

NORTHERN MARIANAS COLLEGE  
(A COMPONENT UNIT OF THE COMMONWEALTH  
OF THE NORTHERN MARIANA ISLANDS)

INDEPENDENT AUDITORS' REPORTS ON  
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2011

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

Board of Regents  
Northern Marianas College:

We have audited the financial statements of the Northern Marianas College (the College) as of and for the year ended September 30, 2011, and have issued our report thereon dated June 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

We noted certain matters that we reported to management of the College in a separate letter dated June 28, 2012.

This report is intended solely for the information and use of management, the Board of Regents, federal awarding agencies, and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLC*

June 28, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Regents  
Northern Marianas College:

Compliance

We have audited the Northern Marianas College's (the College) 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 the College's major federal programs for the year ended September 30, 2011. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (pages 9 through 59). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

As described in items 2011-01 through 2011-13 in the accompanying Schedule of Findings and Questioned Costs, the College did not comply with requirements regarding equipment and real property management and procurement and suspension and debarment that are applicable to its Payments to Agricultural Experiment Stations Under the Hatch Act major program (CFDA # 10.203); allowable costs/cost principles, equipment and real property management and procurement and suspension and debarment that are applicable to its Cooperative Extension Service major program (CFDA # 10.500); procurement and suspension and debarment that are applicable to its Adult Education - Basic Grants to States major program (CFDA # 84.002); period of availability of federal funds and procurement and suspension and debarment that are applicable to its TRIO Cluster major program (CFDA #s 84.042, 84.044 and 84.047); procurement and suspension and debarment that are applicable to its College Access Challenge Grant Program major program (CFDA # 84.378); and activities allowed or unallowed, allowable costs/cost principles, equipment and real property management, procurement and suspension and debarment and reporting that are applicable to its State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act major program (CFDA # 84.394). Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

#### Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the College'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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2011-01, 2011-04, 2011-10 and 2011-13 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 2011-02, 2011-03, 2011-05 through 2011-09, 2011-11 and 2011-12 to be significant deficiencies.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the College as of and for the year ended September 30, 2011, and have issued our report thereon dated June 28, 2012. Our audit was performed for the purpose of forming our opinion on the College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (pages 6 and 7) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The College's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the College's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Regents, management, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLC*

June 28, 2012

NORTHERN MARIANAS COLLEGE

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2011

Federal Grantor/Program Title	CFDA Number	Expenditures
<b>Direct Programs</b>		
<b>U.S. Department of Agriculture</b>		
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	\$ 555,782
Cooperative Extension Service	10.500	<u>1,113,062</u>
Subtotal U.S. Department of Agriculture		<u>1,668,844</u>
<b>U.S. Department of Education</b>		
Student Financial Assistance Programs:		
Federal Supplemental Education Opportunity Grants	84.007	40,004
Federal Work-Study Program	84.033	26,923
Federal Pell Grant Program	84.063	<u>4,951,745</u>
Subtotal Student Financial Assistance Programs		<u>5,018,672</u>
TRIO Programs:		
Student Support Services	84.042	18,309
Talent Search	84.044	270,770
Upward Bound	84.047	<u>477,944</u>
Subtotal TRIO Programs		<u>767,023</u>
Adult Education - Basic Grants to States	84.002	<u>449,548</u>
College Access Challenge Grant Program	84.378	<u>820,001</u>
Subtotal U.S. Department of Education		<u>7,055,244</u>
<b>Corporation for National and Community Service</b>		
Learn and Serve America - Higher Education	94.005	<u>13,154</u>
Subtotal Corporation for National and Community Service		<u>13,154</u>
Subtotal Direct Programs		<u>8,737,242</u>
<b>Indirect Programs</b>		
<b>U.S. Department of Agriculture</b>		
Grants for Agricultural Research, Special Research Grants:		
Agricultural Development in the American Pacific	10.200	30,071
Non Communicable Disease Prevention & Control Plan	10.200	18,745
Sustainable Agriculture Research and Education	10.215	4,820
Resident Instruction Grants for Insular Area Activities	10.308	91,399
Specialty Crop Research Initiative	10.309	24,946
Agriculture and Food Research Initiative (AFRI)	10.310	52,959
Technology Transfer of Alternative Plant	10.500	12,339
Implementation of Western Sustainable Agricultural Research and Education Program Professional Development Plan	10.500	13,458
Improvement for Papaya Cultivars	10.Unknown	11,680
Islands of Opportunity Alliance	10.Unknown	<u>2,217</u>
Subtotal U.S. Department of Agriculture		<u>262,634</u>

See accompanying notes to schedule of expenditures of federal awards.

NORTHERN MARIANAS COLLEGE

Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2011

Federal Grantor/Program Title	CFDA Number	Expenditures
<b>Indirect Programs, Continued</b>		
<b>U.S. Department of Education</b>		
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	<u>2,600,761</u>
Subtotal U.S. Department of Education		<u>2,600,761</u>
<b>U.S. Department of the Interior</b>		
Economic, Social and Political Development of the Territories - NMC CEO Search Project	15.875	<u>9,500</u>
Subtotal U.S. Department of the Interior		<u>9,500</u>
<b>National Science Foundation</b>		
Education and Human Resources	47.076	<u>14,843</u>
Subtotal National Science Foundation		<u>14,843</u>
<b>U.S. Department of Health and Human Services</b>		
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	81,458
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632	<u>166,104</u>
Subtotal U.S. Department of Health and Human Services		<u>247,562</u>
Subtotal Indirect Programs		<u>3,135,300</u>
Total Federal Programs		<u>\$ 11,872,542</u>

See accompanying notes to schedule of expenditures of federal awards.



NORTHERN MARIANAS COLLEGE

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2011

(1) Scope of Review

The Northern Marianas College (the College) was created as an autonomous public agency of the Commonwealth of the Northern Mariana Islands (CNMI) pursuant to Title 3, Division 1, Chapter 3, Article 1 of the Commonwealth Code. The College's existence is to be perpetual and it shall have all the rights and privileges of a corporation. The purpose of the College is to provide secondary educational opportunities to the people of the CNMI. The U.S. Department of the Interior has been designated as the College's cognizant agency.

a. Programs Subject to OMB A-133

The Schedule of Expenditures of Federal Awards presents each Federal program related to the U.S. Department of Education, the U.S. Department of Agriculture, the U.S. Department of Health and Human Services, the U.S. Department of Commerce, the U.S. Department of the Interior, the U.S. Department of Transportation and the National Science Foundation which are subject to OMB A-133.

(2) Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. All program award amounts represent the total allotment or grant award received. All expenses and capital outlays are reported as expenditures.

b. Cost Allocation

The College is currently allocating administrative costs to program awards based upon criteria prescribed in those program awards.

(3) Indirect Cost Allocation

For fiscal year 2011, the College has an approved indirect cost rate of 35% for all grant programs, except for U.S. Department of Education programs, which is 8%.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2011

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditors' report issued:                          | Unqualified   |
|    | 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:  | 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:  |           |

CFDA

<u>Number</u>	<u>Federal Program</u>
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act
10.500	Cooperative Extension Service
84.002	Adult Education - Basic Grants to States
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Education Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
	TRIO Cluster:
84.042	TRIO - Student Support Services
84.044	TRIO - Talent Search
84.047	TRIO - Upward Bound
84.378	College Access Challenge Grant Program
84.394	State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

- |     |  |           |
|-----|--|-----------|
| 10. | Dollar threshold used to distinguish between Type A and Type B Programs: | \$356,176 |
| 11. | Auditee qualified as a low-risk auditee?                                 | No        |

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

**B. FINANCIAL STATEMENT FINDINGS**

No findings reported.

**C. 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>
2011-01	10.203	Equipment and Real Property Management	\$ -	11 - 12
2011-02	10.203	Procurement and Suspension and Debarment	\$ -	13 - 17
2011-03	10.500	Allowable Costs/Cost Principles	\$ 4,131	18 - 20
2011-04	10.500	Equipment and Real Property Management	\$ -	21 - 22
2011-05	10.500	Procurement and Suspension and Debarment	\$ -	23 - 27
2011-06	84.002	Procurement and Suspension and Debarment	\$ -	28 - 32
2011-07	84.042/84.044/84.047	Period of Availability of Federal Funds	\$ 18,309	33 - 36
2011-08	84.042/84.044/84.047	Procurement and Suspension and Debarment	\$ -	37 - 41
2011-09	84.378	Procurement and Suspension and Debarment	\$ -	42 - 46
2011-10	84.394	Activities Allowed or Unallowed/Allowable Costs/Cost Principles	\$ -	47
2011-11	84.394	Equipment and Real Property Management	\$ -	48 - 49
2011-12	84.394	Procurement and Suspension and Debarment	\$ -	50 - 58
2011-13	84.394	Reporting	\$ -	59

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Finding No.: 2011-01  
Federal Agency: U.S Department of Agriculture  
CFDA Program: 10.203 Payments to Agricultural Experiment Stations Under the Hatch Act  
Grant Number: 3110006095  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

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

- Equipment records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date and 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.
- A physical inventory of equipment must be taken and the results reconciled with the equipment records at least once every two years.
- Further, pursuant to applicable federal regulations, property and equipment purchased with program funds must be utilized for the project for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds, and that proceeds from the disposal, if any, shall be applied to further program objectives.

Condition: Tests of equipment noted the following items could not be located during verification procedures:

<u>Tag Number</u>	<u>Fund Code</u>	<u>Cost</u>
red012429	AR707	\$ 9,501
red012772	AR119	\$ 16,410
FED110721-002	AR107	\$ 33,399

Cause: The cause of the above condition is the lack of adherence to established policies and procedures regarding inventory counts and property and equipment management.

Effect: The effect of the above condition is lack of compliance with equipment and real property compliance requirements.

Recommendation: We recommend that the program take necessary action to comply with applicable property management standards.

Prior Year Status: Lack of policies and procedures to comply with federal property management standards was reported as a finding in the Single Audits of the College for the fiscal years 2005 through 2010.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-01, Continued  
Federal Agency: U.S Department of Agriculture  
CFDA Program: 10.203 Payments to Agricultural Experiment Stations Under the Hatch Act  
Grant Number: 3110006095  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Bonnie Royal, Oscar Flores, Robert Suzuki and Anita Camacho

**Corrective Action:** The College disagrees with this finding and reiterates that the College adheres to its established policies and procedures regarding inventory counts and property and equipment management through the following:

- The College's FASGOV software maintains equipment that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date and 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.
- 7 CFR 3019.34 Equipment (c) further states that when equipment is "When no longer needed for the original project or program, the recipient shall use the equipment in connection with its other federally-sponsored activities, in the following order of priority:
  - (1) Activities sponsored by the Federal awarding agency which funded the original project, then
  - (2) Activities sponsored by other Federal awarding agencies.

(d) During the time that equipment is used on the project or program for which it was acquired, the recipient shall make it available for use on other projects or programs if such other use will not interfere with the work on the project or program for which the equipment was originally acquired. First preference for such other use shall be given to other projects or programs sponsored by the Federal awarding agency that financed the equipment; second preference shall be given to projects or programs sponsored by other Federal awarding agencies. If the equipment is owned by the Federal Government, use on other activities not sponsored by the Federal Government shall be permissible if authorized by the Federal awarding agency. User charges shall be treated as program income.

Corresponding evidence has been submitted.

**Proposed Completion Date:** Completed

Auditor Response: The condition reported three items that could not be verified and does not state that the equipment listing provided did not include the required information.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-02  
 Federal Agency: U.S Department of Agriculture  
 CFDA Program: 10.203 Payments to Agricultural Experiment Stations Under the Hatch Act  
 Grant Number: 3110006095  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$-0-

Criteria: Applicable regulations require that price quotations be obtained from at least three vendors for purchases between \$1,000 and \$9,999.99, which was increased to between \$2,500 and \$24,999.99 effective March 7, 2011. In the event that only two price quotations can be obtained, a written statement shall be made by the College official with expenditure authority to indicate the reason(s) for not being able to obtain the third quotation. If only one quotation can be obtained, a Sole Source purchase form must be completed with the reason(s) why the purchase has to be made with the selected vendor indicated on the form. At least one written price quotation is required for purchases less than \$1,000, which was increased to less than \$2,500 effective March 7, 2011.

Condition: Of \$265,562 non-payroll expenses, nineteen items totaling \$40,295 were tested and the following were noted:

- As noted above, the College's procurement procedures allow for restricted competition for purchases of less than \$1,000, effective through March 6, 2011, and of less than \$2,500, effective March 7, 2011 and thereafter. This procedure appears to circumvent the intent of applicable Federal procurement requirements, which is to provide full and open competition in the procurement of federally funded property and services. There was no competition obtained for the following four purchases (or 21%) that are below the threshold:

<u>Fund Code</u>	<u>Check No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>General Ledger Amount</u>
AR110	35823	09/30/11	94767/1	\$ 86
AR110	34270	04/26/11	331110008	738
AR111	35555	09/12/11	158029P	98
AR111	34296	04/18/11	81453	<u>256</u>
				\$ <u>1,178</u>

- The College's procurement policies and procedures do not include procurement procedures for travel that require obtaining price quotations based on available airlines and/or routes from Saipan to the final destination. For three (or 16%) airfare purchases, price comparisons did not include at least three written quotes from all available airlines and/or routes from Saipan to the final destination as follows:

<u>Fund Code</u>	<u>Check No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>General Ledger Amount</u>
AR110	34511	05/18/11	TA-105610	\$ 3,195
AR110	35226	08/10/11	TA-106800	2,318
AR510	33108	11/19/10	TA-105109	<u>2,072</u>
				\$ <u>7,585</u>

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-02, Continued  
Federal Agency: U.S Department of Agriculture  
CFDA Program: 10.203 Payments to Agricultural Experiment Stations Under the Hatch Act  
Grant Number: 3110006095  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Condition, Continued:

Federal regulations require grantees and sub-grantees to use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and standards. No questioned cost is presented at this condition as the College has followed applicable CNMI procurement regulations.

Cause: The cause of the above condition is failure to incorporate federal requirements of full and open competition in the procurement of federally funded property and services within the College's Procurement Procedures.

Effect: The effect of the above condition is noncompliance with federal requirements.

Recommendation: We recommend that the College review its current procurement regulations with the CNMI and its grantors to ensure compliance with applicable federal laws and to seek approval of this threshold from the grantor agency regarding the application of restricted competition for transactions meeting the small purchase threshold.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Bonnie Royal, Ross Manglona, Oscar Flores, Robert Suzuki and Anita Camacho

**Corrective Action:** The College disagrees with this finding for small purchases and travel. The CNMI unfortunately only has two U.S. commercial airline service providers in Continental/United and Northwest/Delta Airlines. In an effort to procure the most competitive airfares, the College uses local travel agencies to provide the best prices that are most convenient and economical for the College's needs. College policy states that the College should procure the most convenient and economical airline service. Since 2007, in trying to procure the most convenient and economical service, the College requests for three quotations from travel agencies to provide the College with airfares from both Continental/United Airlines and Northwest/Delta Airlines. At times when an airline service provider does not fly to certain locations out of the CNMI, we select amongst the travel agencies that meet our standards.

The College's recognized cognizant agency is the U.S. Department of the Interior. Absent applicable policies and procedures, the College may reference such agency's policies and procedures. The College would like to further clarify this audit finding by using the Simplified Acquisition Thresholds (SAT) of Federal Acquisition Regulations System (FAR) Subpart 13-13.3. The SAT of FAR's threshold ranges from \$3,000 to \$100,000. Furthermore, the SAT of FAR provides for Micro Purchase Thresholds (MPT) which threshold is from \$0 to \$3,000. Such minimum threshold was amended in 2006 from a high of \$2,500 to the new amount of \$3,000.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-02, Continued  
Federal Agency: U.S Department of Agriculture  
CFDA Program: 10.203 Payments to Agricultural Experiment Stations Under the Hatch Act  
Grant Number: 3110006095  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

The Subpart 13.2 - Actions At or Below the Micro-Purchase Threshold 13.201 General. (a) Agency heads are encouraged to delegate micro-purchase authority (see 1.603-3). (b) The Government wide commercial purchase card shall be the preferred method to purchase and to pay for micro-purchases (see 2.101). (c) Purchases at or below the micro-purchase threshold may be conducted using any of the methods described in Subpart 13.3, provided the purchaser is authorized and trained, pursuant to agency procedures, to use those methods. (d) Micro-purchases do not require provisions or clauses, except as provided at 4.1105 and 32.1110. This paragraph takes precedence over any other FAR requirement to the contrary, but does not prohibit the use of any clause. (e) The requirements in Part 8 apply to purchases at or below the micro-purchase threshold. (f) The procurement requirements in Subparts 23.2, 23.4, and 23.7 apply to purchases at or below the micro-purchase threshold. (g)(1) For acquisitions of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical, or radiological attack, the micro-purchase threshold is - (i) \$15,000 in the case of any contract to be awarded and performed, or purchase to be made, inside the United States; and (ii) \$25,000 in the case of any contract to be awarded and performed, or purchase to be made, outside the United States. (2) Purchases using this authority must have a clear and direct relationship to the support of a contingency operation or the defense against or recovery from nuclear, biological, chemical, or radiological attack.

13.202 Purchase guidelines. (a) Solicitation, evaluation of quotations, and award. (1) To the extent practicable, micro-purchases shall be distributed equitably among qualified suppliers. (2) Micro-purchases may be awarded without soliciting competitive quotations if the contracting officer or individual appointed in accordance with 1.603-3(b) considers the price to be reasonable. (3) The administrative cost of verifying the reasonableness of the price for purchases may more than offset potential savings from detecting instances of overpricing. Therefore, action to verify price reasonableness need only be taken if - (i) The contracting officer or individual appointed in accordance with 1.603-3(b) suspects or has information to indicate that the price may not be reasonable (*e.g.*, comparison to the previous price paid or personal knowledge of the supply or service); or (ii) Purchasing a supply or service for which no comparable pricing information is readily available (*e.g.*, a supply or service that is not the same as, or is not similar to, other supplies or services that have recently been purchased on a competitive basis). (b) *Documentation*. If competitive quotations were solicited and award was made to other than the low quoter, documentation to support the purchase may be limited to identification of the solicited concerns and an explanation for the award decision.



NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-02, Continued  
Federal Agency: U.S Department of Agriculture  
CFDA Program: 10.203 Payments to Agricultural Experiment Stations Under the Hatch Act  
Grant Number: 3110006095  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

Furthermore, 3.302-2 Unpriced purchase orders. (a) An unpriced purchase order is an order for supplies or services, the price of which is not established at the time of issuance of the order. (b) An unpriced purchase order may be used only when - (1) It is impractical to obtain pricing in advance of issuance of the purchase order; and (2) The purchase is for - (i) Repairs to equipment requiring disassembly to determine the nature and extent of repairs; (ii) Material available from only one source and for which cost cannot readily be established; or (iii) Supplies or services for which prices are known to be competitive, but exact prices are not known (*e.g.*, miscellaneous repair parts, maintenance agreements). (c) Unpriced purchase orders may be issued on paper or electronically. A realistic monetary limitation, either for each line item or for the total order, shall be placed on each unpriced purchase order. The monetary limitation shall be an obligation subject to adjustment when the firm price is established. The contracting office shall follow up on each order to ensure timely pricing. The contracting officer or the contracting officer's designated representative shall review the invoice price and, if reasonable (see 13.106-3(a)), process the invoice for payment.

13.303 Blanket purchase agreements (BPAs). 13.303-1 General. (a) A blanket purchase agreement (BPA) is a simplified method of filling anticipated repetitive needs for supplies or services by establishing "charge accounts" with qualified sources of supply (see Subpart 16.7 for additional coverage of agreements). (b) BPAs should be established for use by an organization responsible for providing supplies for its own operations or for other offices, installations, projects, or functions. Such organizations, for example, may be organized supply points, separate independent or detached field parties, or one-person posts or activities. (c) The use of BPAs does not exempt an agency from the responsibility for keeping obligations and expenditures within available funds.

13.303-2 Establishment of BPAs. (a) The following are circumstances under which contracting officers may establish BPAs: (1) There is a wide variety of items in a broad class of supplies or services that are generally purchased, but the exact items, quantities, and delivery requirements are not known in advance and may vary considerably. (2) There is a need to provide commercial sources of supply for one or more offices or projects in a given area that do not have or need authority to purchase otherwise. (3) The use of this procedure would avoid the writing of numerous purchase orders. (4) There is no existing requirements contract for the same supply or service that the contracting activity is required to use. (b) After determining a BPA would be advantageous, contracting officers shall - (1) Establish the parameters to limit purchases to individual items or commodity groups or classes, or permit the supplier to furnish unlimited supplies or services; and (2) Consider suppliers whose past performance has shown them to be dependable, who offer quality supplies or services at consistently lower prices, and who have provided numerous purchases at or below the simplified acquisition threshold. (c) BPAs may be established with - (1) More than one supplier for supplies or services of the same type to provide maximum practicable competition; (2) A single firm from which numerous individual purchases at or below the simplified acquisition threshold will likely be made in a given period; or (3) Federal Supply Schedule contractors, if not inconsistent with the terms of the applicable schedule contract. (d) BPAs should be prepared without a purchase requisition and only after contacting suppliers to make the necessary arrangements for - (1) Securing maximum discounts; (2) Documenting individual purchase transactions; (3) Periodic billings; and (4) Incorporating other necessary details.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-02, Continued  
Federal Agency: U.S Department of Agriculture  
CFDA Program: 10.203 Payments to Agricultural Experiment Stations Under the Hatch Act  
Grant Number: 3110006095  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

**Travel:**

As recognized in OMB Circular A21, 2 CFR Parts 215 and 220 section 51904, the College's established policy and procedures on travel governs such activities. Travel at the College is closely monitored and the responsibility of our Finance Office. In the Finance Office, a qualified accountant is assigned to review travel requests, reports, and procurement of transportation, compliance and other related procurement functions. Such person initials or signs on each travel request to ensure that all qualifications are met. This is further reviewed by the fund certification officer, the chief accountant, and the dean of administration (or prior to such, the former CFAOs), if warranted the President of the College as well.

Pursuant to OMB Circular A21, 2 CFR Parts 215 and 220 section 51904, travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the institution's non-federally-sponsored activities.

In addition, costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the institution in its regular operations as the result of the institution's written travel policy. In the absence of an acceptable, written institution policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under sponsored agreements (48 CFR 31.205- 46(a)).

Corresponding evidence has been submitted.

**Proposed Completion Date:** Completed

Auditor Response: We believe the College's small purchase and travel policies allow for restricted competition and recommend the College obtain program determination letters from the grantor agency concerning these policies.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-03  
 Federal Agency: U.S. Department of Agriculture  
 CFDA Program: 10.500 Cooperative Extension Service  
 Grant Numbers: 41100-05700, 41510-05700, 48024-05700 and 41520-04315  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$4,131

Criteria: Expenses should be authorized, supported and approved prior to incurrence and recorded in the period incurred.

Condition: Of \$459,185 non-payroll expenses, twenty-four items, totaling \$81,466 were tested. Further, of \$593,752 payroll expenses, forty-six items totaling \$73,141 were tested. Our tests of expenses noted the following:

- The program was charged for one cancelled disbursement (or 4%) as follows:

<u>Fund Code</u>	<u>Check No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
AD311T	35521	09/14/11	PO-117384	\$ 349

- For three employees (or 6%), actual hours worked certified in the timesheet did not substantiate actual charges as follows:

<u>Fund Code</u>	<u>Document No.</u>	<u>General Ledger Date</u>	<u>Gross Pay</u>	<u>% Charged Per General Ledger</u>	<u>% Worked Per Timesheet</u>	<u>Variance</u>
AB210	16938	11/19/10	\$ 990	100%	50%	\$ 495
AB311	V036756	06/03/11	\$ 621	100%	50%	310
AB8111	V038283	09/23/11	\$ 1,443	75%	0%	<u>1,082</u>
						\$ <u>1,887</u>

- Regular hours were paid to one employee (or 2%) (fund code AB1211, document no. V036482) who took annual leave of 32 hours documented in the employee timesheet and annual leave request. No documentation as to why the employee was paid regular hours during the leave period was provided. Total gross pay for 32 hours amounted to \$790.
- For three employees (or 6%), annual leave approval was obtained prior to the leave period as follows:

<u>Fund Code</u>	<u>Document No.</u>	<u>Annual Leave Hours</u>	<u>Rate</u>	<u>Amount</u>
AB1111	V035972	8	\$ 11.27	\$ 90
AB210	16938	4	\$ 12.37	49
AB9111	V033954	8	\$ 7.39	<u>59</u>
				\$ <u>199</u>

No questioned costs result since the leave forms were approved. We recommend that the College review its existing policies regarding annual leave and determine whether retroactive approval is allowed.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-03, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.500 Cooperative Extension Service  
Grant Numbers: 41100-05700, 41510-05700, 48024-05700 and 41520-04315  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$4,131

Condition, Continued:

5. Retirement expense charged to the program is \$1,105 higher than the maximum allowed allocation of 5%.

Cause: The cause of the above condition is weak control procedures over program costs and poor file maintenance supporting program expenses.

Effect: The effect of the above condition is the use of federal funds for unauthorized and unsupported expenses and questioned costs of \$4,131 arising from Conditions 1, 2, 3 and 5. Questioned costs are reported since the projected costs exceed \$10,000.

Recommendation: We recommend that the College strengthen control procedures and improve file maintenance over program costs.

Prior Year Status: Lack of controls over program costs was reported as a finding in the Single Audits of the College for fiscal years 2007 through 2010.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Christina Cruz, Bonnie Royal, Kathy Palacios and Bobbie Hunter

**Corrective Action:** The College partially agrees with some of the findings.

1. Account reimbursed and appropriate journal entries have been made.
2. The College partially agrees with these finding. A directive to the payroll office, departments, and human resources office to verify and reconcile on a timely basis will be sent out. Procurement of software and training to help with such is being discussed. In addition, the College is researching the New Mexico State University Time and Effort Reporting System for Adoption.
3. Appropriate journal entries have been made. A directive to the payroll office, departments, and human resources office to verify and reconcile on a timely basis will be sent out. Procurement of software and training to help with such is being discussed. In addition, the College is researching the New Mexico State University Time and Effort Reporting System for Adoption.
4. A directive to the payroll office, departments, and human resources office to clarify policy and or procedure, verify and reconcile on a timely basis will be sent out. Procurement of software and training to help with such is being discussed. In addition, the College is researching the New Mexico State University Time and Effort Reporting System for Adoption.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-03, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.500 Cooperative Extension Service  
Grant Numbers: 41100-05700, 41510-05700, 48024-05700 and 41520-04315  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$4,131

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

5. Appropriate journal entries and reimbursements have been made. A directive to the payroll office, departments, and human resources office to verify and reconcile on a timely basis will be sent out. Procurement of software and training to help with such is being discussed. In addition, the College is researching the New Mexico State University Time and Effort Reporting System for Adoption.

Corresponding evidence has been submitted.

**Proposed Completion Date:** October 31, 2012

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-04  
 Federal Agency: U.S. Department of Agriculture  
 CFDA Program: 10.500 Cooperative Extension Service  
 Grant Numbers: 41100-05700, 41510-05700, 48024-05700 and 41520-04315  
 Area: Equipment and Real Property Management  
 Questioned Costs: \$-0-

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

- Equipment records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date and 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.
- A physical inventory of equipment must be taken and the results reconciled with the equipment records at least once every two years.
- Further, pursuant to applicable federal regulations, property and equipment purchased with program funds must be utilized for the project for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds, and that proceeds from the disposal, if any, shall be applied to further program objectives.

Condition: Tests of equipment noted the following:

1. One item (tag number green00498, fund code AD801/AB10), for \$6,725, was sighted but is not in good condition and is no longer in use.
2. One vehicle sighted (tag number red009806, fund code AB031) was transferred to the College's administrative office in 2008; however, the vehicle was still listed in the Cooperative Extension Service fixed asset listing and fixed asset records do not indicate sales price or the method used to determine fair value and if the College compensated the federal grantor agency. No questioned costs result as the sale does appear to have occurred.
3. The existence of the following five vehicles could not be substantiated:

<u>Tag Number</u>	<u>Fund Code</u>	<u>Cost</u>
red005250	AB1	\$ 20,675
red009803	AB041	26,500
red009804	AB041	26,500
red011549	AB105	26,264
Red005280	AB1	<u>19,895</u>
		\$ <u>119,834</u>

Cause: The cause of the above condition is the lack of adherence to established policies and procedures regarding inventory counts and property and equipment management.

Effect: The effect of the above condition is lack of compliance with equipment and real property compliance requirements.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-04, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.500 Cooperative Extension Service  
Grant Numbers: 41100-05700, 41510-05700, 48024-05700 and 41520-04315  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Recommendation: We recommend that the program take necessary action to comply with applicable property management standards.

Prior Year Status: Lack of policies and procedures to comply with federal property management standards was reported as a finding in the Single Audits of the College for the fiscal years 2005 through 2010.

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Bonnie Royal and Anita Camacho

Corrective Action: The College disagrees with this finding.

1. Evidence Provided
2. According to 7 CFR 3019.34 Equipment (b) states that the recipient shall not use equipment acquired with Federal funds to provide services to non-Federal outside organizations *for a fee that is less than private companies charge for equivalent services*, unless specifically authorized by Federal statute, for as long as the Federal Government retains an interest in the equipment. At the time, such fee was not established, but in good faith to our federal grantor, the College stresses and provided evidence that it has made the appropriate transfer of funds in the amount that met the Net Blue Book Value of such vehicle in question during that time period. The funds still remain in the CREES special account. Evidence of such transfer has been provided to the auditor. The College uses non-federal funding to pay for maintenance, fuel, and insurance of such vehicle during this period as well.
3. Corresponding evidence has been submitted.

**Proposed Completion Date:** Completed

Auditor Response: As noted in the condition, the vehicle that was transferred to the administrative office is still included in the program's equipment listing and such equipment listing does not indicate any disposition data such as disposal date, sales price and compensation made to the grantor agency as required by federal regulations. The finding also reported five items that could not be verified.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-05  
 Federal Agency: U.S. Department of Agriculture  
 CFDA Program: 10.500 Cooperative Extension Service  
 Grant Numbers: 41100-05700, 41510-05700, 48024-05700 and 41520-04315  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$-0-

Criteria: Applicable regulations require that price quotations be obtained from at least three vendors for purchases between \$1,000 and \$9,999.99, which was increased to between \$2,500 and \$24,999.99 effective March 7, 2011. In the event that only two price quotations can be obtained, a written statement shall be made by the College official with expenditure authority to indicate the reason(s) for not being able to obtain the third quotation. If only one quotation can be obtained, a Sole Source purchase form must be completed with the reason(s) why the purchase has to be made with the selected vendor indicated on the form. At least one written price quotation is required for purchases less than \$1,000, which was increased to less than \$2,500 effective March 7, 2011.

Condition: Of \$459,185 non-payroll expenses, twenty-four items totaling \$81,466 were tested and the following were noted:

- As noted above, the College's procurement procedures allow for restricted competition for purchases of less than \$1,000, effective through March 6, 2011, and of less than \$2,500, effective March 7, 2011 and thereafter. This procedure appears to circumvent the intent of applicable Federal procurement requirements, which is to provide full and open competition in the procurement of federally funded property and services. There was no competition obtained for the following three purchases (or 12%) that are below the threshold:

<u>Fund Code</u>	<u>Check No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
AB119	34903	03/29/11	CR-116631	\$ 2,000
AB211	35459	08/30/11	256639/2	314
AB107	33673	02/16/11	CR-117018	<u>340</u>
				\$ <u>2,654</u>

- The College's procurement policies and procedures do not include procurement procedures for travel that require obtaining price quotations based on available airlines and/or routes from Saipan to the final destination. For three airfare purchases (or 12%), price comparisons did not include at least three written quotes from all available airlines and/or routes from Saipan to the final destination as follows:

<u>Fund Code</u>	<u>Check No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
AB410	33671	02/14/11	TA-105292	\$ 3,099
AD209	34779	06/16/11	TA-105702	2,215
AD311	34257	04/20/11	TA-105558	<u>1,878</u>
				\$ <u>7,192</u>



NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-05, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.500 Cooperative Extension Service  
Grant Numbers: 41100-05700, 41510-05700, 48024-05700 and 41520-04315  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Condition, Continued:

Federal regulations require grantees and sub-grantees to use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and standards. No questioned cost is presented at this condition as the College has followed applicable CNMI procurement regulations.

Cause: The cause of the above condition is failure to incorporate federal requirements of full and open competition in the procurement of federally funded property and services within the College's Procurement Procedures.

Effect: The effect of the above condition is noncompliance with federal requirements.

Recommendation: We recommend that the College review its current procurement regulations with the CNMI and its grantors to ensure compliance with applicable federal laws and to seek approval of this threshold from the grantor agency regarding the application of restricted competition for transactions meeting the small purchase threshold.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Bonnie Royal, Ross Manglona, Oscar Flores, Robert Suzuki and Anita Camacho

**Corrective Action:** The College disagrees with this finding for small purchases and travel. The CNMI unfortunately only has two U.S. commercial airline service providers in Continental/United and Northwest/Delta Airlines. In an effort to procure the most competitive airfares, the College uses local travel agencies to provide the best prices that are most convenient and economical for the College's needs. College policy states that the College should procure the most convenient and economical airline service. Since 2007, in trying to procure the most convenient and economical service, the College requests for three quotations from travel agencies to provide the College with airfares from both Continental/United Airlines and Northwest/Delta Airlines. At times when an airline service provider does not fly to certain locations out of the CNMI, we select amongst the travel agencies that meet our standards.

The College's recognized cognizant agency is the U.S. Department of the Interior. Absent applicable policies and procedures, the College may reference such agency's policies and procedures. The College would like to further clarify this audit finding by using the Simplified Acquisition Thresholds (SAT) of Federal Acquisition Regulations System (FAR) Subpart 13-13.3. The SAT of FAR's threshold ranges from \$3,000 to \$100,000. Furthermore, the SAT of FAR provides for Micro Purchase Thresholds (MPT) which threshold is from \$0 to \$3,000. Such minimum threshold was amended in 2006 from a high of \$2,500 to the new amount of \$3,000.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-05, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.500 Cooperative Extension Service  
Grant Numbers: 41100-05700, 41510-05700, 48024-05700 and 41520-04315  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

The Subpart 13.2 - Actions At or Below the Micro-Purchase Threshold 13.201 General. (a) Agency heads are encouraged to delegate micro-purchase authority (see 1.603-3). (b) The Government wide commercial purchase card shall be the preferred method to purchase and to pay for micro-purchases (see 2.101). (c) Purchases at or below the micro-purchase threshold may be conducted using any of the methods described in Subpart 13.3, provided the purchaser is authorized and trained, pursuant to agency procedures, to use those methods. (d) Micro-purchases do not require provisions or clauses, except as provided at 4.1105 and 32.1110. This paragraph takes precedence over any other FAR requirement to the contrary, but does not prohibit the use of any clause. (e) The requirements in Part 8 apply to purchases at or below the micro-purchase threshold. (f) The procurement requirements in Subparts 23.2, 23.4, and 23.7 apply to purchases at or below the micro-purchase threshold. (g)(1) For acquisitions of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical, or radiological attack, the micro-purchase threshold is - (i) \$15,000 in the case of any contract to be awarded and performed, or purchase to be made, inside the United States; and (ii) \$25,000 in the case of any contract to be awarded and performed, or purchase to be made, outside the United States. (2) Purchases using this authority must have a clear and direct relationship to the support of a contingency operation or the defense against or recovery from nuclear, biological, chemical, or radiological attack.

13.202 Purchase guidelines. (a) Solicitation, evaluation of quotations, and award. (1) To the extent practicable, micro-purchases shall be distributed equitably among qualified suppliers. (2) Micro-purchases may be awarded without soliciting competitive quotations if the contracting officer or individual appointed in accordance with 1.603-3(b) considers the price to be reasonable. (3) The administrative cost of verifying the reasonableness of the price for purchases may more than offset potential savings from detecting instances of overpricing. Therefore, action to verify price reasonableness need only be taken if - (i) The contracting officer or individual appointed in accordance with 1.603-3(b) suspects or has information to indicate that the price may not be reasonable (*e.g.*, comparison to the previous price paid or personal knowledge of the supply or service); or (ii) Purchasing a supply or service for which no comparable pricing information is readily available (*e.g.*, a supply or service that is not the same as, or is not similar to, other supplies or services that have recently been purchased on a competitive basis). (b) *Documentation*. If competitive quotations were solicited and award was made to other than the low quoter, documentation to support the purchase may be limited to identification of the solicited concerns and an explanation for the award decision.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-05, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.500 Cooperative Extension Service  
Grant Numbers: 41100-05700, 41510-05700, 48024-05700 and 41520-04315  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

Furthermore, 3.302-2 Unpriced purchase orders. (a) An unpriced purchase order is an order for supplies or services, the price of which is not established at the time of issuance of the order. (b) An unpriced purchase order may be used only when - (1) It is impractical to obtain pricing in advance of issuance of the purchase order; and (2) The purchase is for - (i) Repairs to equipment requiring disassembly to determine the nature and extent of repairs; (ii) Material available from only one source and for which cost cannot readily be established; or (iii) Supplies or services for which prices are known to be competitive, but exact prices are not known (*e.g.*, miscellaneous repair parts, maintenance agreements). (c) Unpriced purchase orders may be issued on paper or electronically. A realistic monetary limitation, either for each line item or for the total order, shall be placed on each unpriced purchase order. The monetary limitation shall be an obligation subject to adjustment when the firm price is established. The contracting office shall follow up on each order to ensure timely pricing. The contracting officer or the contracting officer's designated representative shall review the invoice price and, if reasonable (see 13.106-3(a)), process the invoice for payment.

13.303 Blanket purchase agreements (BPAs). 13.303-1 General. (a) A blanket purchase agreement (BPA) is a simplified method of filling anticipated repetitive needs for supplies or services by establishing "charge accounts" with qualified sources of supply (see Subpart 16.7 for additional coverage of agreements). (b) BPAs should be established for use by an organization responsible for providing supplies for its own operations or for other offices, installations, projects, or functions. Such organizations, for example, may be organized supply points, separate independent or detached field parties, or one-person posts or activities. (c) The use of BPAs does not exempt an agency from the responsibility for keeping obligations and expenditures within available funds.

13.303-2 Establishment of BPAs. (a) The following are circumstances under which contracting officers may establish BPAs: (1) There is a wide variety of items in a broad class of supplies or services that are generally purchased, but the exact items, quantities, and delivery requirements are not known in advance and may vary considerably. (2) There is a need to provide commercial sources of supply for one or more offices or projects in a given area that do not have or need authority to purchase otherwise. (3) The use of this procedure would avoid the writing of numerous purchase orders. (4) There is no existing requirements contract for the same supply or service that the contracting activity is required to use. (b) After determining a BPA would be advantageous, contracting officers shall - (1) Establish the parameters to limit purchases to individual items or commodity groups or classes, or permit the supplier to furnish unlimited supplies or services; and (2) Consider suppliers whose past performance has shown them to be dependable, who offer quality supplies or services at consistently lower prices, and who have provided numerous purchases at or below the simplified acquisition threshold. (c) BPAs may be established with - (1) More than one supplier for supplies or services of the same type to provide maximum practicable competition; (2) A single firm from which numerous individual purchases at or below the simplified acquisition threshold will likely be made in a given period; or (3) Federal Supply Schedule contractors, if not inconsistent with the terms of the applicable schedule contract. (d) BPAs should be prepared without a purchase requisition and only after contacting suppliers to make the necessary arrangements for - (1) Securing maximum discounts; (2) Documenting individual purchase transactions; (3) Periodic billings; and (4) Incorporating other necessary details.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-05, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.500 Cooperative Extension Service  
Grant Numbers: 41100-05700, 41510-05700, 48024-05700 and 41520-04315  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

**Travel:**

As recognized in OMB Circular A21, 2 CFR Parts 215 and 220 section 51904, the College's established policy and procedures on travel governs such activities. Travel at the College is closely monitored and the responsibility of our Finance Office. In the Finance Office, a qualified accountant is assigned to review travel requests, reports, and procurement of transportation, compliance and other related procurement functions. Such person initials or signs on each travel request to ensure that all qualifications are met. This is further reviewed by the fund certification officer, the chief accountant, and the dean of administration (or prior to such, the former CFAOs), if warranted the President of the College as well.

Pursuant to OMB Circular A21, 2 CFR Parts 215 and 220 section 51904, travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the institution's non-federally-sponsored activities.

In addition, costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the institution in its regular operations as the result of the institution's written travel policy. In the absence of an acceptable, written institution policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under sponsored agreements (48 CFR 31.205- 46(a)).

Corresponding evidence has been submitted.

**Proposed Completion Date:** Completed

Auditor Response: We believe the College's small purchase and travel policies allow for restricted competition and recommend the College obtain program determination letters from the grantor agency concerning these policies.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-06  
 Federal Agency: U.S. Department of Education  
 CFDA Program: 84.002 Adult Education - Basic Grants to States  
 Grant Numbers: V002A090059 and V002A100059  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$-0-

Criteria: Applicable regulations require that price quotations be obtained from at least three vendors for purchases between \$1,000 and \$9,999.99, which was increased to between \$2,500 and \$24,999.99 effective March 7, 2011. In the event that only two price quotations can be obtained, a written statement shall be made by the College official with expenditure authority to indicate the reason(s) for not being able to obtain a third quotation. If only one quotation can be obtained, a Sole Source purchase form must be completed with the reason(s) why the purchase has to be made with the selected vendor indicated on the form. At least one written price quotation is required for purchases less than \$1,000, which was increased to less than \$2,500 effective March 7, 2011.

Condition: Of \$187,704 non-payroll expenses, twenty-five items totaling \$63,520 were tested and the following were noted:

1. The College's procurement policies and procedures do not include procurement procedures for travel that require obtaining price quotations based on available airlines and/or routes from Saipan to the final destination. For six airfare purchases (or 24%), price comparisons did not include at least three written quotes from all available airlines and/or routes from Saipan to the final destination as follows:

<u>Fund Code</u>	<u>Document No.</u>	<u>Check No</u>	<u>Check Date</u>	<u>Amount</u>
EA210	TA-105098	40961	11/15/10	\$ 236
EA211	TA-104660	40640	10/01/10	2,689
EA211	TA-105258	33997	03/23/11	2,445
ETR10	TA-105256	33995	03/23/11	3,787
ETR10	TA-105489	34427	05/05/11	3,487
ETR10	TA-106811	35597	09/23/11	<u>4,025</u>
				<u>\$ 16,669</u>

2. For one item (or 4%), price quotations were not obtained although the item qualifies under small purchase procedures:

<u>Fund Code</u>	<u>Document No.</u>	<u>Check No</u>	<u>Check Date</u>	<u>Amount</u>
EA411	426033-0	35249	08/11/11	\$ 300

Federal regulations require grantees and sub-grantees to use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and standards. No questioned cost is presented at this condition as the College has followed applicable CNMI procurement regulations.

Cause: The cause of the above condition is failure to incorporate federal requirements of full and open competition in the procurement of federally funded property and services within the College's Procurement Procedures.

Effect: The effect of the above condition is noncompliance with federal requirements.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-06, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.002 Adult Education - Basic Grants to States  
Grant Numbers: V002A090059 and V002A100059  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Recommendation: We recommend that the College review its current procurement regulations with the CNMI and its grantors to ensure compliance with applicable federal laws and to seek approval of this threshold from the grantor agency regarding the application of restricted competition for transactions meeting the small purchase threshold.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Leonard Morales, Lorraine Cabrera, Oscar Flores and Anita Camacho

**Corrective Action:** The College disagrees with this finding for small purchases and travel. The CNMI unfortunately only has two U.S. commercial airline service providers in Continental/United and Northwest/Delta Airlines. In an effort to procure the most competitive airfares, the College uses local travel agencies to provide the best prices that are most convenient and economical for the College's needs. College policy states that the College should procure the most convenient and economical airline service. Since 2007, in trying to procure the most convenient and economical service, the College requests for three quotations from travel agencies to provide the College with airfares from both Continental/United Airlines and Northwest/Delta Airlines. At times when an airline service provider does not fly to certain locations out of the CNMI, we select amongst the travel agencies that meet our standards.

The College's recognized cognizant agency is the U.S. Department of the Interior. Absent applicable policies and procedures, the College may reference such agency's policies and procedures. The College would like to further clarify this audit finding by using the Simplified Acquisition Thresholds (SAT) of Federal Acquisition Regulations System (FAR) Subpart 13-13.3. The SAT of FAR's threshold ranges from \$3,000 to \$100,000. Furthermore, the SAT of FAR provides for Micro Purchase Thresholds (MPT) which threshold is from \$0 to \$3,000. Such minimum threshold was amended in 2006 from a high of \$2,500 to the new amount of \$3,000.

The Subpart 13.2 - Actions At or Below the Micro-Purchase Threshold 13.201 General. (a) Agency heads are encouraged to delegate micro-purchase authority (see 1.603-3). (b) The Government wide commercial purchase card shall be the preferred method to purchase and to pay for micro-purchases (see 2.101). (c) Purchases at or below the micro-purchase threshold may be conducted using any of the methods described in Subpart 13.3, provided the purchaser is authorized and trained, pursuant to agency procedures, to use those methods. (d) Micro-purchases do not require provisions or clauses, except as provided at 4.1105 and 32.1110. This paragraph takes precedence over any other FAR requirement to the contrary, but does not prohibit the use of any clause. (e) The requirements in Part 8 apply to purchases at or below the micro-purchase threshold. (f) The procurement requirements in Subparts 23.2, 23.4, and 23.7 apply to purchases at or below the micro-purchase threshold. (g)(1) For acquisitions of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical, or radiological attack, the micro-purchase threshold is - (i) \$15,000 in the case of any contract to be awarded and performed, or purchase to be made, inside the United States; and (ii) \$25,000 in the case of any contract to be awarded and performed, or purchase to be made, outside the United States. (2) Purchases using this authority must have a clear and direct relationship to the support of a contingency operation or the defense against or recovery from nuclear, biological, chemical, or radiological attack.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-06, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.002 Adult Education - Basic Grants to States  
Grant Numbers: V002A090059 and V002A100059  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

13.202 Purchase guidelines. (a) Solicitation, evaluation of quotations, and award. (1) To the extent practicable, micro-purchases shall be distributed equitably among qualified suppliers. (2) Micro-purchases may be awarded without soliciting competitive quotations if the contracting officer or individual appointed in accordance with 1.603-3(b) considers the price to be reasonable. (3) The administrative cost of verifying the reasonableness of the price for purchases may more than offset potential savings from detecting instances of overpricing. Therefore, action to verify price reasonableness need only be taken if - (i) The contracting officer or individual appointed in accordance with 1.603-3(b) suspects or has information to indicate that the price may not be reasonable (*e.g.*, comparison to the previous price paid or personal knowledge of the supply or service); or (ii) Purchasing a supply or service for which no comparable pricing information is readily available (*e.g.*, a supply or service that is not the same as, or is not similar to, other supplies or services that have recently been purchased on a competitive basis). (b) *Documentation*. If competitive quotations were solicited and award was made to other than the low quoter, documentation to support the purchase may be limited to identification of the solicited concerns and an explanation for the award decision.

Furthermore, 3.302-2 Unpriced purchase orders. (a) An unpriced purchase order is an order for supplies or services, the price of which is not established at the time of issuance of the order. (b) An unpriced purchase order may be used only when - (1) It is impractical to obtain pricing in advance of issuance of the purchase order; and (2) The purchase is for - (i) Repairs to equipment requiring disassembly to determine the nature and extent of repairs; (ii) Material available from only one source and for which cost cannot readily be established; or (iii) Supplies or services for which prices are known to be competitive, but exact prices are not known (*e.g.*, miscellaneous repair parts, maintenance agreements). (c) Unpriced purchase orders may be issued on paper or electronically. A realistic monetary limitation, either for each line item or for the total order, shall be placed on each unpriced purchase order. The monetary limitation shall be an obligation subject to adjustment when the firm price is established. The contracting office shall follow up on each order to ensure timely pricing. The contracting officer or the contracting officer's designated representative shall review the invoice price and, if reasonable (see 13.106-3(a)), process the invoice for payment.

13.303 Blanket purchase agreements (BPAs). 13.303-1 General. (a) A blanket purchase agreement (BPA) is a simplified method of filling anticipated repetitive needs for supplies or services by establishing "charge accounts" with qualified sources of supply (see Subpart 16.7 for additional coverage of agreements). (b) BPAs should be established for use by an organization responsible for providing supplies for its own operations or for other offices, installations, projects, or functions. Such organizations, for example, may be organized supply points, separate independent or detached field parties, or one-person posts or activities. (c) The use of BPAs does not exempt an agency from the responsibility for keeping obligations and expenditures within available funds.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-06, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.002 Adult Education - Basic Grants to States  
Grant Numbers: V002A090059 and V002A100059  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

13.303-2 Establishment of BPAs. (a) The following are circumstances under which contracting officers may establish BPAs: (1) There is a wide variety of items in a broad class of supplies or services that are generally purchased, but the exact items, quantities, and delivery requirements are not known in advance and may vary considerably. (2) There is a need to provide commercial sources of supply for one or more offices or projects in a given area that do not have or need authority to purchase otherwise. (3) The use of this procedure would avoid the writing of numerous purchase orders. (4) There is no existing requirements contract for the same supply or service that the contracting activity is required to use. (b) After determining a BPA would be advantageous, contracting officers shall - (1) Establish the parameters to limit purchases to individual items or commodity groups or classes, or permit the supplier to furnish unlimited supplies or services; and (2) Consider suppliers whose past performance has shown them to be dependable, who offer quality supplies or services at consistently lower prices, and who have provided numerous purchases at or below the simplified acquisition threshold. (c) BPAs may be established with - (1) More than one supplier for supplies or services of the same type to provide maximum practicable competition; (2) A single firm from which numerous individual purchases at or below the simplified acquisition threshold will likely be made in a given period; or (3) Federal Supply Schedule contractors, if not inconsistent with the terms of the applicable schedule contract. (d) BPAs should be prepared without a purchase requisition and only after contacting suppliers to make the necessary arrangements for - (1) Securing maximum discounts; (2) Documenting individual purchase transactions; (3) Periodic billings; and (4) Incorporating other necessary details.

**Travel:**

As recognized in OMB Circular A21, 2 CFR Parts 215 and 220 section 51904, the College's established policy and procedures on travel governs such activities. Travel at the College is closely monitored and the responsibility of our Finance Office. In the Finance Office, a qualified accountant is assigned to review travel requests, reports, and procurement of transportation, compliance and other related procurement functions. Such person initials or signs on each travel request to ensure that all qualifications are met. This is further reviewed by the fund certification officer, the chief accountant, and the dean of administration (or prior to such, the former CFAOs), if warranted the President of the College as well.

Pursuant to OMB Circular A21, 2 CFR Parts 215 and 220 section 51904, travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the institution's non-federally-sponsored activities.



NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-06, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.002 Adult Education - Basic Grants to States  
Grant Numbers: V002A090059 and V002A100059  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

In addition, costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the institution in its regular operations as the result of the institution's written travel policy. In the absence of an acceptable, written institution policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under sponsored agreements (48 CFR 31.205- 46(a)).

Corresponding evidence has been submitted.

**Proposed Completion Date:** Completed

Auditor Response: We believe the College's small purchase and travel policies allow for restricted competition and recommend the College obtain program determination letters from the grantor agency concerning these policies.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-07  
Federal Agency: U.S. Department of Education  
CFDA Programs: 84.042 TRIO - Student Support Services, 84.044 TRIO - Talent Search and  
84.047 TRIO - Upward Bound  
Grant Numbers: P042A051370-09, P044A060919-10 and P047A071200-10  
Area: Period of Availability of Federal Funds  
Questioned Costs: \$18,309

Criteria: Pursuant to the grant agreement and applicable compliance supplement requirements, the grantee must obligate funds during the twelve months, extending from September 1, 2009 through August 31, 2010. This maximum period includes a twelve-month period of initial availability plus a twelve-month period for carryover. Further, the grantee was awarded a no-cost extension grant until January 31, 2011 to support close-out activities of the grantee provided that funds were obligated as of the funding period.

Condition: Program expenses of \$18,309 were obligated after the funding period.

Cause: The cause of the above condition is weak controls over charging expenses within the grant's period of availability.

Effect: The effect of the above condition is noncompliance with period of availability requirements and questioned costs of \$18,309.

Recommendation: We recommend that the College strengthen monitoring and review procedures over expenses within the grant's period of availability.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Leo Pangelinan

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

The Auditor referenced a line that states: "All obligations have been encumbered, and the remaining funds will be for staff to close out the program. The College explains that in grant funding cycles and as permitted by EDGAR for regular cycles, the College is usually allotted a "Carry Over" time frame to expend any unobligated funds. In using such language, the former Director was with the impression of continuous dialogue with the funding agency. Thus in communicating with such entity, it is given that that all funds properly expended for the fiscal year have been obligated, within the same sentence, she also explains that the remaining funds will be for staff to close out the program.

As noted by the auditors in other findings, funds cannot fully be obligated for Personnel and Fringe Benefits expenses until such services are rendered. This is also recognized in GAAP. Therefore, in line with the GAN changing the end period to January 2011 and the submitted revised budget, such expenditures should no longer be questioned costs. The College followed GAAP practices to ensure that federal requirements were met as stated below.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-07, Continued  
Federal Agency: U.S. Department of Education  
CFDA Programs: 84.042 TRIO - Student Support Services, 84.044 TRIO - Talent Search and  
84.047 TRIO - Upward Bound  
Grant Numbers: P042A051370-09, P044A060919-10 and P047A071200-10  
Area: Period of Availability of Federal Funds  
Questioned Costs: \$18,309

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

It is NMC's position that the same letter referenced #4 "Funds can only be used to support close out of activities as described in EDGAR 74.71 including the preparation and submission of your Annual Performance Report (APR) for the 2009-2010 grant award period. The College decided to only obligate the following funding to support close out of activities as described in EDGAR 74.71: personnel (\$15,848.35), Fringe Benefits (\$6,792.15), Travel (\$0.27), Supplies (\$0.78), Other (\$42.29) and Indirect Cost of (\$2,211.91). Considering the Amended Grant Award Notification (GAN) Letter shows that the new funding start date was 09/01/2009 and the new end date was January 31, 2012, it is our belief that funding could be obligated up until its approved new end date, and that the end date referenced on the letter from Eilleen Bland was superseded by the approved GAN reflecting the new end date. Furthermore, the explanations of blocks on the grant award notification defines *Budget Period* as "A specific interval of time for which Federal Funds are being provided from a particular fiscal year to fund a recipient's approved activities and budget..."

In addition, OMB Circular A21, 2 CFR Parts 215 and 220 section 52903 States: 50. Termination costs applicable to sponsored agreements.

Termination of awards generally gives rise to the incurrence of costs, or the need for special treatment of costs, which would not have arisen had the sponsored agreement not been terminated. Cost principles covering these items are set forth below. They are to be used in conjunction with the other provisions of this Appendix in termination situations.

- a. The cost of items reasonably usable on the institution's other work shall not be allowable unless the institution submits evidence that it would not retain such items at cost without sustaining a loss. In deciding whether such items are reasonably usable on other work of the institution, the awarding agency should consider the institution's plans and orders for current and scheduled activity. Contemporaneous purchases of common items by the institution shall be regarded as evidence that such items are reasonably usable on the institution's other work. Any acceptance of common items as allocable to the terminated portion of the sponsored agreement shall be limited to the extent that the quantities of such items on hand, in transit, and on order are in excess of the reasonable quantitative requirements of other work.
- b. If in a particular case, despite all reasonable efforts by the institution, certain costs cannot be discontinued immediately after the effective date of termination, such costs are generally allowable within the limitations set forth in this Appendix, except that any such costs continuing after termination due to the negligent or willful failure of the institution to discontinue such costs shall be unallowable.
- c. Loss of useful value of special tooling, machinery, and equipment is generally allowable if:

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-07, Continued  
Federal Agency: U.S. Department of Education  
CFDA Programs: 84.042 TRIO - Student Support Services, 84.044 TRIO - Talent Search and  
84.047 TRIO - Upward Bound  
Grant Numbers: P042A051370-09, P044A060919-10 and P047A071200-10  
Area: Period of Availability of Federal Funds  
Questioned Costs: \$18,309

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

- (1) Such special tooling, special machinery, or equipment is not reasonably capable of use in the other work of the institution,
  - (2) The interest of the Federal Government is protected by transfer of title or by other means deemed appropriate by the awarding agency, and
  - (3) The loss of useful value for any one terminated sponsored agreement is limited to that portion of the acquisition cost which bears the same ratio to the total acquisition cost as the terminated portion of the sponsored agreement bears to the entire terminated sponsored agreement award and other sponsored agreements for which the special tooling, machinery, or equipment was acquired.
- d. Rental costs under unexpired leases are generally allowable where clearly shown to have been reasonably necessary for the performance of the terminated sponsored agreement less the residual value of such leases, if:
- (1) The amount of such rental claimed does not exceed the reasonable use value of the property leased for the period of the sponsored agreement and such further period as may be reasonable, and
  - (2) The institution makes all reasonable efforts to terminate, assign, settle, or otherwise reduce the cost of such lease. There also may be included the cost of alterations of such leased property, provided such alterations were necessary for the performance of the sponsored agreement, and of reasonable restoration required by the provisions of the lease.
- e. Settlement expenses including the following are generally allowable:
- (1) Accounting, legal, clerical, and similar costs reasonably necessary for:
    - (a) The preparation and presentation to the awarding agency of settlement claims and supporting data with respect to the terminated portion of the sponsored agreement, unless the termination is for default (see § 215.61 of 2 CFR Part 215); and
    - (b) The termination and settlement of subawards.
  - (2) Reasonable costs for the storage, transportation, protection, and disposition of property provided by the Federal Government or acquired or produced for the sponsored agreement, except when institutions are reimbursed for disposals at a predetermined amount in accordance with § 215.32 through § 215.37 of 2 CFR Part 215.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-07, Continued  
Federal Agency: U.S. Department of Education  
CFDA Programs: 84.042 TRIO - Student Support Services, 84.044 TRIO - Talent Search and  
84.047 TRIO - Upward Bound  
Grant Numbers: P042A051370-09, P044A060919-10 and P047A071200-10  
Area: Period of Availability of Federal Funds  
Questioned Costs: \$18,309

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

- (3) F&A costs related to salaries and wages incurred as settlement expenses in subsections J.50.b.(1) and (2) of this Appendix. Normally, such F&A costs shall be limited to fringe benefits, occupancy cost, and immediate supervision.
- f. Claims under subawards, including the allocable portion of claims which are common to the sponsored agreement and to other work of the institution, are generally allowable.
- g. An appropriate share of the institution's F&A costs may be allocated to the amount of settlements with subcontractors and/or subgrantees, provided that the amount allocated is otherwise consistent with the basic guidelines contained in section E, F&A costs. The F&A costs so allocated shall exclude the same and similar costs claimed directly or indirectly as settlement expenses.

**Proposed Completion Date:** Completed

Auditor Response: Communication from the grantor dated August 23, 2010 indicates that the one-time no-cost extension is not for the purpose of using unobligated balances. Based on our examination of the encumbrance report as of September 30, 2010, funds were still unobligated.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-08  
 Federal Agency: U.S. Department of Education  
 CFDA Programs: 84.042 TRIO - Student Support Services, 84.044 TRIO - Talent Search and  
 84.047 TRIO - Upward Bound  
 Grant Numbers: P042A051370-09, P044A060919-10 and P047A071200-10  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$-0-

Criteria: Applicable regulations require that price quotations be obtained from at least three vendors for purchases between \$1,000 and \$9,999.99, which was increased to between \$2,500 and \$24,999.99 effective March 7, 2011. In the event that only two price quotations can be obtained, a written statement shall be made by the College official with expenditure authority to indicate the reason(s) for not being able to obtain the third quotation. If only one quotation can be obtained, a Sole Source purchase form must be completed with the reason(s) why the purchase has to be made with the selected vendor indicated on the form. At least one written price quotation is required for purchases less than \$1,000, which was increased to less than \$2,500 effective March 7, 2011.

Condition: Of \$148,454 non-payroll expenses, twenty items totaling \$10,023 were tested and the following were noted:

- The College's procurement policies and procedures do not include procurement procedures for travel that require obtaining price quotations based on available airlines and/or routes from Saipan to the final destination. For three airfare purchases (or 15%), price comparisons did not include at least three written quotes from all available airlines and/or routes from Saipan to the final destination as follows:

<u>Check No.</u>	<u>Document No.</u>	<u>General Ledger Date</u>	<u>Amount</u>
35592	TA-106752	09/19/11	\$ 2,450
34769	TA-105283	06/16/11	2,458
33664	TA-104990	02/14/11	<u>2,135</u>
			\$ <u>7,043</u>

- Price quotations for four purchases (or 20%) were not obtained for the following items which qualify under small purchase procedures:

<u>Check No.</u>	<u>Document No.</u>	<u>General Ledger Date</u>	<u>Amount</u>
35354	426914-0	08/16/11	\$ 1,021
34682	PO-117039	06/08/11	366
33440	800564037	01/10/11	236
320041	CR-117443	08/08/11	<u>117</u>
			\$ <u>1,740</u>

Federal regulations require grantees and sub-grantees to use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and standards. No questioned cost is presented at this condition as the College has followed applicable CNMI procurement regulations.

Cause: The cause of the above condition is failure to incorporate federal requirements of full and open competition in the procurement of federally funded property and services within the College's Procurement Procedures.

Effect: The effect of the above condition is noncompliance with federal requirements.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-08, Continued  
Federal Agency: U.S. Department of Education  
CFDA Programs: 84.042 TRIO - Student Support Services, 84.044 TRIO - Talent Search and  
84.047 TRIO - Upward Bound  
Grant Numbers: P042A051370-09, P044A060919-10 and P047A071200-10  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Recommendation: We recommend that the College review its current procurement regulations with the CNMI and its grantors to ensure compliance with applicable federal laws and to seek approval of this threshold from the grantor agency regarding the application of restricted competition for transactions meeting the small purchase threshold.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Marian Tudela, Leo Pangelinan, Oscar Flores and Anita Camacho

**Corrective Action:** The College disagrees with this finding for small purchases and travel. The CNMI unfortunately only has two U.S. commercial airline service providers in Continental/United and Northwest/Delta Airlines. In an effort to procure the most competitive airfares, the College uses local travel agencies to provide the best prices that are most convenient and economical for the College's needs. College policy states that the College should procure the most convenient and economical airline service. Since 2007, in trying to procure the most convenient and economical service, the College requests for three quotations from travel agencies to provide the College with airfares from both Continental/United Airlines and Northwest/Delta Airlines. At times when an airline service provider does not fly to certain locations out of the CNMI, we select amongst the travel agencies that meet our standards.

The College's recognized cognizant agency is the U.S. Department of the Interior. Absent applicable policies and procedures, the College may reference such agency's policies and procedures. The College would like to further clarify this audit finding by using the Simplified Acquisition Thresholds (SAT) of Federal Acquisition Regulations System (FAR) Subpart 13-13.3. The SAT of FAR's threshold ranges from \$3,000 to \$100,000. Furthermore, the SAT of FAR provides for Micro Purchase Thresholds (MPT) which threshold is from \$0 to \$3,000. Such minimum threshold was amended in 2006 from a high of \$2,500 to the new amount of \$3,000.

The Subpart 13.2 - Actions At or Below the Micro-Purchase Threshold 13.201 General. (a) Agency heads are encouraged to delegate micro-purchase authority (see 1.603-3). (b) The Government wide commercial purchase card shall be the preferred method to purchase and to pay for micro-purchases (see 2.101). (c) Purchases at or below the micro-purchase threshold may be conducted using any of the methods described in Subpart 13.3, provided the purchaser is authorized and trained, pursuant to agency procedures, to use those methods. (d) Micro-purchases do not require provisions or clauses, except as provided at 4.1105 and 32.1110. This paragraph takes precedence over any other FAR requirement to the contrary, but does not prohibit the use of any clause. (e) The requirements in Part 8 apply to purchases at or below the micro-purchase threshold. (f) The procurement requirements in Subparts 23.2, 23.4, and 23.7 apply to purchases at or below the micro-purchase threshold. (g)(1) For acquisitions of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical, or radiological attack, the micro-purchase threshold is - (i) \$15,000 in the case of any contract to be awarded and performed, or purchase to be made, inside the United States; and (ii) \$25,000 in the case of any contract to be awarded and performed, or purchase to be made, outside the United States. (2) Purchases using this authority must have a clear and direct relationship to the support of a contingency operation or the defense against or recovery from nuclear, biological, chemical, or radiological attack.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-08, Continued  
Federal Agency: U.S. Department of Education  
CFDA Programs: 84.042 TRIO - Student Support Services, 84.044 TRIO - Talent Search and  
84.047 TRIO - Upward Bound  
Grant Numbers: P042A051370-09, P044A060919-10 and P047A071200-10  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

13.202 Purchase guidelines. (a) Solicitation, evaluation of quotations, and award. (1) To the extent practicable, micro-purchases shall be distributed equitably among qualified suppliers. (2) Micro-purchases may be awarded without soliciting competitive quotations if the contracting officer or individual appointed in accordance with 1.603-3(b) considers the price to be reasonable. (3) The administrative cost of verifying the reasonableness of the price for purchases may more than offset potential savings from detecting instances of overpricing. Therefore, action to verify price reasonableness need only be taken if - (i) The contracting officer or individual appointed in accordance with 1.603-3(b) suspects or has information to indicate that the price may not be reasonable (*e.g.*, comparison to the previous price paid or personal knowledge of the supply or service); or (ii) Purchasing a supply or service for which no comparable pricing information is readily available (*e.g.*, a supply or service that is not the same as, or is not similar to, other supplies or services that have recently been purchased on a competitive basis). (b) *Documentation*. If competitive quotations were solicited and award was made to other than the low quoter, documentation to support the purchase may be limited to identification of the solicited concerns and an explanation for the award decision.

Furthermore, 3.302-2 Unpriced purchase orders. (a) An unpriced purchase order is an order for supplies or services, the price of which is not established at the time of issuance of the order. (b) An unpriced purchase order may be used only when - (1) It is impractical to obtain pricing in advance of issuance of the purchase order; and (2) The purchase is for - (i) Repairs to equipment requiring disassembly to determine the nature and extent of repairs; (ii) Material available from only one source and for which cost cannot readily be established; or (iii) Supplies or services for which prices are known to be competitive, but exact prices are not known (*e.g.*, miscellaneous repair parts, maintenance agreements). (c) Unpriced purchase orders may be issued on paper or electronically. A realistic monetary limitation, either for each line item or for the total order, shall be placed on each unpriced purchase order. The monetary limitation shall be an obligation subject to adjustment when the firm price is established. The contracting office shall follow up on each order to ensure timely pricing. The contracting officer or the contracting officer's designated representative shall review the invoice price and, if reasonable (see 13.106-3(a)), process the invoice for payment.

13.303 Blanket purchase agreements (BPAs). 13.303-1 General. (a) A blanket purchase agreement (BPA) is a simplified method of filling anticipated repetitive needs for supplies or services by establishing "charge accounts" with qualified sources of supply (see Subpart 16.7 for additional coverage of agreements). (b) BPAs should be established for use by an organization responsible for providing supplies for its own operations or for other offices, installations, projects, or functions. Such organizations, for example, may be organized supply points, separate independent or detached field parties, or one-person posts or activities. (c) The use of BPAs does not exempt an agency from the responsibility for keeping obligations and expenditures within available funds.



NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-08, Continued  
Federal Agency: U.S. Department of Education  
CFDA Programs: 84.042 TRIO - Student Support Services, 84.044 TRIO - Talent Search and  
84.047 TRIO - Upward Bound  
Grant Numbers: P042A051370-09, P044A060919-10 and P047A071200-10  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

13.303-2 Establishment of BPAs. (a) The following are circumstances under which contracting officers may establish BPAs: (1) There is a wide variety of items in a broad class of supplies or services that are generally purchased, but the exact items, quantities, and delivery requirements are not known in advance and may vary considerably. (2) There is a need to provide commercial sources of supply for one or more offices or projects in a given area that do not have or need authority to purchase otherwise. (3) The use of this procedure would avoid the writing of numerous purchase orders. (4) There is no existing requirements contract for the same supply or service that the contracting activity is required to use. (b) After determining a BPA would be advantageous, contracting officers shall - (1) Establish the parameters to limit purchases to individual items or commodity groups or classes, or permit the supplier to furnish unlimited supplies or services; and (2) Consider suppliers whose past performance has shown them to be dependable, who offer quality supplies or services at consistently lower prices, and who have provided numerous purchases at or below the simplified acquisition threshold. (c) BPAs may be established with - (1) More than one supplier for supplies or services of the same type to provide maximum practicable competition; (2) A single firm from which numerous individual purchases at or below the simplified acquisition threshold will likely be made in a given period; or (3) Federal Supply Schedule contractors, if not inconsistent with the terms of the applicable schedule contract. (d) BPAs should be prepared without a purchase requisition and only after contacting suppliers to make the necessary arrangements for - (1) Securing maximum discounts; (2) Documenting individual purchase transactions; (3) Periodic billings; and (4) Incorporating other necessary details.

**Travel:**

As recognized in OMB Circular A21, 2 CFR Parts 215 and 220 section 51904, the College's established policy and procedures on travel governs such activities. Travel at the College is closely monitored and the responsibility of our Finance Office. In the Finance Office, a qualified accountant is assigned to review travel requests, reports, and procurement of transportation, compliance and other related procurement functions. Such person initials or signs on each travel request to ensure that all qualifications are met. This is further reviewed by the fund certification officer, the chief accountant, and the dean of administration (or prior to such, the former CFAOs), if warranted the President of the College as well.

Pursuant to OMB Circular A21, 2 CFR Parts 215 and 220 section 51904, travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the institution's non-federally-sponsored activities.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-08, Continued  
Federal Agency: U.S. Department of Education  
CFDA Programs: 84.042 TRIO - Student Support Services, 84.044 TRIO - Talent Search and  
84.047 TRIO - Upward Bound  
Grant Numbers: P042A051370-09, P044A060919-10 and P047A071200-10  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

In addition, costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the institution in its regular operations as the result of the institution's written travel policy. In the absence of an acceptable, written institution policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under sponsored agreements (48 CFR 31.205- 46(a)).

**Proposed Completion Date:** Completed

Auditor Response: We believe the College's small purchase and travel policies allow for restricted competition and recommend the College obtain program determination letters from the grantor agency concerning these policies.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-09  
 Federal Agency: U.S. Department of Education  
 CFDA Program: 84.378 College Access Challenge Grant Program  
 Grant Numbers: P378A100051 and P378A110051  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$-0-

Criteria: Applicable regulations require that price quotations be obtained from at least three vendors for purchases between \$1,000 and \$9,999.99, which was increased to between \$2,500 and \$24,999.00 effective March 7, 2011. In the event that only two price quotations can be obtained, a written statement shall be made by the College official with expenditure authority to indicate the reason(s) for not being able to obtain a third quotation. If only one quotation can be obtained, a Sole Source purchase form must be completed with the reason(s) why the purchase has to be made with the selected vendor indicated on the form. At least one written price quotation is required for purchases less than \$1,000, which was increased to less than \$2,500 effective March 7, 2011.

Condition: Of \$198,086 non-payroll expenses, twenty-five items totaling \$51,333 were tested and the following were noted:

- The College's procurement policies and procedures do not include procurement procedures for travel that require obtaining price quotations based on available airlines and/or routes from Saipan to the final destination. For four airfare purchases (or 16%), price comparisons did not include at least three written quotes from all available airlines and/or routes from Saipan to the final destination as follows:

<u>Fund Code</u>	<u>Document No.</u>	<u>Check No</u>	<u>Check Date</u>	<u>Questioned Costs</u>
CACG11	TA-105690	34768	06/17/11	\$ 2,160
CACG11	TA-106826	35450	09/07/11	2,335
CACG11	TA-105614	34649	05/26/11	1,959
CACG11	TA-105713	34946	07/06/11	<u>2,210</u>
				<u>\$ 8,664</u>

- Price quotations for six purchases (or 24%) were not obtained for the following items which qualify under small purchase procedures:

<u>Fund Code</u>	<u>Document No.</u>	<u>Check No</u>	<u>Check Date</u>	<u>Questioned Costs</u>
CACG11	406165-0	33392	12/22/10	\$ 221
CACG11	18358	35358	08/18/11	370
CACG11	58675	40948	11/10/10	1,743
CACG11	79138/3	35353	08/18/11	700
CACG10	740068	40944	11/10/10	425
CACG10	10954/PO-11658	34160	04/06/11	<u>479</u>
				<u>\$ 3,938</u>

Federal regulations require grantees and sub-grantees to use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and standards. No questioned cost is presented at this condition as the College has followed applicable CNMI procurement regulations.

Cause: The cause of the above condition is failure to incorporate federal requirements of full and open competition in the procurement of federally funded property and services within the College's Procurement Procedures.

Effect: The effect of the above condition is noncompliance with federal requirements.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-09, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.378 College Access Challenge Grant Program  
Grant Numbers: P378A100051 and P378A110051  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Recommendation: We recommend that the College review its current procurement regulations with the CNMI and its grantors to ensure compliance with applicable federal laws and to seek approval of this threshold from the grantor agency regarding the application of restricted competition for transactions meeting the small purchase threshold.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Timothy Baker, Leo Pangelinan, Oscar Flores and Anita Camacho

**Corrective Action:** The College disagrees with this finding for small purchases and travel. The CNMI unfortunately only has two U.S. commercial airline service providers in Continental/United and Northwest/Delta Airlines. In an effort to procure the most competitive airfares, the College uses local travel agencies to provide the best prices that are most convenient and economical for the College's needs. College policy states that the College should procure the most convenient and economical airline service. Since 2007, in trying to procure the most convenient and economical service, the College requests for three quotations from travel agencies to provide the College with airfares from both Continental/United Airlines and Northwest/Delta Airlines. At times when an airline service provider does not fly to certain locations out of the CNMI, we select amongst the travel agencies that meet our standards.

The College's recognized cognizant agency is the U.S. Department of the Interior. Absent applicable policies and procedures, the College may reference such agency's policies and procedures. The College would like to further clarify this audit finding by using the Simplified Acquisition Thresholds (SAT) of Federal Acquisition Regulations System (FAR) Subpart 13-13.3. The SAT of FAR's threshold ranges from \$3,000 to \$100,000. Furthermore, the SAT of FAR provides for Micro Purchase Thresholds (MPT) which threshold is from \$0 to \$3,000. Such minimum threshold was amended in 2006 from a high of \$2,500 to the new amount of \$3,000.

The Subpart 13.2 - Actions At or Below the Micro-Purchase Threshold 13.201 General. (a) Agency heads are encouraged to delegate micro-purchase authority (see 1.603-3). (b) The Government wide commercial purchase card shall be the preferred method to purchase and to pay for micro-purchases (see 2.101). (c) Purchases at or below the micro-purchase threshold may be conducted using any of the methods described in Subpart 13.3, provided the purchaser is authorized and trained, pursuant to agency procedures, to use those methods. (d) Micro-purchases do not require provisions or clauses, except as provided at 4.1105 and 32.1110. This paragraph takes precedence over any other FAR requirement to the contrary, but does not prohibit the use of any clause. (e) The requirements in Part 8 apply to purchases at or below the micro-purchase threshold. (f) The procurement requirements in Subparts 23.2, 23.4, and 23.7 apply to purchases at or below the micro-purchase threshold. (g)(1) For acquisitions of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical, or radiological attack, the micro-purchase threshold is - (i) \$15,000 in the case of any contract to be awarded and performed, or purchase to be made, inside the United States; and (ii) \$25,000 in the case of any contract to be awarded and performed, or purchase to be made, outside the United States. (2) Purchases using this authority must have a clear and direct relationship to the support of a contingency operation or the defense against or recovery from nuclear, biological, chemical, or radiological attack.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-09, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.378 College Access Challenge Grant Program  
Grant Numbers: P378A100051 and P378A110051  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

13.202 Purchase guidelines. (a) Solicitation, evaluation of quotations, and award. (1) To the extent practicable, micro-purchases shall be distributed equitably among qualified suppliers. (2) Micro-purchases may be awarded without soliciting competitive quotations if the contracting officer or individual appointed in accordance with 1.603-3(b) considers the price to be reasonable. (3) The administrative cost of verifying the reasonableness of the price for purchases may more than offset potential savings from detecting instances of overpricing. Therefore, action to verify price reasonableness need only be taken if - (i) The contracting officer or individual appointed in accordance with 1.603-3(b) suspects or has information to indicate that the price may not be reasonable (*e.g.*, comparison to the previous price paid or personal knowledge of the supply or service); or (ii) Purchasing a supply or service for which no comparable pricing information is readily available (*e.g.*, a supply or service that is not the same as, or is not similar to, other supplies or services that have recently been purchased on a competitive basis). (b) *Documentation*. If competitive quotations were solicited and award was made to other than the low quoter, documentation to support the purchase may be limited to identification of the solicited concerns and an explanation for the award decision.

Furthermore, 3.302-2 Unpriced purchase orders. (a) An unpriced purchase order is an order for supplies or services, the price of which is not established at the time of issuance of the order. (b) An unpriced purchase order may be used only when - (1) It is impractical to obtain pricing in advance of issuance of the purchase order; and (2) The purchase is for - (i) Repairs to equipment requiring disassembly to determine the nature and extent of repairs; (ii) Material available from only one source and for which cost cannot readily be established; or (iii) Supplies or services for which prices are known to be competitive, but exact prices are not known (*e.g.*, miscellaneous repair parts, maintenance agreements). (c) Unpriced purchase orders may be issued on paper or electronically. A realistic monetary limitation, either for each line item or for the total order, shall be placed on each unpriced purchase order. The monetary limitation shall be an obligation subject to adjustment when the firm price is established. The contracting office shall follow up on each order to ensure timely pricing. The contracting officer or the contracting officer's designated representative shall review the invoice price and, if reasonable (see 13.106-3(a)), process the invoice for payment.

13.303 Blanket purchase agreements (BPAs). 13.303-1 General. (a) A blanket purchase agreement (BPA) is a simplified method of filling anticipated repetitive needs for supplies or services by establishing "charge accounts" with qualified sources of supply (see Subpart 16.7 for additional coverage of agreements). (b) BPAs should be established for use by an organization responsible for providing supplies for its own operations or for other offices, installations, projects, or functions. Such organizations, for example, may be organized supply points, separate independent or detached field parties, or one-person posts or activities. (c) The use of BPAs does not exempt an agency from the responsibility for keeping obligations and expenditures within available funds.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-09, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.378 College Access Challenge Grant Program  
Grant Numbers: P378A100051 and P378A110051  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

13.303-2 Establishment of BPAs. (a) The following are circumstances under which contracting officers may establish BPAs: (1) There is a wide variety of items in a broad class of supplies or services that are generally purchased, but the exact items, quantities, and delivery requirements are not known in advance and may vary considerably. (2) There is a need to provide commercial sources of supply for one or more offices or projects in a given area that do not have or need authority to purchase otherwise. (3) The use of this procedure would avoid the writing of numerous purchase orders. (4) There is no existing requirements contract for the same supply or service that the contracting activity is required to use. (b) After determining a BPA would be advantageous, contracting officers shall - (1) Establish the parameters to limit purchases to individual items or commodity groups or classes, or permit the supplier to furnish unlimited supplies or services; and (2) Consider suppliers whose past performance has shown them to be dependable, who offer quality supplies or services at consistently lower prices, and who have provided numerous purchases at or below the simplified acquisition threshold. (c) BPAs may be established with - (1) More than one supplier for supplies or services of the same type to provide maximum practicable competition; (2) A single firm from which numerous individual purchases at or below the simplified acquisition threshold will likely be made in a given period; or (3) Federal Supply Schedule contractors, if not inconsistent with the terms of the applicable schedule contract. (d) BPAs should be prepared without a purchase requisition and only after contacting suppliers to make the necessary arrangements for - (1) Securing maximum discounts; (2) Documenting individual purchase transactions; (3) Periodic billings; and (4) Incorporating other necessary details.

**Travel:**

As recognized in OMB Circular A21, 2 CFR Parts 215 and 220 section 51904, the College's established policy and procedures on travel governs such activities. Travel at the College is closely monitored and the responsibility of our Finance Office. In the Finance Office, a qualified accountant is assigned to review travel requests, reports, and procurement of transportation, compliance and other related procurement functions. Such person initials or signs on each travel request to ensure that all qualifications are met. This is further reviewed by the fund certification officer, the chief accountant, and the dean of administration (or prior to such, the former CFAOs), if warranted the President of the College as well.

Pursuant to OMB Circular A21, 2 CFR Parts 215 and 220 section 51904, travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the institution's non-federally-sponsored activities.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-09, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.378 College Access Challenge Grant Program  
Grant Numbers: P378A100051 and P378A110051  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

In addition, costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the institution in its regular operations as the result of the institution's written travel policy. In the absence of an acceptable, written institution policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under sponsored agreements (48 CFR 31.205- 46(a)).

Corresponding evidence has been submitted.

**Proposed Completion Date:** Completed

Auditor Response: We believe the College's small purchase and travel policies allow for restricted competition and recommend the College obtain program determination letters from the grantor agency concerning these policies.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-10  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act  
Grant Number: S394A090054  
Area: Activities Allowed or Unallowed and Allowable Costs/Cost Principles  
Questioned Costs: \$-0-

Criteria: Expenses should be recorded in the period incurred.

Condition: Of total expenditures of \$3,034,886 for the year ended September 30, 2011, forty non-payroll expenses of \$1,193,873 were tested. Fourteen items, totaling \$434,125 represent expenses incurred subsequent to September 30, 2011. Services were completed and products were delivered subsequent to September 30, 2011; therefore, the expenses are not valid as of September 30, 2011. This matter was corrected through a proposed audit adjustment in fiscal year 2011. No questioned costs are presented as expenses recorded in the general ledger agree with drawdown requests submitted to the sub-grantor.

Cause: The cause of the above condition is the lack of established policies and procedures to timely recognize program expenses at the time services are rendered.

Effect: The effect of the above condition is the potential misstatement of federal expenses and grant revenues.

Recommendation: We recommend that all program billings received be recorded in the correct period.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Solita Barnes

**Corrective Action:** The College partially agrees with this finding. The College is a sub-grantee of such funds. A Memo (evidence provided to auditor) from the State Grantor was sent to the College to obligate all funds in FY 2011. Understanding GAAP, the College would have normally recorded such expenses in the appropriate fiscal year. When the College sought clarification from the State grantor agency, an email from such responded that the College should record such expenditure in FY 2011. Evidence of the email was submitted to the Auditor. Appropriate adjustments have been made.

**Proposed Completion Date:** Completed



NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-11  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act  
Grant Number: S394A090054  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

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

- Equipment records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date and 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.
- A physical inventory of equipment must be taken and the results reconciled with the equipment records at least once every two years.

Further, in accordance with the applicable sub-grant agreement, the College is required to submit to the CNMI a report that contains for each moveable equipment purchased, in whole or part, with subgranted funds the following information: (i) a description of the property; (ii) a serial number or other identification number; (iii) the source of property; (iv) who holds title to the property; (v) acquisition date and cost of the property; (vi) percentage of Federal participation in the cost of the property via the subgranted funds; and (vii) the location and intended use of the property. The report is due within thirty days after the termination of the agreement.

Condition: Our tests of equipment and real property noted that the program office failed to submit a report to the CNMI. Additionally, there is no documentation that a physical inventory count and reconciliation with Procurement and Supply records were performed by the program office. We were not able to assess the overall cumulative monetary value of the deficiencies noted above; however, total capital outlays for fiscal year 2011 were \$355,328.

Cause: The cause of the above condition is lack of adherence to established policies and procedures regarding inventory counts and property and equipment management.

Effect: The effect of the above condition is noncompliance with the applicable equipment management requirements.

Recommendation: We recommend that the College maintain complete records of property and equipment acquired with grant funds, perform physical inventories, and comply with applicable property management policies and procedures.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-11, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act  
Grant Number: S394A090054  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan:

**Name of Contact Persons:** Robert Suzuki and Anita Camacho

**Corrective Action:** The College partially agrees with this finding and reiterates that the College adheres to its established policies and procedures regarding inventory counts and property and equipment management through the following:

- The College's FASGOV software maintains equipment that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date and 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.
- The College provided the auditors with the appropriate property management spreadsheets as evidence.
- The College submitted such property management information to the grantor agency.

Corresponding evidence has been submitted.

**Proposed Completion Date:** Completed

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-12  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act  
Grant Number: S394A090054  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Criteria: Applicable regulations state that all procurement transactions will be conducted in a manner providing full and open competition. Grantees and subgrantees will use their own procurement procedures, which reflect applicable local laws, provided that the procurements conform to applicable federal law. Specifically, the College Procurement Rules and Regulations state the following:

- Purchases not exceeding \$2,500 may be made without securing bids of price quotations if the Procurement and Property Manager considers the price to be reasonable.
- Bidding is not required but is encouraged for procurement over \$2,500 and under \$25,000. Price quotations from at least three vendors must be obtained and the selection documented based on competitive price and quality for procurement valued at \$2,500 to \$25,000. Any price quotations obtained must be written, documented and submitted to the Procurement and Property Manager for approval.
- A contract may be awarded for supplies, services, instructional materials or construction items without competition when the Procurement and Property Manager determines in writing that there is only one source for the required supplies, services or construction items. 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.
- Adequate public notice of the invitation for bids shall be for a reasonable time prior to the date set for the opening of bids. Publication of notice in a newspaper of general circulation in the CNMI once each week over a period of thirty calendar days shall be deemed adequate.
- When the expenditure authority determines in writing, upon the advice of legal counsel, that the use of competitive sealed bidding is either not practical or not advantageous, a contract may be entered into by competitive sealed proposals.

Condition: Of forty non-payroll expenditures tested aggregating \$1,193,873, of a population of \$1,548,437, the following were noted:

1. The College's procurement policies and procedures do not include procurement procedures for travel that require obtaining price quotations based on available airlines and/or routes from Saipan to the final destination. For eleven travel expenses (or 28%), price comparisons did not include at least three written quotes from all available airlines and/or routes from Saipan to the final destination as follows:

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-12, Continued  
 Federal Agency: U.S. Department of Education  
 CFDA Program: 84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act  
 Grant Number: S394A090054  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$-0-

Condition, Continued:

<u>General Ledger Date</u>	<u>Document No.</u>	<u>General Ledger Amount</u>
10/04/10	TA-104769	\$ 2,522
10/04/10	TA-105060	2,248
11/03/10	TA-104308	2,694
01/04/11	TA-105170	2,062
01/14/11	TA-104519	2,220
02/18/11	TA-104824	1,699
05/04/11	TA-105542	1,257
09/06/11	TA-105633	2,441
09/09/11	TA-106853	2,177
09/15/11	TA-106869	2,187
09/19/11	TA-106877	<u>2,276</u>
		\$ <u>23,783</u>

Federal regulations require grantees and sub-grantees to use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and standards. No questioned cost is presented at this condition as the College has followed applicable CNMI procurement regulations.

- For one purchase (or 3%), the vendor with the lowest quote was not selected due to local preference. The questioned cost presented is the difference between the lowest quote and the selected quote.

<u>General Ledger Date</u>	<u>APV No.</u>	<u>General Ledger Amount</u>	<u>Questioned Cost</u>
09/30/11	NMC2011-0013	\$ 24,751	\$ 7,355

No questioned cost is presented as these amounts were adjusted out of federal expenditures as described at 2011-10.

- For nine expenses (or 23%), public notice was published for less than thirty days. There was no evidence that the Procurement and Property Manager determined that a shorter period was reasonable and necessary. No questioned cost is presented as a sufficient number of vendors were able to respond during the shortened period.

<u>General Ledger Date</u>	<u>IFB/RFP No.</u>	<u>Document No.</u>	<u>General Ledger Amount</u>	<u>Contract Amount</u>
10/04/10	IFB11-NMC-033	TA-104767B	\$ 30,801	\$ 123,205
08/04/11	IFB11-NMC-033	D173011	\$ 24,641	\$ 123,205
09/30/11	IFB11-NMC-033	31102	\$ 65,463	\$ 123,205
09/12/11	IFB11-NMC-034	C-110003-9/11	\$ 43,725	\$ 174,900
09/30/11	IFB11-NMC-034	C-11005-2nd Payment	\$ 30,598	\$ 174,900
09/30/11	IFB11-NMC-034	31069	\$ 87,995	\$ 174,900
09/30/11	IFB11-NMC-035	31113	\$ 33,804	\$ 49,038
09/30/11	IFB11-NMC-035	D173012/14	\$ 11,304	\$ 49,038
09/12/11	RFP11-NMC-048	C-110004-9/11	\$ 39,714	\$ 135,710

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-12, Continued  
 Federal Agency: U.S. Department of Education  
 CFDA Program: 84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act  
 Grant Number: S394A090054  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$-0-

Condition, Continued:

4. For four transactions (or 33%), the College used competitive sealed proposals instead of competitive sealed bidding. However, use of competitive sealed proposals may be used only when the President determines in writing, that the use of competitive sealed bidding is either not practical or not advantageous. Written justification from the President was not provided to substantiate the use of competitive sealed proposals over competitive sealed bidding as follows:

<u>General Ledger Date</u>	<u>RFP No.</u>	<u>Document No.</u>	<u>General Ledger Amount</u>	<u>Contract Amount</u>
09/28/11	RFP11-NMC-048	0037355-IN	\$ 29,638	\$ 135,710
09/30/11	RFP11-NMC-048	C-11005-2nd Pmt	\$ 39,714	\$ 135,710
09/30/11	RFP11-NMC-048	R227505-IN/Retn	\$ 29,051	\$ 135,710
09/30/11	RFP11-NMC-048	0038368-IN	\$ 26,638	\$ 135,710

No questioned cost is presented at this condition as the method of procurement used appears to have resulted in competitive procurement.

Cause: The cause of the above condition is failure to incorporate federal requirements of full and open competition in the procurement of federally funded property and services within the College's Procurement Procedures.

Effect: The effect of the above condition is noncompliance with federal requirements.

Recommendation: We recommend that the College review its current procurement regulations with the CNMI and its grantors to ensure compliance with applicable federal laws and to seek approval of this threshold from the grantor agency regarding the application of restricted competition for transactions meeting the small purchase threshold.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Anita Camacho

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-12, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act  
Grant Number: S394A090054  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action:**

Condition 1:

The College disagrees with this finding for small purchases and travel. The CNMI unfortunately only has two U.S. commercial airline service providers in Continental/United and Northwest/Delta Airlines. In an effort to procure the most competitive airfares, the College uses local travel agencies to provide the best prices that are most convenient and economical for the College's needs. College policy states that the College should procure the most convenient and economical airline service. Since 2007, in trying to procure the most convenient and economical service, the College requests for three quotations from travel agencies to provide the College with airfares from both Continental/United Airlines and Northwest/Delta Airlines. At times when an airline service provider does not fly to certain locations out of the CNMI, we select amongst the travel agencies that meet our standards.

The College's recognized cognizant agency is the U.S. Department of the Interior. Absent applicable policies and procedures, the College may reference such agency's policies and procedures. The College would like to further clarify this audit finding by using the Simplified Acquisition Thresholds (SAT) of Federal Acquisition Regulations System (FAR) Subpart 13-13.3. The SAT of FAR's threshold ranges from \$3,000 to \$100,000. Furthermore, the SAT of FAR provides for Micro Purchase Thresholds (MPT) which threshold is from \$0 to \$3,000. Such minimum threshold was amended in 2006 from a high of \$2,500 to the new amount of \$3,000.

The Subpart 13.2 - Actions At or Below the Micro-Purchase Threshold 13.201 General. (a) Agency heads are encouraged to delegate micro-purchase authority (see 1.603-3). (b) The Government wide commercial purchase card shall be the preferred method to purchase and to pay for micro-purchases (see 2.101). (c) Purchases at or below the micro-purchase threshold may be conducted using any of the methods described in Subpart 13.3, provided the purchaser is authorized and trained, pursuant to agency procedures, to use those methods. (d) Micro-purchases do not require provisions or clauses, except as provided at 4.1105 and 32.1110. This paragraph takes precedence over any other FAR requirement to the contrary, but does not prohibit the use of any clause. (e) The requirements in Part 8 apply to purchases at or below the micro-purchase threshold. (f) The procurement requirements in Subparts 23.2, 23.4, and 23.7 apply to purchases at or below the micro-purchase threshold. (g)(1) For acquisitions of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate defense against or recovery from nuclear, biological, chemical, or radiological attack, the micro-purchase threshold is - (i) \$15,000 in the case of any contract to be awarded and performed, or purchase to be made, inside the United States; and (ii) \$25,000 in the case of any contract to be awarded and performed, or purchase to be made, outside the United States. (2) Purchases using this authority must have a clear and direct relationship to the support of a contingency operation or the defense against or recovery from nuclear, biological, chemical, or radiological attack.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-12, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act  
Grant Number: S394A090054  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

Condition 1, Continued:

13.202 Purchase guidelines. (a) Solicitation, evaluation of quotations, and award. (1) To the extent practicable, micro-purchases shall be distributed equitably among qualified suppliers. (2) Micro-purchases may be awarded without soliciting competitive quotations if the contracting officer or individual appointed in accordance with 1.603-3(b) considers the price to be reasonable. (3) The administrative cost of verifying the reasonableness of the price for purchases may more than offset potential savings from detecting instances of overpricing. Therefore, action to verify price reasonableness need only be taken if - (i) The contracting officer or individual appointed in accordance with 1.603-3(b) suspects or has information to indicate that the price may not be reasonable (*e.g.*, comparison to the previous price paid or personal knowledge of the supply or service); or (ii) Purchasing a supply or service for which no comparable pricing information is readily available (*e.g.*, a supply or service that is not the same as, or is not similar to, other supplies or services that have recently been purchased on a competitive basis). (b) *Documentation*. If competitive quotations were solicited and award was made to other than the low quoter, documentation to support the purchase may be limited to identification of the solicited concerns and an explanation for the award decision.

Furthermore, 3.302-2 Unpriced purchase orders. (a) An unpriced purchase order is an order for supplies or services, the price of which is not established at the time of issuance of the order. (b) An unpriced purchase order may be used only when - (1) It is impractical to obtain pricing in advance of issuance of the purchase order; and (2) The purchase is for - (i) Repairs to equipment requiring disassembly to determine the nature and extent of repairs; (ii) Material available from only one source and for which cost cannot readily be established; or (iii) Supplies or services for which prices are known to be competitive, but exact prices are not known (*e.g.*, miscellaneous repair parts, maintenance agreements). (c) Unpriced purchase orders may be issued on paper or electronically. A realistic monetary limitation, either for each line item or for the total order, shall be placed on each unpriced purchase order. The monetary limitation shall be an obligation subject to adjustment when the firm price is established. The contracting office shall follow up on each order to ensure timely pricing. The contracting officer or the contracting officer's designated representative shall review the invoice price and, if reasonable (see 13.106-3(a)), process the invoice for payment.

13.303 Blanket purchase agreements (BPAs). 13.303-1 General. (a) A blanket purchase agreement (BPA) is a simplified method of filling anticipated repetitive needs for supplies or services by establishing "charge accounts" with qualified sources of supply (see Subpart 16.7 for additional coverage of agreements). (b) BPAs should be established for use by an organization responsible for providing supplies for its own operations or for other offices, installations, projects, or functions. Such organizations, for example, may be organized supply points, separate independent or detached field parties, or one-person posts or activities. (c) The use of BPAs does not exempt an agency from the responsibility for keeping obligations and expenditures within available funds.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-12, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act  
Grant Number: S394A090054  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

Condition 1, Continued:

13.303-2 Establishment of BPAs. (a) The following are circumstances under which contracting officers may establish BPAs: (1) There is a wide variety of items in a broad class of supplies or services that are generally purchased, but the exact items, quantities, and delivery requirements are not known in advance and may vary considerably. (2) There is a need to provide commercial sources of supply for one or more offices or projects in a given area that do not have or need authority to purchase otherwise. (3) The use of this procedure would avoid the writing of numerous purchase orders. (4) There is no existing requirements contract for the same supply or service that the contracting activity is required to use. (b) After determining a BPA would be advantageous, contracting officers shall - (1) Establish the parameters to limit purchases to individual items or commodity groups or classes, or permit the supplier to furnish unlimited supplies or services; and (2) Consider suppliers whose past performance has shown them to be dependable, who offer quality supplies or services at consistently lower prices, and who have provided numerous purchases at or below the simplified acquisition threshold. (c) BPAs may be established with - (1) More than one supplier for supplies or services of the same type to provide maximum practicable competition; (2) A single firm from which numerous individual purchases at or below the simplified acquisition threshold will likely be made in a given period; or (3) Federal Supply Schedule contractors, if not inconsistent with the terms of the applicable schedule contract. (d) BPAs should be prepared without a purchase requisition and only after contacting suppliers to make the necessary arrangements for - (1) Securing maximum discounts; (2) Documenting individual purchase transactions; (3) Periodic billings; and (4) Incorporating other necessary details.

**Travel:**

As recognized in OMB Circular A21, 2 CFR Parts 215 and 220 section 51904, the College's established policy and procedures on travel governs such activities. Travel at the College is closely monitored and the responsibility of our Finance Office. In the Finance Office, a qualified accountant is assigned to review travel requests, reports, and procurement of transportation, compliance and other related procurement functions. Such person initials or signs on each travel request to ensure that all qualifications are met. This is further reviewed by the fund certification officer, the chief accountant, and the dean of administration (or prior to such, the former CFAOs), if warranted the President of the College as well.



NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-12, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act  
Grant Number: S394A090054  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

Condition 1, Continued:

Pursuant to OMB Circular A21, 2 CFR Parts 215 and 220 section 51904, travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the institution. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the institution's non-federally-sponsored activities.

In addition, costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the institution in its regular operations as the result of the institution's written travel policy. In the absence of an acceptable, written institution policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under sponsored agreements (48 CFR 31.205- 46(a)).

Corresponding evidence has been submitted.

Condition 2:

The procurement selection was considered under the College Procurement Policy, Section Four §95-50.4-105 Local Vendors. The American Recovery & Reinvestment or SFSF provided the CNMI assistance in jumpstarting the recessed economy. The grant further provides that the local/state procurement regulation shall be utilized for the procurement process. The College Procurement regulation provides the provision of local vendor's preference. All associated CNMI laws and/or statutes apply to the CNMI and the College's Procurement Policies and Procedures. In addition, the original intent of ARRA SFSF impressed upon the College was to stimulate "local" economies. The College believes that with these particular instances, the College made the best Procurement decision based on CNMI Procurement Policies and Procedures, the Local Preference Law, and the impressed upon intent of ARRA SFSF to stimulate "local" economies. In making the local comparison, the bids between the 2 "locally preferred" businesses, the two local vendors 1. PC Outlet \$ 34,753.00 2. Marianas Wireless \$24,750.95, the best local preference offer of \$24,750.95 difference of \$10,002.05 was selected. When compared to the Off Island vendor, the variance was the amount in question. In addition, support for such computers is readily available on site when the "local" vendor was chosen.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-12, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act  
Grant Number: S394A090054  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditee Response and Corrective Action Plan, Continued:

**Corrective Action, Continued:**

Condition 3:

Due to the nature of this grant, the onus in meeting such requirement falls on the State. NMC Procurement disagrees with the finding in the absence of a sub-grant agreement; IPS (State Lead Office for ARRA) executed the procurement transaction with CNMI Procurement & Supply (CNMI P&S). I.P.S. transacted IFB11-NMC-033/34/35 and 048 in collaboration with the CNMI Procurement & Supply Office due to absence of a Sub-grant agreement with the College. The procedure than was for IPS to send the draft format of the Scope of Work to CNMI P&S, whom will facilitate the procurement end such as publication of ads and due dates for all ITB and RFP. Furthermore, NMC Procurement disagrees with the finding, in the absence of a sub-grant agreement IPS executed the procurement with CNMI Procurement & Supply (CNMI P&S). NMC Procurement established dialogue with I.P.S regarding a need to process an Expedited Publication for RFP11-NMC-048. However I.P.S selected not to entertain the discussion and did not provide any further communication w/College of its decision and process the competitive procurement through a 30 day's announcement. I.P.S in calibration with the CNMI Procurement and Supply Office processed the subject RFP11-NMC-048 base on the 30 days announcement; Saipan Tribune ads: 1. February 17, 2011; 2. February 23, 2011, 3. March 02, 2011, with the due date of Due date: March 17, 2011 which is equivalent to 30 days. Source: I.P.S. and CNMI Department of Finance, Procurement and Supply Office.

In addition, CNMI ARRA SFSF website has a menu label entitled "Opportunities" in which postings for RFPs and Bids and can be found at <http://recovery.gov.mp/2011/02/ifb11-nmc-052-nmc-faculty-laptop-project/>. Sample Requests for Proposals and Invitations for Bid follow:

<http://recovery.gov.mp/wp-content/uploads/2011/02/NMC-Faculty-Laptop-ITB.pdf>  
<http://recovery.gov.mp/wp-content/uploads/2011/02/NMC-ILS-RFP.pdf>  
<http://recovery.gov.mp/wp-content/uploads/2011/01/IFB11-NMC-035-Supply-and-Installation-of-a-Video-Surveillance-System-Equipment.pdf>

Condition 4:

As indicated in the signed RFP 11- NMC-048, such signature reflects the approval of such RFP as stated in the language of the RFP itself.

**Proposed Completion Date:** Completed

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-12, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act  
Grant Number: S394A090054  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Auditor Response:

Condition 1:

We believe the College's small purchase and travel policies allow for restricted competition and recommend the College obtain program determination letters from the grantor agency concerning these policies.

Condition 2:

Procurement regulations require open and full competition for procurement transactions. Further, procurement testing noted that local preference does not apply for purchases funded by SFSF; therefore, finding remains.

Condition 3:

There was no evidence that Invitation for Bids and Request for Proposals were published at least once a week over a period of thirty calendar days in a newspaper of general circulation; therefore, finding remains.

Condition 4:

There is no evidence that the President (expenditure authority) determines in writing that that the use of competitive sealed bidding is either not practical or not advantageous to the College and the approval from the Procurement and Property Manager was not documented; therefore, finding remains.

NORTHERN MARIANAS COLLEGE

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2011

Finding No.: 2011-13  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act  
Grant Number: S394A090054  
Area: Reporting  
Questioned Costs: \$-0-

Criteria: In accordance with the applicable sub-grant agreement, the sub-grantor requires the sub-grantee to submit financial reports with original signatures on a quarterly basis. Financial reports are due thirty calendar days after the conclusion of the quarter. Final project reports should be submitted along with the final request for payment.

Condition: Federal expenditures reported in the final financial report amounted to \$2,939,547. Total accumulated expenditures per general ledger amounted to \$3,886,431. A variance of \$946,884 was noted.

Additionally, federal expenditures reported in the final project report as of September 30, 2011 amounted to \$3,049,044 while federal expenditures recorded in the general ledger as of September 30, 2011 amounted to \$3,034,886. A variance of \$14,157 was noted.

No questioned cost is presented as expenditures recorded in the general ledger agree with drawdown requests submitted to the sub-grantor.

Cause: The cause of the above condition is the lack of established procedures to reconcile expenditures recorded per general ledger and expenditures reported to the grantor agency.

Effect: The effect of the above condition is noncompliance with sub-grant reporting requirements.

Recommendation: We recommend that the College monitor compliance and adhere to sub-grant reporting requirements.

Auditee Response and Corrective Action Plan:

**Name of Contact Person:** TBD

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

The College communicated most of its reports via email to the CNMI ARRA SFSF Office. Turnover in the position responsible for such reporting took place during this time period, thus delaying the timely submission of reports. The College relied on the general ledger for the fiscal year 2011 as requested by the grantor agency. An updated version with the appropriate adjustments will be submitted to the grantor agency.

**Proposed Completion Date:** Ongoing

NORTHERN MARIANAS COLLEGE

Unresolved Prior Year Findings and Questioned Costs  
Year Ended September 30, 2011

Questioned Costs

The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs and comments that were unresolved at September 30, 2011:

Questioned costs as previously reported	\$ 408,511
Less questioned costs resolved in fiscal year 2011	<u>(13,199)</u>
	395,312
Questioned costs of fiscal year 2011 Single Audit	<u>22,440</u>
Unresolved questioned costs at September 30, 2011	\$ <u>417,752</u>

Unresolved Findings

The status of unresolved findings is discussed in the Schedule of Findings and Questioned Costs section of this report (pages 9 through 59).



# Northern Marianas College

P.O. Box 501250 • Saipan, MP 96950 U.S.A. • Phone: (670) 234-5498

Fax: (670) 234-0759 • Web Site: [www.nmcnet.edu](http://www.nmcnet.edu)

## Summary of Schedule of Prior Audit Findings

Status of audit findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2010:

### FINANCIAL STATEMENTS FINDINGS

No findings reported.

### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2010-1 - Not corrected. See corrective action plan to Finding No. 2011-01.

Finding No. 2010-2 - Not corrected. See corrective action plan to Finding No. 2011-03.

Finding No. 2010-3 - Not corrected. See corrective action plan to Finding No. 2011-04.

Finding No. 2010-4 - Corrective action was taken.

Finding No. 2010-5 - Corrective action was taken.

Finding No. 2010-6 - Corrective action was taken.

Finding No. 2010-7 - Corrective action was taken.

Finding No. 2010-8 - Corrective action was taken.