

COMMONWEALTH PORTS AUTHORITY  
(A COMPONENT UNIT OF THE COMMONWEALTH  
OF THE NORTHERN MARIANA ISLANDS)

INDEPENDENT AUDITORS' REPORTS ON  
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2013

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

Board of Directors  
Commonwealth Ports Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Commonwealth Ports Authority (CPA), a component unit of the Commonwealth of the Northern Mariana Islands, which comprise the statement of net position as of September 30, 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 28, 2014.

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

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

*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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Deloitte & Touche LLC*

May 28, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133

Board of Directors  
Commonwealth Ports Authority:

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

We have audited Commonwealth Ports Authority's (CPA's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CPA's major federal programs for the year ended September 30, 2013. CPA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (pages 8 through 14).

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of CPA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CPA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Basis for Qualified Opinion on CFDA 97.056 Port Security Grant Program***

As described in the accompanying Schedule of Findings and Questioned Costs, CPA did not comply with requirements regarding CFDA 97.056 Port Security Grant Program as described in item 2013-003 for Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for CPA to comply with the requirements applicable to that program.

### ***Qualified Opinion on CFDA 97.056 Port Security Grant Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, CPA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 97.056 Port Security Grant Program for the year ended September 30, 2013.

### ***Unmodified Opinion on the Other Major Federal Program***

In our opinion, CPA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002. Our opinion on each major federal program is not modified with respect to these matters.

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

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

Management of CPA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CPA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CPA's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified 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 combination of deficiencies, in internal control over compliance, such that there is 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003 to be a material weakness.

*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 2013-001 and 2013-002 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of CPA as of and for the year ended September 30, 2013, and have issued our report thereon dated May 28, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards (page 6) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Deloitte & Touche LLC*

May 28, 2014

COMMONWEALTH PORTS AUTHORITY

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2013

| Program Title   | Federal<br>CFDA Number/<br>Grantor I.D. No. | Expenditures         |
|---|---|----------------------|
| <b>U.S. Department of the Interior</b>  |   |                      |
| Pass through the Government of the CNMI:                                      |   |                      |
| Tinian Terminal Improvement   | 15.875                                      | \$ 187,555           |
| <b>U.S. Department of Transportation</b>                                      |   |                      |
| <b>Airport Improvement Program</b>  |   |                      |
| Direct Grants:  |   |                      |
| Saipan International Airport - Saipan Rehabilitation Phase I, II, III, IV & V | 3-69-0002-31/32/50/53/58/63/64/70           | 8,625,608            |
| Saipan International Airport - Emergency Generator/Procurement/Install        | 3-69-0002-57/59/61                          | 8,375                |
| Saipan International Airport - Improve Terminal Building                      | 3-69-0002-62/65/67                          | 632,629              |
| Saipan International Airport - ARFF Training Facility Improvement             | 3-69-0002-68/69                             | 4,944,932            |
|   |   | <u>14,211,544</u>    |
| <b>U.S. Department of Homeland Security</b>                                   |   |                      |
| Port Security Grant Program   | 97.056                                      | 566,411              |
| National Explosives Detection Canine Team Program (NEDCTP)                    | 97.072                                      | 180,668              |
| Saipan International Airport - Reimbursement Agreement                        | HSTS0208HSLR157                             | 71,917               |
|   |   | <u>818,996</u>       |
|   |   | <u>\$ 15,218,095</u> |
| Reconciliation:   |   |                      |
| Expenditures per Statement of Revenues, Expenses and Changes in Net Position: |   |                      |
| Capital contributions   |   | \$ 14,743,092        |
| Other grant revenues and contributions  |   | 475,003              |
|   |   | <u>\$ 15,218,095</u> |

See accompanying notes to the schedule of expenditures of federal awards.

COMMONWEALTH PORTS AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2013

(1) Scope of Audit

CPA was established as a public corporation by the CNMI by Public Law 2-48, effective November 8, 1981. All significant operations of CPA are included in the scope of the OMB Circular A-133 audit (the "Single Audit"). The U.S. Department of the Interior's Office of the Inspector General has been designated as CPA's cognizant agency for the Single Audit.

All of the programs presented in the Schedule of Expenditures of Federal Awards are subject to the Single Audit.

(2) Summary of Significant Accounting Policies

a. Basis of Accounting

For purposes of this report, certain accounting procedures were followed which help illustrate the authorizations and expenditures of the individual programs. The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. All authorizations represent the total allotments or grant awards received. All expenses and capital outlays are reported as expenditures.

Any federal funds expended in excess of federal funds received are recorded as a receivable from the grantor agency and any federal funds received in excess of federal funds expended are recorded as a payable to the grantor agency.

b. Matching Requirements

In allocating project expenditures between the federal share and the local share, a percentage is used based upon local matching requirements, unless funds are specifically identified to a certain phase of the project.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2013

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditors' report issued:                          | Unmodified    |
|    | Internal control over financial reporting:                |               |
| 2. | Material weakness(es) identified?                         | No            |
| 3. | Significant deficiency(ies) identified?                   | None reported |
| 4. | Noncompliance material to the financial statements noted? | No            |

*Federal Awards*

- |     |  |                                |
|-----|--|--------------------------------|
|     | Internal control over major programs:  |                                |
| 5.  | Material weakness(es) identified?  | Yes                            |
| 6.  | Significant deficiency(ies) identified?  | Yes                            |
| 7.  | Type of auditors' report issued on compliance for major programs:  |                                |
|     | CFDA Number 20.106   | Unmodified                     |
|     | CFDA Number 97.056   | Qualified                      |
| 8.  | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes                            |
| 9.  | Identification of major programs:  |                                |
|     | <u>CFDA Number</u>   | <u>Name of Federal Program</u> |
|     | 20.106   | Airport Improvement Program    |
|     | 97.056   | Port Security Grant Program    |
| 10. | Dollar threshold used to distinguish between Type A and Type B Programs:   | \$456,543                      |
| 11. | Auditee qualified as low-risk auditee?   | No                             |

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

| <u>Reference Number</u> | <u>CFDA Number</u> | <u>Findings</u>                          | <u>Questioned Costs</u> | <u>Refer Page #</u> |
|-------------------------|--------------------|--|-------------------------|---------------------|
| 2013-001                | 20.106             | Equipment and Real Property Management   | \$ -                    | 9 - 10              |
| 2013-002                | 97.056             | Equipment and Real Property Management   | \$ -                    | 11 - 12             |
| 2013-003                | 97.056             | Procurement and Suspension and Debarment | \$ 15,206               | 13 - 14             |

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2013

Finding No.: 2013-001  
Federal Agency: U.S. Department of Transportation  
CFDA Program: 20.106 Airport Improvement Program  
Federal Award Nos.: All AIP Grants  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Criteria: In accordance with applicable equipment and real property management requirements, procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property;
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years;
- (3) A control system must be developed to adequately safeguard assets and to minimize the opportunity for losses, damage, or theft of the property. Any loss, damage, or theft shall be investigated;
- (4) Adequate maintenance procedures must be developed to keep the property in good condition; and
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established for the highest possible return.

Condition: CPA performed a physical inventory of its fixed assets during fiscal year 2013; however, only certain assets were reconciled to the property records. Total fixed asset additions capitalized and related to CPA's major program amounted to \$7,198,206, \$11,515,708 and \$198,206 during fiscal years 2013, 2012 and 2011, respectively.

Cause: The cause of the above condition is the lack of controls to comply with equipment management requirements.

Effect: The effect of the above condition is noncompliance with equipment and real property management requirements. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Recommendation: We recommend that CPA conduct a physical inventory of all capital assets at least once every two years and reconcile the results to property records.

Prior Year Status: The lack of compliance with equipment and real property management requirements was reported as a finding in the Single Audits of CPA for fiscal years 2008 through 2012.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2013

Finding No.: 2013-001, Continued  
Federal Agency: U.S. Department of Transportation  
CFDA Program: 20.106 Airport Improvement Program  
Federal Award Nos.: All AIP Grants  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Skye Lynn L. Aldan, Comptroller

**Corrective Action:** In FY 2013, CPA updated and confirmed the physical inventory reports with each respective department. Distinctions were made between federal and CPA funded items and equipment. A “Request for survey/decommission form” was created to officially remove items and equipment from CPA’s physical inventory listing. Departments completed the “Request for survey/decommission form” and some adjustments to reconcile the fixed asset sub-ledger to the general ledger were proposed. These adjustments were completed on August 30, 2013. CPA recognizes that the corrective action taken in FY 2013 only partially addresses this finding in that not all inventory items were reconciled to the general ledger.

In FY 2014, CPA will conduct a physical inventory and continue to update/reconcile to the general ledger. Pending the completion of the FY 2014 physical inventory, adjustments to reconcile the fixed asset sub-ledger to the general ledger are anticipated.

**Proposed Completion Date:** September 30, 2014

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2013

Finding No.: 2013-002  
Federal Agency: U.S. Department of Homeland Security  
CFDA Program: 97.056 Port Security Grant Program  
Federal Award Nos.: 2009-PU-T9-0055  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Criteria: In accordance with applicable equipment and real property management requirements, procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property;
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years;
- (3) A control system must be developed to adequately safeguard assets and to minimize the opportunity for losses, damage, or theft of the property. Any loss, damage, or theft shall be investigated;
- (4) Adequate maintenance procedures must be developed to keep the property in good condition; and
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established for the highest possible return.

Condition: CPA performed a physical inventory of its fixed assets during fiscal year 2013; however, only certain assets were reconciled to the property records. Total fixed asset additions that related to CPA's major program were \$343,993 during fiscal year 2013.

Cause: The cause of the above condition is the lack of controls to comply with equipment management requirements.

Effect: The effect of the above condition is noncompliance with equipment and real property management requirements. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Recommendation: We recommend that CPA conduct a physical inventory of all capital assets at least once every two years and reconcile the results to property records.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2013

Finding No.: 2013-002, Continued  
Federal Agency: U.S. Department of Homeland Security  
CFDA Program: 97.056 Port Security Grant Program  
Federal Award Nos.: 2009-PU-T9-0055  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Skye Lynn L. Aldan, Comptroller

**Corrective Action:** In FY 2013, CPA updated and confirmed the physical inventory reports with each respective department. Distinctions were made between federal and CPA funded items and equipment. A "Request for survey/decommission form" was created to officially remove items and equipment from CPA's physical inventory listing. Departments completed the "Request for survey/decommission form" and some adjustments to reconcile the fixed asset sub-ledger to the general ledger were proposed. These adjustments were completed on August 30, 2013. CPA recognizes that the corrective action taken in FY 2013 only partially addresses this finding in that not all inventory items were reconciled to the general ledger.

In FY 2014, CPA will conduct a physical inventory and continue to update/reconcile to the general ledger. Pending the completion of the FY 2014 physical inventory, adjustments to reconcile the fixed asset sub-ledger to the general ledger are anticipated.

**Proposed Completion Date:** September 30, 2014

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2013

Finding No.: 2013-003  
 Federal Agency: U.S. Department of Homeland Security  
 CFDA Program: 97.056 Port Security Grant Program  
 Federal Award Nos.: 2009-PU-T9-0055  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$15,206

Criteria: CPA’s Procurement Rules and Regulations §40-50-225 (a) states that “The purchase of all services, goods, supplies, and materials and all construction work, when the expenditure or procurement by the Authority exceeds \$25,000 may be made through a Request for Proposal (RFP) as set forth in this section when the Executive Director, in the exercise of his/her discretion, determines in writing that use of an Invitation for Bid (IFB) is either not practical or not advantageous to the Authority.” In addition, §40-50-210 (e), states that “The Executive Director or Procurement Officer must obtain written price quotations from at least three vendors for any procurement valued from \$250 to \$25,000.”

Condition: Of twelve samples tested amounting to \$472,673, we noted the following:

1. For seven (or 58%) totaling \$330,909, there was no justification for use of an RFP by the Executive Director for seven samples totaling \$330,909 (or 70%):

| <u>Account No.</u> | <u>Date</u> | <u>Reference</u> | <u>Amount</u>     | <u>Procurement Reference</u>                       |
|--------------------|-------------|------------------|-------------------|--|
| 5361-101           | 01/04/13    | MC-000450        | \$ 47,199         | CPA-RFP-004-12<br>CPA-RFP-005-12<br>CPA-RFP-007-12 |
| 1360-111           | 02/27/13    | MC-000459        | 52,493            | CPA-RFP-009-12                                     |
| 1360-211           | 02/27/13    | MC-000459        | 26,246            | CPA-RFP-009-12                                     |
| 1360-311           | 02/27/13    | MC-000459        | 25,496            | CPA-RFP-009-12                                     |
| 1390-111           | 01/04/13    | MC-000450        | 33,750            | CPA-RFP-010-12                                     |
| 1390-111           | 01/31/13    | JE-000058        | 111,750           | CPA-RFP-006-12                                     |
| 1390-111           | 02/27/13    | MC-000459        | <u>33,975</u>     | CPA-RFP-008-12                                     |
|                    |             |                  | <u>\$ 330,909</u> |  |

2. For two (or 5%) totaling \$20,274, the procurement file shows that quotations were obtained from only two vendors, whereas quotations from at least three vendors are required.

| <u>Date</u> | <u>Purchase Order No.</u> | <u>Questioned Cost</u> |
|-------------|---------------------------|------------------------|
| 11/30/12    | S-CPA-13-3063             | \$ 5,432               |
| 11/09/12    | S-CPA-13-3058             | <u>14,842</u>          |
|             |                           | 20,274                 |
|             | Federal share             | <u>75%</u>             |
|             |                           | <u>\$ 15,206</u>       |

Cause: The cause of the above condition is the lack of compliance with applicable procurement rules and regulations.

Effect: The effect of the above condition is noncompliance with procurement rules and regulations and questioned costs of \$15,206 for Condition 2. No questioned cost is presented for Condition 1 as competitive requirements were met even though the technical form of procurement utilized was incorrect.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2013

Finding No.: 2013-003, Continued  
Federal Agency: U.S. Department of Homeland Security  
CFDA Program: 97.056 Port Security Grant Program  
Federal Award Nos.: 2009-PU-T9-0055  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$15,206

Recommendation: We recommend that CPA adhere to procurement rules and regulations.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Skye Lynn L. Aldan, Comptroller

**Corrective Action:**

- Condition 1: Although no written justification for use of an RFP was obtained from the Executive Director, it was determined that the use of an RFP for the listed items was to be more beneficial and advantageous to the agency. Because IFB's dictate the selection of the lowest bidder, an RFP was utilized in order to ensure quality materials and services were procured. CPA is taking the necessary steps to ensure that all documentation required by applicable rules and regulations are obtained before advertising for the procurement of items or services.
- Condition 2: Because of time constraints due to the upcoming expiration of the grant, CPA was not able to meet the requirement of three written price quotations. A request for quotations was sent to at least three vendors and not all responded. The vendors CPA solicited quotes from were mentioned in the justification attached to the procurement files and approved by the Executive Director. CPA is working towards ensuring that the three quotation requirement is adhered to. If three quotations are not available, CPA will make certain that all solicitations are documented and will follow-up with non-responsive vendors. Justification will be provided along with supporting documents that all efforts were made to obtain three quotations.

**Proposed Completion Date:** September 30, 2014



# COMMONWEALTH PORTS AUTHORITY

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### FINANCIAL STATEMENT FINDINGS

No findings reported.

### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- Finding No. 2012-01 - Partially corrected. See corrective action plan to Finding No. 2013-001.
- Finding No. 2012-02 - Corrective action was taken.
- Finding No. 2012-03 - Resolved. The FY 2013 audit is expected to be completed before June 30, 2014.
- Finding No. 2011-02 - Partially corrected. See corrective action plan to Finding No. 2013-001.
- Finding No. 2011-03 - Resolved. The FY 2013 audit is expected to be completed before June 30, 2014.
- Finding No. 2010-02 - Partially corrected. See corrective action plan to Finding No. 2013-001.
- Finding No. 2009-03 - Partially corrected. See corrective action plan to Finding No. 2013-001.
- Finding No. 2008-06 - Partially corrected. See corrective action plan to Finding No. 2013-001.