period is necessary; and
- All contract files shall contain an award memo.

OPA reviewed the contract files of eight contracts that were procured in or extended into FY 2017 and two contracts procured in FY 2018 to determine whether contracts are supported by the above documentations. The results of our review are presented in the table below.

	Justification Memo	Scope of Work & Specifications	Source of Funds Chargeable	COE Approval of RFP	Memo for Short Announcement Period	Award Memo
FY 2017 Valid Contracts						
Contract 1	✓	✓	✗	✓	✓	✓
Contract 2	✓	✓	✓	✓	✓	✓
Contract 3	✓	✓	✓	✓	✓	✓
Contract 4	✓	✓	✓	✓	✓	✓
Contract 5	✗	✓	✗	✗	✗	✓
Contract 6	✓	✓	✗	✓	✓	✓
Contract 7	✓	✓	✓	✓	✓	✓
Contract 8	✓	✓	✗	✓	✓	✗
Total "✗"	1	0	4	1	1	1
FY 2018 Valid Contracts						
Contract 9	✓	✓	✓	✓	✓	✓
Contract 10	✓	✓	✓	✓	✓	✗
Total "✗"	0	0	0	0	0	1

✗ = Documentation was not found in the file

✓ = Documentation was found in the file

Although a comparison between FY 2017 and FY 2018 contract files indicate that improvement was made, OPA noted that the contract files for five of the ten contracts did not contain one or more of the required documentations.

OPA recommends:

PSS maintain a contract file content checklist in each contract file to ensure that the required documents exist within the file.

Sole Source Contracts

According to PSS procurement regulation § 60-40-215 and the Procurement & Supply (P&S) Standard Operating Procedures Manual:

- A contract may be awarded for a supply, service, instructional materials or construction item, without competition when the P&S Officer determines in writing that there is only one source for the required supply, service, or construction item; and
- The written determination shall be prepared by the official with expenditure authority and shall contain the unique capabilities required and why they are required, and the consideration given to alternative sources.

OPA reviewed the contract files of five contracts procured in FY 2017 and the only two contracts procured as of July 11, 2018 to determine whether contract files contained the above documentations. OPA noted that the contract files for two of the seven contracts did not contain adequate documentation as further detailed below:

- For one contract procured in FY 2017, OPA noted that although supporting documents within the contract file emphasized the need for the continuation of services, they did not mention PSS' consideration for alternative sources as required by sole source procurement regulations.
- For one contract procured in FY 2018, OPA noted that the supporting documents did not mention PSS' consideration of alternative sources to which PSS agreed. PSS later provided OPA with documents kept in a 2014 contract file indicating that the CNMI State Board of Education approved this specific contractor to administer the CNMI-PSS annual statewide assessments. Although the documents supported why alternative sources were not sought, they were not maintained or mentioned in the 2018 contract file.

Inadequate documentation for sole source procurements was a reported finding in PSS' FY 2016 Financial Audit Report. Although this was not a repeat finding in FY 2017, PSS should strengthen its existing procedures to ensure adequate documentation is maintained in the contract files.

OPA recommends:

PSS review all supporting documents for completeness of the required elements specified in the regulations to properly justify sole source procurements. All supporting documents should be maintained within the contract file.

Personnel Folders Did Not Contain Required Documentation

Highly Qualified Teachers (HQT)

According to the PSS Certified Personnel Regulations and the PSS Highly Qualified Teacher, School Counselor, and Librarian Requirements and Compensation Plan adopted in October 2017 (HQT Compensation Plan), a highly qualified teacher, counselor, or librarian is required to:

- Possess a baccalaureate, masters, or doctoral degree;
- Pass the Praxis II examination;

- Obtain one of four types of teacher certification; and
- Meet specific number of years of experience.

An HQT's salary is determined by their level of education, the type of teacher certification obtained, and the number of accumulated years of experience.

OPA reviewed the personnel folders of 22 HQTs to determine whether their status as HQTs are supported by documentation of the above requirements and whether salaries are in accordance with the PSS HQT Compensation Plan. OPA noted the following:

- For three employees with HQT status, OPA was not able to determine if their salaries are in accordance with the HQT Compensation Plan due to the following:
 - One personnel folder lacked a copy of valid Praxis II scores;
 - One personnel folder lacked a copy of a valid teacher certification; and
 - One personnel folder lacked a copy of an official transcript or diploma.

Non-Highly Qualified Teachers (Non-HQT)

As with past efforts of addressing the need to retain teachers, counselors, and librarians who are unable to hold valid certifications, the board passed Board Action No. 2017-15-005 in May 2017 granting the Commissioner of Education discretionary authority to issue Memorandum of Agreements (MOA) which permit employees to enter into employment extensions of up to two years; and wherein the employee is to acquire certification. Execution of the MOA temporarily suspends PSS Certified Personnel Regulations § 60.30.2-210 which requires all employees to hold valid certifications. According to the MOA, an extension is granted after the employee has entered into the MOA and submitted a Professional Education Plan to meet certification requirements before the expiration of the MOA.

OPA reviewed the personnel folders of four Non-HQTs to determine if they contained the required MOAs and Professional Education Plans. OPA noted the following:

- Two personnel folders contained MOAs but lacked Professional Education Plans; and
- One personnel folder did not contain both an MOA and a Professional Education Plan.

Notice of Personnel Actions (NOPA)

According to the PSS Certified Personnel Regulations § 60-30.1-910, personnel folders should contain a copy of each personnel action (NOPA) affecting the employee.

OPA reviewed the 26 personnel folders of the same HQTs and Non-HQTs to determine whether each contained the most current NOPA. OPA noted the following:

- 13 or 50 percent of the personnel folders reviewed did not contain copies of the most current NOPAs.

OPA noted that the conditions of the personnel folders are similar to Finding No. 2016-003 and a repeat of Finding No. 2017-001 reported in PSS' FY 2016 and FY 2017 Financial Audit Reports which noted that the personnel folders did not contain the required documents. OPA later confirmed that the missing NOPAs were not immediately filed in their respective personnel folders after being scanned, but were temporarily stored until HR staff is able to file them.

OPA recommends:

The HR Office perform periodic assessments of personnel folders for completeness of the required documents in order to comply with personnel regulations and policies.

Agency Response

Prior to the issuance of the final draft, OPA solicited PSS' response which was received on December 19, 2018. PSS agreed with all the findings related to the personnel contract files. However, PSS did not agree with all of OPA's findings related to procurement and provided additional documents for review. Following OPA's review, the Survey Results section was modified and the findings that remain are presented in this letter.

OPA has received the PSS Human Resource Office's corrective action plan and acknowledges their efforts in immediately addressing the findings.

Conclusion

We encourage PSS to implement these recommendations to address the issues identified here and in other reports.

Although an audit report was not issued, OPA will track and report on PSS' progress of implementing the recommendations in our semi-annual *Report on CNMI Agencies' Implementation of Audit Recommendations* (ARTS Report) issued every June and December. OPA will evaluate PSS' progress beginning in May of this year to prepare for the June 2019 ARTS Report.

OPA did not determine whether the procurement and personnel contracts were funded by federal grants or are subject to federal grant requirements; and would like to advise management that significant conditions of non-compliance with federal grant requirements may result in questioned costs.

OPA would like to thank the managers and staff of PSS for their cooperation and assistance throughout the survey. If you have any questions, please contact us at 322-6481/2.

Sincerely,



Michael Pai, CPA
Public Auditor

MP/db/gt/jb

Cc: CNMI State Board of Education
Christopher Ching, PSS Director of Finance
George Palican, PSS Internal Auditor
Kimo Rosario, PSS Procurement & Supply Officer
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