

Reports on Compliance and Internal Control

Commonwealth Healthcare Corporation

(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Year Ended September 30, 2019



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(A Component Unit of the Commonwealth of the Northern Mariana Islands)

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**Report of Independent Auditors on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We were engaged to audit the financial statements of the Commonwealth Healthcare Corporation (CHCC), a component unit of the Commonwealth of the Northern Mariana Islands, which comprise the statement of net position as of September 30, 2019, and the related statements of revenues, expenses and changes in net position, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2024. Our report stated that the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements, due to the inability to obtain sufficient appropriate audit evidence to support significant account balances and due to CHCC not recording pension expense and related net pension asset or liability, deferred inflows of resources and deferred outflows of resources as of and for the year ended September 30, 2019 as required by Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 through 2019-004 to be material weaknesses.

Report on Compliance and Other Matters

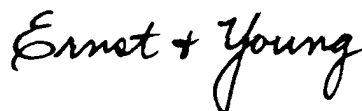
As part of obtaining reasonable assurance about whether CHCC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-003 and 2019-004.

CHCC's Response to Findings

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

Purpose of This Report

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

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November 7, 2024



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**Report of Independent Auditors on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance and Report on Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited Commonwealth Healthcare Corporation's (CHCC) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of CHCC's major federal programs for the year ended September 30, 2019. CHCC's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Each Major Federal Program

As described in Findings 2019-004 through 2019-016 in the accompanying Schedule of Findings and Questioned Costs, CHCC did not comply with requirements regarding the following:

Finding Number	CFDA Number	Federal Program or Cluster Name	Compliance Requirement
2019-004	10.557	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	Equipment and Real Property Management
2019-005	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Allowable Costs/Cost Principles
2019-006	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Matching, Level of Effort, Earmarking
2019-007	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	Procurement and Suspension and Debarment
2019-008	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Allowable Costs/Cost Principles
2019-009	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Cash Management
2019-010	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Period of Performance
2019-011	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Procurement and Suspension and Debarment
2019-012	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Subrecipient Monitoring
2019-013	93.268	Immunization Cooperative Agreements	Allowable Costs/Cost Principles
2019-014	93.268	Immunization Cooperative Agreements	Period of Performance
2019-015	93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	Cash Management
2019-016	93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	Procurement and Suspension and Debarment

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

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, CHCC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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.

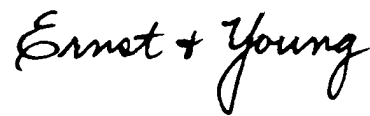
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-004 through 2019-016 to be material weaknesses.

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

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

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

We were engaged to audit the financial statements of CHCC as of and for the year ended September 30, 2019, and have issued our report thereon dated November 7, 2024, which states that the scope of our work was not sufficient to enable us to express, and we did not express an opinion on the financial statements due to inability to obtain sufficient appropriate evidence for significant account balances as of and for the year ended September 30, 2019 and our inability to determine the effects of the lack of adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, on CHCC's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Because of the significance of the matters discussed above, it is inappropriate to, and we do not, express an opinion on the Schedule of Expenditures of Federal Awards.

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November 7, 2024

Commonwealth Healthcare Corporation
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2019

CFDA Number	Federal Grantor/Pass-Through Grant/Program Title	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE DIRECT PROGRAM				
10.557	Special Supplemental Nutrition Program for Women, Infants and Children		\$ -	\$ 3,684,992
10.855	Distance Learning and Telemedicine Loans and Grants		-	6,162
10.578	WIC Grants To States (WGS)		-	3,323
	TOTAL U.S. DEPARTMENT OF AGRICULTURE DIRECT PROGRAM		<u>-</u>	<u>3,694,477</u>
U.S. DEPARTMENT OF INTERIOR DIRECT PROGRAM				
15.875	Economic, Social, and Political Development of the Territories		-	533,528
	TOTAL U.S. DEPARTMENT OF INTERIOR DIRECT PROGRAM		<u>-</u>	<u>533,528</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES DIRECT PROGRAMS				
93.069	Public Health Emergency Preparedness		-	69,626
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance		-	16,318
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		-	494,660
93.103	Food and Drug Administration Research		-	4,911
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		-	763,992
93.110	Maternal and Child Health Federal Consolidated Programs		-	89,729
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		-	589,264
93.150	Projects for Assistance in Transition from Homelessness (PATH)		-	53,208
93.165	Grants to States for Loan Repayment		-	125,000
93.217	Family Planning Services		-	272,252
93.236	Grants to States to Support Oral Health Workforce Activities		-	331,358
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance		468,864	1,970,582
93.251	Universal Newborn Hearing Screening		-	269,168
93.268	Immunization Cooperative Agreements		-	3,360,727
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program		-	64,766
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		-	258,698
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response		-	66,588
93.377	Prevention and Control of Chronic Disease and Associated Risk Factors in the U.S. Affiliated Pacific Islands, U.S. Virgin Islands, and P.R.		-	65,865
93.504	Family to Family Health Information Centers		-	63,569
93.644	Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP		-	86,496
93.788	Opioid State Targeted Response		-	57,326
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities		-	4,921
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program		-	865,589
93.889	National Bioterrorism Hospital Preparedness Program		-	32,585
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations		-	544,042
93.912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program		-	46,310
93.917	HIV Care Formula Grants		-	115,562
93.945	Assistance Programs for Chronic Disease Prevention and Control		-	120,169
93.958	Block Grants for Community Mental Health Services		-	110,106
93.959	Block Grants for Prevention and Treatment of Substance Abuse		-	233,626
93.982	Mental Health Disaster Assistance and Emergency Mental Health		-	613,302
93.991	Preventive Health and Health Services Block Grant		-	39,096
93.994	Maternal and Child Health Services Block Grant to the States		-	452,851
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES DIRECT PROGRAMS		<u>468,864</u>	<u>12,252,262</u>
U.S. DEPARTMENT OF HOMELAND SECURITY - PASS THROUGH FROM CNMI HOMELAND SECURITY AND EMERGENCY MANAGEMENT				
97.032	Crisis Counseling	FEMA-4235-DR	-	501,942
97.088	Disaster Assistance Projects	FEMA-4235-DR	-	12,625
	TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY - PASS THROUGH FROM CNMI HOMELAND SECURITY AND EMERGENCY MANAGEMENT		<u>-</u>	<u>514,567</u>
U.S. DEPARTMENT OF JUSTICE - PASS THROUGH FROM CNMI CRIMINAL JUSTICE PLANNING AGENCY				
16.575	Crime Victim Assistance	2018-V2-GX-0038	-	1,379
	TOTAL U.S. DEPARTMENT OF JUSTICE - PASS THROUGH FROM CNMI CRIMINAL JUSTICE PLANNING AGENCY		<u>-</u>	<u>1,379</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 468,864</u>	<u>\$ 16,996,213</u>

Commonwealth Healthcare Corporation
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2019

1. Scope of Audit

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of CHCC under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CHCC, it is not intended to and does not present the financial position or changes in financial position of CHCC.

3. Summary of Significant Accounting Policies

Basis of Accounting

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

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

Subgrantees

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

Indirect Costs

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

Commonwealth Healthcare Corporation
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs

Year Ended September 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

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

Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?

 X **Yes** **No**

Significant deficiency(ies) identified?

 Yes X **None reported**

Noncompliance material to financial statements noted?

 X **Yes** **No**

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 X **Yes** **No**

Significant deficiency(ies) identified?

 Yes X **None reported**

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

Qualified

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

 X **Yes** **No**

Commonwealth Healthcare Corporation
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

Identification of major federal programs:

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

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

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

Reference Number	Findings
2019-001	General Ledger and Financial Statement Close Process
2019-002	Inventories
2019-003	Capital Assets
2019-004	Equipment and Real Property Management

Section III - Federal Award Findings and Questioned Costs

Reference Number	CFDA Number	Findings	Questioned Costs
2019-004	10.557	Equipment and Real Property Management	\$ -
2019-005	93.104	Allowable Costs/Cost Principles	16,190
2019-006	93.104	Matching, Level of Effort, Earmarking	-
2019-007	93.104	Procurement and Suspension and Debarment	23,500
2019-008	93.243	Allowable Costs/Cost Principles	452,311
2019-009	93.243	Cash Management	-
2019-010	93.243	Period of Performance	97,710
2019-011	93.243	Procurement and Suspension and Debarment	183,926

Commonwealth Healthcare Corporation
 (A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

Section III - Federal Award Findings and Questioned Costs, continued

Reference Number	CFDA Number	Findings	Questioned Costs
2019-012	93.243	Subrecipient Monitoring	468,864
2019-013	93.268	Allowable Costs/Cost Principles	22,500
2019-014	93.268	Period of Performance	80,809
2019-015	93.870	Cash Management	524,804
2019-016	93.870	Procurement and Suspension and Debarment	<u>60,104</u>
			<u>\$1,930,718</u>

Commonwealth Healthcare Corporation
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

Finding No. 2019-001

Area: General Ledger and Financial Statement Close Process

Criteria:

GASB Codification 1200 states that adherence to generally accepted accounting principles (GAAP) is essential to assuring a reasonable degree of comparability among the financial reports of state and local governmental units. Governmental accounting systems thus must provide data that permit reporting on the financial status and operations of a government in conformity with GAAP.

Condition:

1. The subsidiary ledger schedules of the following general ledger account balances were not provided on a timely manner; accordingly, no audit procedures were performed to substantiate the account balances at yearend.
 - Patient accounts receivable, net of allowance
 - Inventories
 - Depreciable capital assets, net of accumulated depreciation
 - Accrued taxes and other liabilities
 - Operating revenues
 - Operating expenses
2. Beginning balances of certain funds do not match the prior year audited balances. Material audit adjustments were proposed to correct the beginning balances.
3. As of September 30, 2019, CHCC recorded \$23,690,573 as a due to Commonwealth Utilities Corporation (CUC). The amount confirmed by the CUC was \$31,587,293, resulting in a difference of \$7,896,719. A reconciliation of the variance was not available.
4. CHCC provided a revised SEFA on 09/04/24 and 10/04/24 to correct the following errors:
 - In 2019, the Maternal, Infant, and Early Childhood Home Visiting Cluster was removed since CFDA No. 93.870 was the only remaining program from the cluster as CFDA No. 93.505 program was deleted. Accordingly, FY2019 expenditures should be presented under CFDA No. 93.870; however, CFDA Nos. 93.505 and 93.870 expenditures were separately presented on the initial SEFA. This matter was subsequently corrected on 09/04/24, by combining the expenditures under CFDA No. 93.870; however, CHCC listed the program' title as being a cluster. Such was corrected on the final SEFA provided on 10/04/24;

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No. 2019-001, continued:

Area: General Ledger and Financial Statement Close Process

Condition, continued:

- The initial SEFA did not include the total amount provided to subrecipients from CFDA No. 93.243 federal program. This matter was subsequently corrected on 09/04/24; however, the \$484,000 reported as pass-through to subrecipients on the revised SEFA differ from the \$468,864 per the general ledger expenditure details, resulting in a variance of \$15,136. Such was corrected on the final SEFA provided on 10/04/24; and
- The names of the pass-through entities for CFDA No. 16.575, 97.032 and 97.088 and the pass-through entity identifying number for CFDA No. 16.575 were not specified in the initial SEFA. Such was corrected on the final SEFA provided on 10/04/24.

Cause:

There appears to have been a combination of (1) lack of timely reconciliations of subsidiary ledgers to the general ledger, (2) improper performance of cut-off procedures, (3) ineffective communication with related parties, and (4) insufficient supervision and review relating to significant classes of transactions.

Effect:

Material errors over the financial statement may occur, resulting into a disclaimer of opinion being issued for the following accounts:

- Patient accounts receivable, net of allowance
- Inventories
- Depreciable capital assets, net of accumulated depreciation
- Accrued taxes and other liabilities
- Due to related parties
- Operating revenues
- Operating expenses

CHCC is in noncompliance with federal SEFA requirements.

Recommendation:

CHCC should improve controls to ensure all transactions are reconciled in a timely manner and recorded in the proper accounting period.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No. 2019-001, continued:

Area: General Ledger and Financial Statement Close Process

Recommendation, continued:

CHCC should also improve controls to help ensure the SEFA is prepared accurately and completely.

Views of Responsible Officials:

CHCC's Corrective Action Plan states partial agreement with the finding as described in Condition 1 and provides a detailed rationale for disagreement with Conditions 1 to 4.

Auditor response:

The supporting schedules were not provided timely to perform the audit procedures necessary to conclude on the significant account balances. Due to significant delay in the submission of the supporting schedules, we were unable to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the financial statements. The finding remains.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No. 2019-002

Area: Inventories

Criteria:

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

Condition:

1. The pharmacy inventory system is not linked to the general ledger.
2. Changes to the inventory master file/database are not documented.
3. An assessment of inventory obsolescence was not provided.

Cause:

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

Effect:

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

Identification as a Repeat Finding: Finding No. 2018-003.

Recommendation:

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

Views of Responsible Officials:

CHCC's Corrective Action Plan provides a detailed rationale for disagreement with the finding described in Conditions 1 to 3.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No. 2019-003

Area: Capital Assets

Criteria:

CHCC's Operating Policy: Inventory Control requires an annual physical inventory count of all capital items at least once every two years.

Condition:

CHCC did not perform a capital asset physical inventory for fiscal year 2019. No physical inventory was performed in fiscal years 2018 and 2017.

Cause:

CHCC did not adhere to the policies and procedures over the accounting, physical inventory, and maintenance of capital assets and over adequate file maintenance.

Effect:

Capital assets could be materially misstated.

Identification as a Repeat Finding: Finding No. 2018-004.

Recommendation:

CHCC should complete the physical inventory of capital assets and should reflect the results in CHCC's financial statements.

Views of Responsible Officials:

CHCC's Corrective Action Plan stated partial agreement with the finding and provides a detailed rationale for disagreement with the finding.

Auditor Response:

Documentations evidencing physical inventory count of capital assets conducted in FY2019 were not provided.

Commonwealth Healthcare Corporation
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-004

Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

Award Number: 7NM700NM5
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

Criteria:

In accordance with 2 CFR Section 200.313(b), a State must use, manage and dispose of equipment acquired under a Federal award in accordance with State laws and procedures.

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

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

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

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-004, continued

Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

Award Number: 7NM700NM5
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

Condition:

Tests of program expenditures noted the following:

1. MSO did not perform a fixed asset physical inventory for fiscal year 2019. No physical inventory was performed in fiscal years 2018 and 2017.
2. Property records maintained by MSO were not provided.
3. Total fixed assets schedule per the Program did not agree to the general ledger details, resulting in a variance of \$39,995.
4. A reconciliation was not performed between the Program and MSO.
5. The Program's fixed assets schedule did not include required information such as whether title is vested with the CNMI or U.S. Government and the use of the assets.
6. Of five fixed assets tested for existence verification, aggregating \$121,553 of a total population of \$249,070, for one (or 20%), the vehicle with Property Tag Number FA-00375-US that was traded-in for another vehicle, for which was surveyed on 10/04/18, is still included in the Program's fixed assets schedule as of 09/30/19.

Cause:

CHCC did not enforce compliance with applicable Equipment and Real Property Management requirements.

Effect:

CHCC is in noncompliance with applicable Equipment and Real Property Management requirements. No questioned cost is presented as we are unable to quantify the extent of the noncompliance. A summary of the program's total capital outlays for FY 2019 was \$39,995.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-004, continued

Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

Award Number: 7NM700NM5
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

Identification as a Repeat Finding: Finding No. 2018-008.

Recommendation:

CHCC should consider identifying a fixed asset team and provide training on applicable Equipment and Real Property Management requirements, including documentation requirements. The responsible personnel should coordinate and conduct the required annual physical inventories and should reconcile results to the property records in accordance with applicable Equipment and Real Property Management requirements.

Views of Responsible Officials:

CHCC's Corrective Action Plan provides a detailed rationale of what resulted to the finding described in Condition 3; however, management did not provide comments for Conditions 1, 2 and 4 to 6.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-005

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)

Award Number: 5U79SM062447-04 and 6U79SM062447-04M001
Area: Allowable Costs/Cost Principles
Questioned Costs: \$16,190

Criteria:

In accordance with 2 CFR Part 200, Subpart E, cost must be necessary and reasonable for the performance of the federal award and be allocable thereto. Further costs must conform to any limitations or exclusions and be adequately documented.

Condition:

Of sixty nonpayroll expenditures tested, aggregating \$39,974 of a total population of \$330,391, the following deficiencies were noted:

- For five (or 8%), check/wire transfer payment vouchers were not signed and were not stamped as paid; accordingly, CHCC was not able to substantiate that the expenditures were approved.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H81040	12/26/18	1430249	\$ 15
H81040	12/27/18	1430312	90
H81040	02/12/19	1434503	250
H81040	05/15/19	1443891	250
H81040	08/23/19	1458190	<u>2,530</u>
			<u>\$3,135</u>

- For twenty-seven (or 45%), the check/wire transfer payments were not provided.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H81040	12/14/18	1429118	\$290
H81040	12/14/18	1429129	228
H81040	03/07/19	1436539	291
H81040	05/07/19	1442791	172
H81040	08/23/19	1458106	294
H81040	08/23/19	1458107	172
H81040	04/18/19	1440996	850

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-005, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
 Award Number: 5U79SM062447-04 and 6U79SM062447-04M001
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$16,190

Condition, continued:

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H81040	04/02/19	1439081	3,282
H81040	08/06/19	1456515	2,720
H81040	08/13/19	1457263	389
H81040	07/08/19	1452649	142
H81040	04/30/19	1441922	324
H81040	02/28/19	1436153	385
H81040	04/02/19	1439069	385
H81040	04/30/19	1441955	405
H81040	04/10/19	1440219	55
H81040	11/06/18	1426442	19
H81040	07/09/19	1452820	100
H81040	09/16/19	1473182	269
H81040	09/17/19	252183	320
H81040	09/17/19	252183	32
H81040	03/12/19	1436993	10
H81040	03/12/19	1437007	422
H81040	04/18/19	1441018	63
H81040	07/26/19	1455475	63
H81040	07/26/19	1455477	125
H81040	07/26/19	1455481	94
			\$11,901

Of twenty-five payroll expenditures tested, aggregating of \$35,967 of a total population of \$433,601, the following deficiencies were noted:

- For one (or 4%), the Request for Personnel Action and Notification of Personnel Action forms for employee number 373605 (Business Unit H71040, amounting to \$625), covering payperiod ended 10/13/18, were not provided, for which the amount is questioned.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-005, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
Award Number: 5U79SM062447-04 and 6U79SM062447-04M001
Area: Allowable Costs/Cost Principles
Questioned Costs: \$16,190

Condition, continued:

4. For one (or 4%), payperiod ended 04/13/19 payroll register substantiating the payroll cost of \$529 for Employee No. 403867 (Business Unit H81040) was not provided, for which the amount is questioned.

Cause:

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

Effect:

CHCC is in noncompliance with the applicable allowable costs/cost principles requirements and questioned costs of \$16,190 result as the projected questioned costs exceed the \$25,000 threshold.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$ 3,135
2	11,901
3	625
4	<u>529</u>
	<u>\$16,190</u>

Identification as a Repeat Finding: Finding No. 2018-011.

Recommendation:

Responsible CHCC personnel should establish recordkeeping system whereby underlying support for each transaction is substantiated and filed. Further, the responsible CHCC personnel should ensure that payment vouchers are approved and stamped as paid.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-005, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
Award Number: 5U79SM062447-04 and 6U79SM062447-04M001
Area: Allowable Costs/Cost Principles
Questioned Costs: \$16,190

Views of Responsible Officials:

CHCC's Corrective Action Plan provides a detailed rationale for disagreement with the finding described in Conditions 1, 2 and 4, and states agreement for Condition 3.

Auditor Response:

Condition 1 - Batch headers evidencing approvals were not provided.

Condition 2 - Cancelled checks provided comprised of numerous invoice payments for which corresponding check vouchers were not provided; thus, CHCC was not able to substantiate whether cancelled checks provided pertain to transactions being tested.

Condition 4 - The payroll register provided for PPE 04/13/19 did not reflect the employee's payroll costs.

In addition, initial draft reports were provided to CHCC on 09/06/24 and 09/24/24. It was also agreed during the 09/06/24 and 10/04/24 meetings for CHCC to provide corresponding underlying accounting records to resolve the finding; however, no documentations were provided within the agreed timeline. Accordingly, finding is sustained.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-006

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
Award Number: 6U79SM062447-04M001 and 6U79SM062447-04M004
Area: Matching, Level of Effort, Earmarking
Questioned Costs: \$-0-

Criteria:

In accordance with 2 CFR Subpart 200.306, for all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

1. Are verifiable from the non-Federal entity's records;
2. Are not included as contributions for any other Federal award;
3. Are necessary and reasonable for accomplishment of project or program objectives;
4. Are allowable under subpart E of this part;
5. Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;
6. Are provided for in the approved budget when required by the Federal awarding agency; and
7. Conform to other provisions of this part, as applicable.

Condition:

Support for the non-federal match for Business Units H71040 and H81040 were not provided.

Cause:

CHCC did not enforce internal controls over recordkeeping and monitoring controls to substantiate compliance with matching requirements.

Effect:

CHCC is in noncompliance with applicable matching requirements. No questioned costs are presented as we are unable to quantify the extent of noncompliance.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-006, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
Award Number: 6U79SM062447-04M001 and 6U79SM062447-04M004
Area: Matching, Level of Effort, Earmarking
Questioned Costs: \$-0-

Identification as a Repeat Finding: Finding No. 2018-012.

Recommendation:

Responsible CHCC personnel should establish recordkeeping system whereby underlying support for matching requirements is substantiated and filed.

Views of Responsible Officials:

CHCC's Corrective Action Plan provides a detailed rationale for disagreement with the finding.

Auditor Response:

Underlying accounting records supporting the non-federal match were not provided.

In addition, initial draft reports were provided to CHCC on 09/06/24 and 09/24/24. It was also agreed during the 09/06/24 and 10/04/24 meetings for CHCC to provide corresponding underlying accounting records to resolve the finding; however, no documentations were provided within the agreed timeline. Accordingly, finding is sustained.

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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-007

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)

Award Number: 5U79SM062447-04
Area: Procurement and Suspension and Debarment
Questioned Costs: \$23,500

Criteria:

Non-federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR Part 200. CHCC's procurement regulations, pursuant to the Commonwealth law, state the following:

- All procurement records shall be retained by the CHCC Procurement and Supply (P&S) Director for a period of seven (7) years after completion of construction, or full delivery of the goods or services under the contract.
- Competitive Sealed Bidding

Because of the unique nature and varied needs of all parts of the institution, the CEO and the CHCC Director of P&S shall make a determination as to the best way to publicize the Invitation to Bid (ITB). Every procurement in excess of \$10,000 shall be publicized in one or more of the following ways:

- (a) in a newspaper of general circulation;
 - (b) in a newspaper of local circulation in the area pertinent to the procurement;
 - (c) in industry media;
 - (d) through electronic mailing lists,
 - (e) through the internet, agency web site, or other publicly accessible electronic media,
 - (f) through electronic mailing lists, or
 - (g) in a government publication designed for giving public notice
- Competitive Sealed Proposal

Adequate public notice of the request for proposals shall be given in the same manner as provided for in competitive sealed bids.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-007, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
 Award Number: 5U79SM062447-04
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$23,500

Criteria, continued:

- Small Purchases

Bidding is not required but is encouraged for procurement over \$5,000 and under \$25,000, or \$50,000 if it is medical equipment, supplies, or devices. The CEO, the official with expenditure authority, must obtain price quotations from at least three vendors and base the selection on competitive price and quality for procurement valued at \$5,000 to \$25,000 or \$50,000 for medical equipment, supplies, or devices. Any price quotations obtained must be written, documented, and submitted to the CHCC P&S Director for approval.

Condition:

Of thirty-nine procurement samples tested, aggregating \$56,383 of a total population of \$220,635, the following deficiencies were noted:

1. For four (or 10%), the Invitation to Bid (ITB) or the Request For Proposal (RFP) publication notices and evaluation forms were not provided.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H81040	09/30/19	1475823	\$ 9,800
H81040	12/31/18	1430779	850
H81040	08/06/19	1456519	850
H81040	04/18/19	1440996	<u>850</u>
			12,350
Less amount questioned at Finding Number 2019-005, Condition 2 for Document Number 1440996			<u>(850)</u>
			<u>\$ 11,500</u>

Finding No.: 2019-007, continued

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
 Award Number: 5U79SM062447-04
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$23,500

Condition, continued:

2. For seven (or 18%), the purchase requisitions and/or contracts were not provided. No questioned costs are presented as amounts are questioned at Condition 3.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H81040	05/06/19	1442639	\$ 3,000
H81040	06/18/19	1446982	405
H81040	06/12/19	1446380	172
H81040	04/18/19	1441003	1,930
H81040	06/27/19	1448082	1,200
H81040	09/10/19	1472682	195
H81040	03/11/19	250242	2,040
H81040	07/10/19	251516	<u>2,108</u>
			<u>\$11,050</u>

3. For eight (or 21%), approval by the Expenditure Authority and the P&S Director were not evident.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H81040	05/06/19	1442639	\$ 3,000
H81040	06/18/19	1446982	405
H81040	06/12/19	1446380	172
H81040	04/18/19	1441003	1,930
H81040	06/27/19	1448082	1,200
H81040	09/10/19	1472682	195
H81040	03/11/19	250242	2,040
H81040	07/10/19	251516	<u>2,108</u>
			<u>\$11,050</u>

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-007, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
 Award Number: 5U79SM062447-04
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$23,500

Condition, continued:

4. For one (or 3%) small purchase, no evidence of effort to obtain three quotations.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H81040	01/16/19	1432126	\$950

Cause:

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

Effect:

CHCC is in noncompliance with applicable procurement regulations and questioned costs of \$23,500 result as the projected questioned costs exceed the \$25,000 threshold.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$11,500
3	11,050
4	<u>950</u>
	<u>\$23,500</u>

Identification as a Repeat Finding: Finding No. 2018-013.

Recommendation:

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

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-007, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)

Award Number: 5U79SM062447-04
Area: Procurement and Suspension and Debarment
Questioned Costs: \$23,500

Views of Responsible Officials:

CHCC's Corrective Action Plan provides a detailed rationale for disagreement with the finding described in Conditions 1 to 4.

Auditor Response:

Condition 1 - ITB and RFP publication notices were not provided.

Condition 2 - Purchase requisitions and/or contracts were not provided.

Condition 3 - Documentations evidencing approval by the Expenditure Authority and the P&S Director were not provided.

Condition 4 - CHCC Corrective Action Plan stated no solicitation was obtained. In addition, documentations substantiating that the vehicle rental agreement was competitively procured during the initial year of the rental were not provided. Further, in accordance with 45 CFR Part 75.361 Retention requirements for records, financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award, must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the HHS awarding agency or pass-through entity in the case of a subrecipient.

In addition, initial draft reports were provided to CHCC on 09/06/24 and 09/24/24. It was also agreed during the 09/06/24 and 10/04/24 meetings for CHCC to provide corresponding underlying accounting records to resolve the finding; however, no documentations were provided within the agreed timeline. Accordingly, finding is sustained.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-008

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance

Award Number: 5H79SM062879-02 and 6U79SP020710-04M001
Area: Allowable Costs/Cost Principles
Questioned Costs: \$452,311

Criteria:

In accordance with 2 CFR Part 200, Subpart E, cost must be necessary and reasonable for the performance of the federal award and be allocable thereto. Further costs must conform to any limitations or exclusions and be adequately documented.

Condition:

Of sixty non-payroll expenditures tested, aggregating \$88,128 of a total population of \$1,284,340, the following deficiencies were noted:

- For twenty (or 33%), payments comprised of various invoices for which payment details were not provided. Accordingly, CHCC was not able to substantiate payments made for the following expenditures agreed to the invoice amounts.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H9243A	01/09/19	1431525	\$ 274
H9243B	01/10/19	249627	1,307
H9243A	01/17/19	1432181	43
H9243B	01/25/19	1432839	14
H9243A	03/05/19	1436334	176
H9243B	03/14/19	1437328	43
H9243A	04/09/19	1439902	260
H9243A	04/24/19	1441421	54
H9243A	05/07/19	1442824	481
H9243A	07/10/19	251515	29
H9243A	08/01/19	1456156	1,287
H8243A	08/01/19	1456160	1,117
H9243A	09/16/19	252180	34
H8243B	11/09/18	1426648	602
H8243A	11/09/18	1426652	594
H9243B	12/10/18	1428602	49
H8243A	12/27/18	249297	1,544
H8243A	12/27/18	1430391	200
H8243A	12/27/18	1430394	202
H9243A	12/28/18	249492	<u>381</u>
			<u>\$8,691</u>

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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-008, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance
 Award Number: 5H79SM062879-02 and 6U79SP020710-04M001
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$452,311

Condition, continued:

2. For ten (or 17%), either the trip reports, travel vouchers, boarding passes and/or documentations supporting travel cash advances and per diem calculations were not provided.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H9243A	03/12/19	1436947	\$ 90
H9243A	04/03/19	1439206	250
H9243A	05/04/19	1442524	281
H9243A	06/21/19	1447466	919
H9243B	06/21/19	1447510	120
H9243B	06/21/19	1447511	188
H9243B	06/21/19	1447514	188
H9243A	06/28/19	1448255	723
H8243B	12/05/18	1428360	188
H8243B	12/26/18	1430267	<u>30</u>
			<u>\$2,977</u>

3. For nineteen (or 32%), check payments were not provided.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H9243A	01/23/19	1432642	\$ 15
H9243A	03/12/19	1436947	90
H9243A	04/03/19	1439206	250
H9243A	04/15/19	250606	228
H9243A	05/04/19	1442524	281
H9243A	05/21/19	1444393	1,800
H9243A	06/21/19	1447464	15
H9243A	06/21/19	1447466	919
H9243B	06/21/19	1447510	120

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-008, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance

Award Number: 5H79SM062879-02 and 6U79SP020710-04M001
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$452,311

Condition, continued:

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H9243B	06/21/19	1447511	188
H9243B	06/21/19	1447514	188
H9243B	06/28/19	1448255	723
H9243B	09/13/19	1473071	10,000
H9243A	09/13/19	1473085	313
H9243B	07/08/19	1452671	2,079
H9243A	09/30/19	1479633	10
H8243B	10/31/18	1426011	96
H8243B	12/05/18	1428360	188
H8243B	12/26/18	1430267	<u>30</u>
			17,533
Less amounts questioned at Condition 2 for Document Numbers 1436947, 1439206, 1442524, 1447466, 1447510, 1447511, 1447514, 1448255, 1428360 and 1430267			(<u>2,977</u>)
			<u>\$ 14,556</u>

4. For two (or 3%), invoices were not provided. No questioned costs are presented as amounts are questioned at Condition 3.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount</u>
H9243B	07/08/19	1452671	\$2,079
H9243A	09/30/19	1479633	<u>10</u>
			<u>\$2,089</u>

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-008, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of
Regional and National Significance
Award Number: 5H79SM062879-02 and 6U79SP020710-04M001
Area: Allowable Costs/Cost Principles
Questioned Costs: \$452,311

Condition, continued:

Of twenty-five payroll expenditures tested, aggregating \$33,121 of a total population of \$686,242, the following deficiency was noted.

5. For one (or 4%), payperiod ended 04/13/19 payroll register substantiating the payroll cost of \$349 for Employee No. 403867 (Business Unit H9243B) was not provided, for which the amount is questioned.

Test of grant awards noted the following:

6. Cumulative expenditures of \$1,144,077 exceeded the grant award's funding limit of \$718,339 for Business Unit H9243B, resulting in an excess amount of \$425,738. Documentation of any increase in funding limit was not provided, for which the excess amount of \$425,738 is questioned.

Cause:

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

Effect:

CHCC is in noncompliance with allowable costs/cost principles requirements and questioned costs of \$452,311 result.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$ 8,691
2	2,977
3	14,556
5	349
6	<u>425,738</u>
	<u>\$452,311</u>

Identification as a Repeat Finding: Finding No. 2018-015.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-008, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of
Regional and National Significance
Award Number: 5H79SM062879-02 and 6U79SP020710-04M001
Area: Allowable Costs/Cost Principles
Questioned Costs: \$452,311

Recommendation:

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

Views of Responsible Officials:

CHCC's Corrective Action Plan provides a detailed rationale for disagreement with the finding described in Conditions 1 to 6.

Auditor Response:

Condition 1 - Payment vouchers were not provided.

Condition 2 - Underlying travel documentations were not provided.

Condition 3 - Cancelled checks were not provided.

Condition 4 - Of the \$25,000 for Document Number 1452571, \$2,079 was not supported with an invoice. In addition, the invoice for Document 1479633 was not provided.

Condition 5 - The payroll register provided for PPE 04/13/19 did not reflect the employee's payroll costs.

Condition 6 - Grant awards provided only equates to \$718,339. Grant award documentation of the increase in funding limit was not provided.

In addition, initial draft reports were provided to CHCC on 09/06/24 and 09/24/24. It was also agreed during the 09/06/24 and 10/04/24 meetings for CHCC to provide corresponding underlying accounting records to resolve the finding; however, no documentations were provided within the agreed timeline. Accordingly, finding is sustained.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-009

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance

Award Number: 5U79SP020710-04
Area: Cash Management
Questioned Costs: \$-0-

Criteria:

In accordance with 2 CFR Section 200.305(b)(1), non-Federal entities other than states, payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

Condition:

Of five subrecipient disbursements tested for cash management requirement, aggregating \$175,000 of a total population of \$468,864, for five (or 100%), documentation of procedures performed to ensure that the time elapsed between the transfer of federal funds to the subrecipients and the disbursement of such funds by the subrecipients were not provided. No questioned costs as amounts questioned at Finding No. 2019-012, Condition 1 are for the same subrecipients, for which the total FY2019 expenditures under the subrecipient agreements were questioned.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount</u>	<u>Total FY2019 Expenditures</u>
Subrecipient 1:				
A9243B	03/04/19	1436269	\$50,000	
A9243B	07/02/19	1452364	<u>25,000</u>	\$ 75,000
Subrecipient 2:				
H9243B	03/04/19	1436271	\$50,000	
H9243B	06/18/19	1447939	25,000	
H9243B	09/18/19	1473976	<u>25,000</u>	<u>100,000</u>
				<u>\$175,000</u>

Cause:

CHCC did not enforce monitoring controls over compliance with applicable cash management requirements over subrecipients.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-009, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of
Regional and National Significance

Award Number: 5U79SP020710-04
Area: Cash Management
Questioned Costs: \$-0-

Effect:

CHCC is in noncompliance with applicable cash management requirements over subrecipients.

Recommendation:

CHCC should establish and implement procedures to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and the disbursement of such funds for program purposes by the subrecipient is minimized.

Views of Responsible Officials:

CHCC's Corrective Action Plan provides a detailed rationale for disagreement with the finding.

Auditor Response:

Documentations of procedures performed to ensure that the time elapsed between the transfer of federal funds to the subrecipients and the disbursement of such funds by the subrecipients were not provided.

In addition, initial draft reports were provided to CHCC on 09/06/24 and 09/24/24. It was also agreed during the 09/06/24 and 10/04/24 meetings for CHCC to provide corresponding underlying accounting records to resolve the finding; however, no documentations were provided within the agreed timeline. Accordingly, finding is sustained.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-010

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance

Award Number: 1H79SM062879-01, 5U79SP020710-04 and 6U79SP020710-04M001
Area: Period of Performance
Questioned Costs: \$97,710

Criteria:

In accordance with 45 CFR §75.309, a non-Federal entity may charge to the federal award only allowable costs incurred during the period of performance and any costs incurred before the U.S. Department of Health and Human Services (HHS) awarding agency or pass-through entity made the federal award that were authorized by the federal awarding agency or pass-through entity. Funds available to pay allowable costs during the period of performance include both federal funds awarded and carryover balances. In addition, a non-Federal entity must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. This deadline may be extended with prior written approval from the HHS awarding agency.

Condition:

Of nineteen expenditures tested, aggregating of \$138,858 of a total population of \$1,970,581, the following deficiency was noted:

1. For one (or 5%), the cancelled check for Document Number 1479917 (Business Unit H9243B, dated 09/30/19) amounting to \$10,000 was not provided; accordingly, CHCC was not able to substantiate that the payment was liquidated within the grant award's 90 days liquidation period, for which the amount is questioned.
2. For seven (or 37%), expenditures were liquidated after the liquidation period end date of 12/29/18.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Check Clearance Date</u>	<u>Amount and Questioned Costs</u>
H8243A	11/30/18	1427946	01/08/19	\$36,500
H8243B	12/06/18	1428464	01/31/19	8,864
H8243A	12/14/18	1429041	01/17/19	2,350
H8243A	11/16/18	248987	01/02/19	50
H8243A	12/17/18	249297	01/07/19	1,544
H8243A	12/27/18	1430391	01/11/19	199

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-010, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance

Award Number: 1H79SM062879-01, 5U79SP020710-04 and 6U79SP020710-04M001
 Area: Period of Performance
 Questioned Costs: \$97,710

Condition, continued:

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Check Clearance Date</u>	<u>Amount and Questioned Costs</u>
H8243A	12/27/18	1430394	01/11/19	<u>202</u>
				49,709
Less amounts questioned at Finding No. 2019-008, Condition 1 for Document Numbers 249297 and 1430394				(<u>1,746</u>)
				\$ <u>47,963</u>

3. For two (or 11%), expenditures were incurred/obligated after the obligation periods. No questioned costs are presented as amounts are questioned at Condition 1 for Document Number 1479917 and at Condition 2 for Document Number 1428464.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Obligation Period End Date</u>	<u>Amount</u>
H9243B	09/30/19	1479917	09/29/19	\$10,000
H8243B	12/06/18	1428464	09/28/18	<u>8,864</u>
				\$ <u>18,864</u>

4. For one (or 5%), the transaction pertains to indirect costs charges for which the expenditure was charged to the Program after the 90 days liquidation period end date of 12/29/18.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H8243A	12/31/18	316625	\$37,850

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-010, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance
 Award Number: 1H79SM062879-01, 5U79SP020710-04 and 6U79SP020710-04M001
 Area: Period of Performance
 Questioned Costs: \$97,710

Condition, continued:

Of five subsequent expenditures tested, aggregating \$2,486 of a total population of \$6,362, the following deficiencies were noted:

5. For one (or 20%), the supporting documents were not provided. Accordingly, CHCC was not able to substantiate that the expenditure was incurred/obligated within the period of performance end date of 09/29/19 and was liquidated within the liquidation period end date of 12/29/19.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H9243A	12/17/19	1485406	\$919

6. For two (or 40%), expenditures were liquidated after the liquidation period end date of 12/29/19.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H9243A	12/26/19	1486136	\$489
H9243A	12/26/19	1486138	<u>489</u>
			<u>\$978</u>

Cause:

CHCC did not enforce recordkeeping and monitoring controls over compliance with applicable period of performance requirements.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-010, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of
Regional and National Significance

Award Number: 1H79SM062879-01, 5U79SP020710-04 and 6U79SP020710-04M001
Area: Period of Performance
Questioned Costs: \$97,710

Effect:

CHCC is in noncompliance with applicable period of performance requirements and questioned costs of \$97,710 result.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$10,000
2	47,963
4	37,850
5	919
6	<u>978</u>
	<u>\$97,710</u>

Recommendation:

Responsible CHCC personnel should establish recordkeeping system whereby underlying support for each transaction is substantiated and filed and enforce monitoring control over compliance with applicable period of performance requirements.

Views of Responsible Officials:

CHCC's Corrective Action Plan provides a detailed rationale for disagreement with the finding described in Conditions 1 to 4 and 6 and states agreement with Condition 5; however, disagrees with the questioned costs.

Auditor Response:

Condition 1 - The cancelled check was not provided.

Condition 2 - Check clearance dates were after the liquidation period end date of 12/29/18.

Condition 3 - Obligation period end dates were obtained from documentations provided by CHCC.

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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-010, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of
Regional and National Significance

Award Number: 1H79SM062879-01, 5U79SP020710-04 and 6U79SP020710-04M001
Area: Period of Performance
Questioned Costs: \$97,710

Auditor Response, continued:

Condition 4 - The indirect costs was charged to the Program on 12/31/18, which is after the period of performance end date of 12/29/18.

Condition 5 - Questioned costs are warranted given the transaction tested was not supported with adequate documentations.

Condition 6 - Expenditures were liquidated after the liquidation period end date of 12/29/19.

In addition, initial draft reports were provided to CHCC on 09/06/24 and 09/24/24. It was also agreed during the 09/06/24 and 10/04/24 meetings for CHCC to provide corresponding underlying accounting records to resolve the finding; however, no documentations were provided within the agreed timeline. Accordingly, finding is sustained.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-011

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of
Regional and National Significance

Award Number: 5U79SP020710-04 and 5H795M062879-02
Area: Procurement and Suspension and Debarment
Questioned Costs: \$183,926

Criteria:

Non-federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR Part 200. CHCC's procurement regulations, pursuant to the Commonwealth law, state the following:

- All procurement records shall be retained by the CHCC Procurement and Supply (P&S) Director for a period of seven (7) years after completion of construction, or full delivery of the goods or services under the contract.
- Competitive Sealed Bidding

Because of the unique nature and varied needs of all parts of the institution, the CEO and the CHCC Director of P&S shall make a determination as to the best way to publicize the Invitation to Bid (ITB). Every procurement in excess of \$10,000 shall be publicized in one or more of the following ways:

- (a) in a newspaper of general circulation;
 - (b) in a newspaper of local circulation in the area pertinent to the procurement;
 - (c) in industry media;
 - (d) through electronic mailing lists,
 - (e) through the internet, agency web site, or other publicly accessible electronic media,
 - (f) through electronic mailing lists, or
 - (g) in a government publication designed for giving public notice
- Competitive Sealed Proposal

Adequate public notice of the request for proposals shall be given in the same manner as provided for in competitive sealed bids.

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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-011, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance
 Award Number: 5U79SP020710-04 and 5H795M062879-02
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$183,926

Criteria, continued:

- Small Purchases

Bidding is not required but is encouraged for procurement over \$5,000 and under \$25,000, or \$50,000 if it is medical equipment, supplies, or devices. The CEO, the official with expenditure authority, must obtain price quotations from at least three vendors and base the selection on competitive price and quality for procurement valued at \$5,000 to \$25,000 or \$50,000 for medical equipment, supplies, or devices. Any price quotations obtained must be written, documented, and submitted to the CHCC P&S Director for approval.

- Sole Source Procurement

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

Condition:

Of thirty-seven procurement samples tested, aggregating \$232,278 of a total population of \$1,068,186, the following deficiencies were noted:

1. For five (or 14%), procurement files were not provided. No questioned costs is presented for Document Number 249681 as the amount is questioned at Condition 2.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H9243A	11/06/19	249681	\$ 35,955
H9243B	04/15/19	1440639	10,910
H9243B	06/19/19	1447040	10,910
H9243B	01/11/19	1431757	10,910
H9243B	07/30/19	1455935	<u>10,910</u>
			79,595
Less amount questioned at Condition 2 for Document Number 249681			<u>(35,955)</u>
			<u>\$ 43,640</u>

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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-011, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance
 Award Number: 5U79SP020710-04 and 5H795M062879-02
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$183,926

Condition, continued:

2. For four (or 11%), approval by the Expenditure Authority and the P&S Director were not evident.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H9243B	01/08/19	1431405	\$ 492
H9243B	03/20/19	1437803	2,700
H9243B	05/09/19	1443186	6,875
H9243A	01/16/19	249681	<u>35,955</u>
			<u>\$46,022</u>

3. For four (or 11%), purchase requisitions and/or contracts were not provided. No questioned costs are presented as amounts are questioned at Condition 2.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount</u>
H9243B	01/08/19	1431405	\$ 492
H9243B	03/20/19	1437803	2,700
H9243B	05/09/19	1443186	6,875
H9243A	11/06/18	249681	<u>35,955</u>
			<u>\$46,022</u>

4. For four (or 11%), either the Invitation to Bid (ITB) or Request for Proposal (RFP) publication notices and evaluations forms were not provided.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H9243B	01/25/19	1432820	\$23,395
H9243B	05/06/19	1442645	46,790
H9243B	09/13/19	1473069	23,329
H9243B	09/30/19	1475658	<u>750</u>
			<u>\$94,264</u>

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-011, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance
 Award Number: 5U79SP020710-04 and 5H795M062879-02
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$183,926

Condition, continued:

5. For one (or 3%), there was no written justification by the Expenditure Authority for the sole source procurement method used for Document No. 1427946 (Business Unit H8243A), dated 11/30/18 amounting to \$36,500. No questioned costs are presented as the amount is questioned at Finding No. 2019-010, Condition 2.
6. For three (or 8%) small purchase, no evidence of effort to obtain three quotations. No questioned costs are presented as the amount is questioned at Condition 2 for Document Number 1443186 and at Finding No. 2019-008, Condition 1 for Document Numbers 1456156 and 1456160.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount</u>
H9243B	05/09/19	1443186	\$6,875
H9243A	08/01/19	1456156	1,287
H9243A	08/01/19	1456160	<u>1,117</u>
			<u>\$9,279</u>

7. For one (or 3%), the written justification by the Official Expenditure Authority of the sole source procurement method used was not provided. No questioned costs are presented as the amount is questioned at Finding No. 2019-010, Condition 2.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount</u>
H8243A	11/30/18	1427946	\$36,500

Cause:

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

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-011, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance
Award Number: 5U79SP020710-04 and 5H795M062879-02
Area: Procurement and Suspension and Debarment
Questioned Costs: \$183,926

Effect:

CHCC is in noncompliance with applicable procurement regulations, and questioned costs of \$183,926 exist.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$ 43,640
2	46,022
4	<u>94,264</u>
	<u>\$183,926</u>

Identification as a Repeat Finding: Finding No. 2018-017.

Recommendation:

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

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement with the findings described for Conditions 1 to 7; however, disagrees with the questioned costs.

Auditor Response:

Conditions 1 to 7 - Questioned costs are warranted given transactions tested were not supported by adequate documentations.

In addition, initial draft reports were provided to CHCC on 09/06/24 and 09/24/24. It was also agreed during the 09/06/24 and 10/04/24 meetings for CHCC to provide corresponding underlying accounting records to resolve the finding; however, no documentations were provided within the agreed timeline. Accordingly, finding is sustained.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-012

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance

Award Number: 5U79SP020710-04
Area: Subrecipient Monitoring
Questioned Costs: \$468,864

Criteria:

In accordance with CFR part 200.332, a pass-through entity's monitoring responsibilities include verification that every subrecipient is audited when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the \$750,000 threshold set forth in §200.501 Audit requirements.

In addition, to equally distribute subawards, CHCC should issue public publication notices for interested nonprofit organizations to apply.

Condition:

Of five subrecipients tested, aggregating \$160,000 of a total population of \$468,864, the following deficiencies were noted:

- For five (or 100%), documentation of the monitoring procedures performed to determine whether any of the subrecipients expended \$750,000 or more in federal funds and whether those that expended \$750,000 or more were audited, were not provided. Total FY2019 expenditures under the subrecipient agreements were \$353,864, which is a questioned costs.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount</u>	<u>Total FY2019 Expenditures and Questioned Costs</u>
H9243B	02/28/19	1436069	\$ 20,000	\$ 30,000
H9243B	03/04/19	1436269	\$ 50,000	75,000
H9243B	03/04/19	1436285	\$ 40,000	40,000
H9243B	06/18/19	1447939	\$ 25,000	100,000
H9243B	08/22/19	1458071	\$ 25,000	<u>108,864</u>
				<u>\$353,864</u>

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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-012, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance

Award Number: 5U79SP020710-04
 Area: Subrecipient Monitoring
 Questioned Costs: \$468,864

Condition, continued:

Test of fourteen nonpayroll expenditures pertaining to subrecipient transactions, aggregating \$438,864 of a total population of \$468,864, the following deficiencies were noted:

2. For fourteen (or 100%), public publication notices of subaward opportunities were not provided. Total FY2019 expenditures under the subrecipient agreements for Document Numbers 1436077, 1436266, 1456803 and 1446815 amounted to \$115,000, which are for the same subrecipients, are questioned. No questioned costs are presented for the other Document Numbers as amounts are questioned at Condition 1, for which are for the same subrecipients.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount</u>	<u>FY2019 Expenditures and Questioned Costs</u>
H9243B	02/28/19	1436069	\$20,000	\$ -
H9243B	02/28/19	1436077	\$50,000	75,000
H9243B	03/04/19	1436266	\$20,000	40,000
H9243B	03/04/19	1436269	\$50,000	-
H9243B	03/04/19	1436271	\$50,000	-
H9243B	03/04/19	1436285	\$40,000	-
H9243B	03/07/19	1436534	\$50,000	-
H9243B	06/18/19	1446815	\$25,000	-
H9243B	07/02/19	1452364	\$25,000	-
H9243B	07/08/19	1452671	\$25,000	-
H9243B	08/09/19	1456803	\$25,000	-
H9243B	08/22/19	1458071	\$25,000	-
H9243B	09/18/19	1473976	\$25,000	-
H8243B	12/06/18	1428464	\$ 8,864	-
				<u>\$115,000</u>

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-012, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance

Award Number: 5U79SP020710-04
 Area: Subrecipient Monitoring
 Questioned Costs: \$468,864

Condition, continued:

3. For one (or 7%), supporting documents were not provided. No questioned costs is presented as the amount questioned at Condition 2 for Document Number 1436077 is for the same subrecipient.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount</u>
H9243B	06/18/19	1446815	\$25,000

Cause:

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

Effect:

CHCC is in noncompliance with applicable subrecipient monitoring requirements and questioned costs of \$468,864 result.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$353,864
2	<u>115,000</u>
	<u>\$468,864</u>

Identification as a Repeat Finding: Finding No. 2018-019.

Recommendation:

CHCC should establish and enforce required monitoring procedures and establish a recordkeeping system whereby underlying support for each transaction is processed timely and filed accordingly for easy retrieval to substantiate costs.

Commonwealth Healthcare Corporation
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-012, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of
Regional and National Significance

Award Number: 5U79SP020710-04
Area: Subrecipient Monitoring
Questioned Costs: \$468,864

Views of Responsible Officials:

CHCC's Corrective Action Plan provides a detailed rationale for disagreement with the finding described in Conditions 1 to 3.

Auditor Response:

Condition 1 - Invoices, receipts and progress reports from prior disbursements were not provided.

Condition 2 - Public publication notices of subaward opportunities were not provided.

Condition 3 - We were not made aware that the transaction was voided and the corresponding reversal journal entry was also not provided.

In addition, initial draft reports were provided to CHCC on 09/06/24 and 09/24/24. It was also agreed during the 09/06/24 and 10/04/24 meetings for CHCC to provide corresponding underlying accounting records to resolve the finding; however, no documentations were provided within the agreed timeline. Accordingly, finding is sustained.

Commonwealth Healthcare Corporation
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-013

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.268 Immunization Cooperative Agreements
 Award Numbers: 6 NH23IP000736-05-01 and 5NH231P000736-05-00
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$22,500

Criteria:

In accordance with 2 CFR Part 200, Subpart E, cost must be necessary and reasonable for the performance of the federal award and be allocable thereto. Further costs must conform to any limitations or exclusions and be adequately documented.

Condition:

Of thirty-three nonpayroll expenditures tested, aggregating \$23,528 of a total population of \$243,080, the following deficiencies were noted:

1. For twenty-seven (or 82%), check payments were not provided. In addition, for Document Numbers 1436562 and 1436565, funds availability certifications were not evident and payment request memorandums did not agree to the invoice amounts.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H72687A	04/02/19	1439123	\$1,500
H72682	01/23/19	1432589	2,400
H72682	01/23/19	1432616	506
H72682	01/23/19	1432632	506
H72687A	04/08/19	318986	80
H82687A	08/26/19	1458258	536
H72682	04/04/19	1439526	57
H72682	04/04/19	1439530	80
H72682	04/05/19	1439629	80
H72682	04/10/19	1440199	51
H72682	05/22/19	1444688	51
H72682	06/25/19	1447787	51
H72682	08/05/19	1456412	401
H72682	08/05/19	1456414	51
H72687	03/07/19	1436562	16
H72687	03/07/19	1436565	80
H72681	06/28/19	1448413	2,100
H72681	07/01/19	1448512	240
H72681	05/04/19	1442511	55
H72681	05/27/19	1444926	1,212

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-013, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.268 Immunization Cooperative Agreements
 Award Numbers: 6 NH23IP000736-05-01 and 5NH231P000736-05-00
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$22,500

Condition, continued:

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H72681	07/26/19	1455463	2,045
H72681	05/15/19	1443927	107
H72681	05/15/19	1443927	107
H72681	07/17/19	1453902	101
H82687A	09/16/19	252170	12
H72682	02/21/19	1435333	567
H72681	06/12/19	251195	<u>360</u>
			<u>\$13,352</u>

2. For three (or 9%), payment vouchers were not signed to evidence approval.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H72681	01/24/19	1432683	\$ 90
H72681	02/21/19	1435280	90
H72681	05/04/19	1442511	<u>55</u>
			235
Less amount questioned at Condition 1 for Document Number 1442511			(<u>55</u>)
			<u>\$ 180</u>

3. For one (or 3%), the P&S Director's approval of the purchase order was not evident. No questioned costs is presented as the amount is questioned at Condition 1.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount</u>
H72681	06/28/19	1448413	\$2,100

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-013, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.268 Immunization Cooperative Agreements
 Award Numbers: 6 NH23IP000736-05-01 and 5NH231P000736-05-00
 Area: Allowable Costs/Cost Principles
 Questioned Costs: \$22,500

Condition, continued:

Of thirty-two payroll expenditures tested, aggregating \$26,611 of a total population of \$535,817, the following deficiencies were noted:

4. For one (or 3%), approval of the Request for Personnel Action form by the Director of Public Health Services, Chief Financial Officer, Director of Human Resources and Chief Executive Officer were not evident. In addition, the payroll register was not provided to substantiate the employee's payroll cost.

<u>Business Unit</u>	<u>Employee Number</u>	<u>PPE</u>	<u>Amount and Questioned Costs</u>
H82687A	712629	07/20/19	\$1,163

5. For one (or 3%), transaction pertains to personnel insurance costs, for which the corresponding supporting documents were not provided.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H72687A	08/01/19	322429	\$13

6. For five (or 15%), transactions pertain to payroll costs journal entries, for which the corresponding checks/ACH payments were not provided.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H82687A	07/06/19	322410	\$7,536
H82683	07/06/19	322406	70
H82687A	07/06/19	322410	178
H82682	07/06/19	322404	1
H82684	07/06/19	322407	7
			<u>\$7,792</u>

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-013, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.268 Immunization Cooperative Agreements
Award Numbers: 6 NH23IP000736-05-01 and 5NH231P000736-05-00
Area: Allowable Costs/Cost Principles
Questioned Costs: \$22,500

Cause:

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

Effect:

CHCC is in noncompliance with allowable costs/cost principles requirements and questioned costs of \$22,500 result as the projected questioned costs exceed the \$25,000 threshold.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$13,352
2	180
4	1,163
5	13
6	<u>7,792</u>
	<u>\$22,500</u>

Identification as a Repeat Finding: Finding No. 2018-020.

Recommendation:

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

Views of Responsible Officials:

CHCC's Corrective Action Plan provides a detailed rationale for disagreement with the finding described in Conditions 1 and 2, and states agreement with Conditions 3 to 6; however, disagrees with the questioned costs.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-013, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.268 Immunization Cooperative Agreements
Award Numbers: 6 NH23IP000736-05-01 and 5NH231P000736-05-00
Area: Allowable Costs/Cost Principles
Questioned Costs: \$22,500

Auditor Response:

Condition 1 - Cancelled checks provided comprised of numerous invoice payments for which corresponding check vouchers were not provided; thus, CHCC was not able to substantiate whether cancelled checks provided pertain to transactions being tested.

Condition 2 - Batch headers evidencing approvals were not provided.

Conditions 3 through 6 - Questioned costs are warranted given transactions tested were not supported by adequate documentations.

In addition, initial draft reports were provided to CHCC on 09/06/24 and 09/24/24. It was also agreed during the 09/06/24 and 10/04/24 meetings for CHCC to provide corresponding underlying accounting records to resolve the finding; however, no documentations were provided within the agreed timeline. Accordingly, finding is sustained.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-014

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.268 Immunization Cooperative Agreements
 Award Numbers: 6NH231P000736-05-01 and 5NH231P000786-05-00
 Area: Period of Performance
 Questioned Costs: \$80,809

Criteria:

In accordance with 45 CFR §75.309, a non-Federal entity may charge to the federal award only allowable costs incurred during the period of performance and any costs incurred before the U.S. Department of Health and Human Services (HHS) awarding agency or pass-through entity made the federal award that were authorized by the federal awarding agency or pass-through entity. Funds available to pay allowable costs during the period of performance include both federal funds awarded and carryover balances. In addition, a non-Federal entity must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. This deadline may be extended with prior written approval from the HHS awarding agency.

Condition:

Of nineteen expenditures tested, aggregating \$88,887 of a total population of \$778,897, the following deficiencies were noted:

1. For ten (or 53%), no supporting documents were provided to substantiate that the expenditures were incurred within the period of performance.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H72687A	06/08/19	11809	\$13,356
H72687A	06/22/19	11845	13,799
H72687A	07/06/19	11860	15,073
H72682	06/22/19	11854	1,992
H72685	08/08/19	11809	237
H72687A	06/22/19	11846	856
H72687A	07/06/19	11861	1,576
H72682	06/24/19	1447735	2,000
H72687A	07/02/19	251434	7,600
H72681	07/02/19	251433	<u>3,800</u>
			<u>\$60,289</u>

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-014, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.268 Immunization Cooperative Agreements
 Award Numbers: 6NH231P000736-05-01 and 5NH231P000786-05-00
 Area: Period of Performance
 Questioned Costs: \$80,809

Condition, continued:

2. For eight (or 42%), cancelled checks or other form of payment were not provided; accordingly, CHCC was not able to substantiate that expenditures were liquidated within the grant award's liquidation period.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H72687A	06/08/19	11809	\$ 13,356
H72687A	06/22/19	11845	13,799
H72687A	07/06/19	11860	15,073
H72682	06/22/19	11854	1,992
H72685	06/08/19	11809	237
H72687A	06/22/19	11846	856
H72687A	07/06/19	11861	1,576
H72681	08/26/19	1458410	<u>296</u>
			47,185
Less amounts questioned at Condition 1 for Document Numbers 11809, 11845, 11860, 11854, 11809, 11846 and 11861			(46,889)
			\$ <u>296</u>

3. For one (or 5%), liquidation occurred more than ninety days after the period of performance end date.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H72681	08/15/19	251834	\$495

Of eight subsequent expenditures tested, aggregating \$19,730 of a total population of \$19,744, the following deficiencies were noted:

4. For seven (or 88%), supporting documents were not provided. Accordingly, CHCC was not able to substantiate that the expenditures were incurred/obligated within the period of performance end date of 06/30/19 and were liquidated within the liquidation period end date of 09/30/19.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-014, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.268 Immunization Cooperative Agreements
 Award Numbers: 6NH231P000736-05-01 and 5NH231P000786-05-00
 Area: Period of Performance
 Questioned Costs: \$80,809

Condition, continued:

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H72682	10/25/19	252700	\$ 11,009
H72681	10/25/19	1480856	4,250
H72687A	10/29/19	324283	2,433
H72682	10/25/19	1480856	750
H72682	10/29/19	324283	792
H72681	10/29/19	324283	523
H72685	10/29/19	324283	<u>32</u>
			19,789
Less associated indirect costs reversal for Document Number 324283 that was separately recorded in the general ledger			(<u>112</u>)
			<u>\$ 19,677</u>

5. For one (or 13%), the expenditure was liquidated after the liquidation period end date of 09/30/19.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Check Cleared Date</u>	<u>Amount and Questioned Costs</u>
H72682	10/30/19	1480281	07/30/20	\$52

Cause:

CHCC did not enforce recordkeeping and monitoring controls over compliance with applicable period of performance requirements.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-014, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.268 Immunization Cooperative Agreements
Award Numbers: 6NH231P000736-05-01 and 5NH231P000786-05-00
Area: Period of Performance
Questioned Costs: \$80,809

Effect:

CHCC is in noncompliance with applicable period of performance requirements and questioned costs of \$80,809 result.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$60,289
2	296
3	495
4	19,677
5	<u>52</u>
	<u>\$80,809</u>

Recommendation:

The responsible personnel should review funding period dates prior to charging expenditures to a federal award. They should also ensure that purchase order, contracts, checks or evidence that the check cleared are properly filed for support. Furthermore, the responsible personnel should monitor check payments to ensure that liquidations occur in a timely manner. If extensions are necessary, grantor approval should be sought.

Views of Responsible Officials:

CHCC's Corrective Action Plan provides a detailed rationale for disagreement with the finding described in Conditions 3 to 5, and states agreement with Conditions 1 and 2; however, disagrees with the questioned costs.

Auditor Response:

Conditions 1 and 2 - Questioned costs are warranted given transactions tested were not supported by adequate documentations.

Condition 3 - Condition pertains to liquidation requirement and not obligation requirement.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-014, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.268 Immunization Cooperative Agreements
Award Numbers: 6NH231P000736-05-01 and 5NH231P000786-05-00
Area: Period of Performance
Questioned Costs: \$80,809

Auditor Response, continued:

Conditions 4 and 5 - Documentations provided by the Director of Grants and Fiscal Integrity on 09/27/24 do not pertain to transactions tested.

In addition, initial draft reports were provided to CHCC on 09/06/24 and 09/24/24. It was also agreed during the 09/06/24 and 10/04/24 meetings for CHCC to provide corresponding underlying accounting records to resolve the finding; however, no documentations were provided within the agreed timeline. Accordingly, finding is sustained.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-015

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.870 Maternal, Infant and Early Childhood Home Visiting Grant Program
 Award Number: X10MC29495 and X10MC31162
 Area: Cash Management
 Questioned Costs: \$524,804

Criteria:

In accordance with 31 CFR Part 205, a State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds. State interest liability accrues from the day Federal funds are credited to a State account to the day the State pays out the Federal funds for Federal assistance program purposes. Interest earned on advances of Program funds at the State and local levels shall be treated in accordance with the provisions of 31 CFR part 205, which implement the requirements of the Cash Management Improvement Act (CMIA) of 1990.

In addition, in accordance with the grant terms and conditions, all drawdown of federal funds from the Payment Management System (PMS) must have approval of the Grants Management Officer before funds are drawn.

Condition:

Of five drawdowns tested, aggregating \$524,804 of a total population of \$750,948, the following deficiencies were noted:

1. For one (or 20%), of the \$97,117 drawdown amount, the payment for check number 9199 was liquidated almost a year from the check issued date. No questioned costs are presented as the potential interest liability is less than \$500.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Check Date</u>	<u>Check Number</u>	<u>Check Cleared Date</u>	<u>Amount</u>
H55050	11/06/18	315654	11/15/18	9199	11/04/19	\$ 394

2. For one (or 20%), the payment has not been liquidated. No questioned costs are presented as the potential interest liability would have been less than \$500 as of our field work date of 09/10/24.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Check Date</u>	<u>Check Number</u>	<u>Amount</u>
H65050	04/01/19	318883	04/04/19	9741	\$630

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-015, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.870 Maternal, Infant and Early Childhood Home Visiting Grant Program
 Award Number: X10MC29495 and X10MC31162
 Area: Cash Management
 Questioned Costs: \$524,804

Condition, continued:

3. For five (or 100%), approved SF 270 evidencing prior approval by the Grants Management Officer of anticipated expenditures prior to drawdown of funds were not provided.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H55050	11/06/18	315654	\$ 97,117
H65050	02/21/19	318074	96,479
H65050	04/01/19	318883	151,127
H65050	05/28/19	320162	48,016
H65050	07/11/19	321419	<u>132,065</u>
			<u>\$524,804</u>

Cause:

CHCC did not enforce recordkeeping and monitoring controls over compliance with applicable cash management requirements and lacks monitoring controls over drawdown processing.

Effect:

CHCC is in noncompliance with applicable cash management requirements and questioned costs of \$524,804 for Condition 3.

Recommendation:

CHCC should implement monitoring control procedures to ensure that the time elapsing between the transfer of Federal funds from the United States Treasury and the payout of funds by CHCC is minimized. In addition, responsible CHCC personnel should establish recordkeeping system whereby underlying support for each transaction is substantiated and filed.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-015, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.870 Maternal, Infant and Early Childhood Home Visiting Grant Program
Award Number: X10MC29495 and X10MC31162
Area: Cash Management
Questioned Costs: \$524,804

Views of Responsible Officials:

CHCC's Corrective Action Plan provides a detailed rationale for disagreement with the finding described in Conditions 1 to 3.

Auditor Response:

Conditions 1 and 2 - While we understand that CHCC have no control over the timeliness of vendors cashing CHCC's issued checks, CHCC is required to minimize the time elapsing between the transfer of funds from the United States Treasury and disbursements of federal funds and this can be achieved through the monitoring of outstanding checks during its bank reconciliation process.

Condition 3 - Forms SF 270 evidencing prior grantor approval were not provided.

In addition, initial draft reports were provided to CHCC on 09/06/24 and 09/24/24. It was also agreed during the 09/06/24 and 10/04/24 meetings for CHCC to provide corresponding underlying accounting records to resolve the finding; however, no documentations were provided within the agreed timeline. Accordingly, finding is sustained.

Commonwealth Healthcare Corporation
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-016

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.870 Maternal, Infant and Early Childhood Home Visiting Grant Program

Award Number: 1X10MC31162-01-00

Area: Procurement and Suspension and Debarment

Questioned Costs: \$60,104

Criteria:

Non-federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR Part 200. CHCC's procurement regulations, pursuant to the Commonwealth law, state the following:

- All procurement records shall be retained by the CHCC Procurement and Supply (P&S) Director for a period of seven (7) years after completion of construction, or full delivery of the goods or services under the contract.

- Competitive Sealed Bidding

Because of the unique nature and varied needs of all parts of the institution, the CEO and the CHCC Director of P&S shall make a determination as to the best way to publicize the Invitation to Bid (ITB). Every procurement in excess of \$10,000 shall be publicized in one or more of the following ways:

- a. in a newspaper of general circulation;
- b. in a newspaper of local circulation in the area pertinent to the procurement;
- c. in industry media;
- d. through electronic mailing lists,
- e. through the internet, agency web site, or other publicly accessible electronic media,
- f. through electronic mailing lists, or
- g. in a government publication designed for giving public notice

- Competitive Sealed Proposal

Adequate public notice of the request for proposals shall be given in the same manner as provided for in competitive sealed bids.

- Small Purchases

Bidding is not required but is encouraged for procurement over \$5,000 and under \$25,000, or \$50,000 if it is medical equipment, supplies, or devices. The CEO, the official with expenditure authority, must obtain price quotations from at least three vendors and base the selection on competitive price and quality for procurement valued at \$5,000 to \$25,000 or \$50,000 for medical equipment, supplies, or devices. Any price quotations obtained must be written, documented, and submitted to the CHCC P&S Director for approval.

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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-016, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.870 Maternal, Infant and Early Childhood Home Visiting Grant Program
Award Number: 1X10MC31162-01-00
Area: Procurement and Suspension and Debarment
Questioned Costs: \$60,104

Criteria, Continued:

- Sole Source Procurement

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

Condition:

Of thirty-seven nonpayroll expenditures tested, aggregating \$75,546 of a total population of \$212,059, the following deficiencies were noted:

1. For five (or 14%), written justifications by the Official Expenditure Authority for the sole source procurement method used were not provided.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H65050	03/08/19	1436670	\$ 9,230
H65050	06/19/19	1447251	9,845
H65050	09/30/19	1476810	<u>9,845</u>
			<u>\$28,920</u>

2. For twelve (or 32%), the Invitation to Bid or Request for Proposal publications notices were not provided.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H65050	01/31/19	1433487	\$1,950
H65050	04/24/19	1441528	1,950
H65050	08/08/19	1456703	1,950
H65050	04/04/19	1441602	1,950
H65050	02/12/19	1434343	3,337
H65050	03/08/19	1436759	3,337

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Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-016, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.870 Maternal, Infant and Early Childhood Home Visiting Grant Program
 Award Number: 1X10MC31162-01-00
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$60,104

Condition, continued:

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H65050	09/04/19	1459283	3,337
H65050	08/08/19	1456758	1,169
H65050	05/14/19	1443802	3,337
H65050	02/12/19	1434371	672
H65050	05/22/19	1444515	70
H65050	09/30/19	1476958	<u>70</u>
			<u>\$23,129</u>

3. For nine (or 24%), purchase requisitions and/or contracts were not provided. No questioned costs are presented as amounts are questioned at Condition 4.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount</u>
H65050	09/30/19	1475865	\$ 809
H65050	02/13/19	1434655	1,200
H65050	08/13/19	1457281	1,600
H65050	11/07/18	1426503	234
H65050	08/08/19	1456741	520
H65050	09/18/19	1474011	129
H65050	11/29/18	249103	1,180
H65050	03/08/19	250215	150
H65050	06/25/19	241342	<u>2,233</u>
			<u>\$8,055</u>

Commonwealth Healthcare Corporation
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-016, continued

Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.870 Maternal, Infant and Early Childhood Home Visiting Grant Program
 Award Number: 1X10MC31162-01-00
 Area: Procurement and Suspension and Debarment
 Questioned Costs: \$60,104

Condition, continued:

4. For nine (or 24%), approval by the Expenditure Authority and the P&S Director were not evident.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount and Questioned Costs</u>
H65050	09/30/19	1475865	\$ 809
H65050	02/13/19	1434655	1,200
H65050	08/13/19	1457281	1,600
H65050	11/07/18	1426503	234
H65050	08/08/19	1456741	520
H65050	09/18/19	1474011	129
H65050	11/29/18	249103	1,180
H65050	03/08/19	250215	150
H65050	06/25/19	251342	<u>2,233</u>
			<u>\$8,055</u>

5. For three (or 8%), either the purchase order was not provided or was not signed by the P&S Director. No questioned costs are presented as amounts are questioned at Condition 4.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount</u>
H65050	02/13/19	1434655	\$1,200
H65050	11/07/18	1426503	234
H65050	08/08/19	1456741	<u>520</u>
			<u>\$1,954</u>

6. For one (or 3%) small purchase, no evidence of effort to obtain three quotations. No questioned costs are presented as the amount is questioned at Condition 4.

<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document Number</u>	<u>Amount</u>
H65050	02/13/19	1434655	\$1,200

Commonwealth Healthcare Corporation
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2019-016, continued

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.870 Maternal, Infant and Early Childhood Home Visiting Grant Program
Award Number: 1X10MC31162-01-00
Area: Procurement and Suspension and Debarment
Questioned Costs: \$60,104

Cause:

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

Effect:

CHCC is in noncompliance with applicable procurement regulations and questioned costs of \$60,104 result.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$28,920
2	23,129
4	<u>8,055</u>
	<u>\$60,104</u>

Identification as a Repeat Finding: Finding No. 2018-025.

Recommendation:

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

Views of Responsible Officials:

CHCC's Corrective Action Plan states agreement with the finding described in Conditions 1 to 6; however, disagrees with the questioned costs.

Auditor Response:

Conditions 1 to 6 - Questioned Costs are warranted given transactions tested were not supported by adequate documentations.

Commonwealth Healthcare Corporation
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

Finding No.:	2019-016, continued
Federal Agency:	U.S. Department of Health and Human Services
CFDA Program:	93.870 Maternal, Infant and Early Childhood Home Visiting Grant Program
Award Number:	1X10MC31162-01-00
Area:	Procurement and Suspension and Debarment
Questioned Costs:	\$60,104

Auditor Response, continued:

In addition, initial draft reports were provided to CHCC on 09/06/24 and 09/24/24. It was also agreed during the 09/06/24 and 10/04/24 meetings for CHCC to provide corresponding underlying accounting records to resolve the finding; however, no documentations were provided within the agreed timeline. Accordingly, finding is sustained.



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



CORRECTIVE ACTION PLAN
Year Ended September 30, 2019

Finding No. 2019-001 - General Ledger and Financial Statement Close Process

Contact Persons: Perlie Santos, Chief Financial Officer

Corrective Action:

Condition 1. CHCC agreed to the modification of the audit opinion due to scope limitations, wherein the scope limitation is related to the “nature and timing of the audit”, the deadline to complete the report, and not due to the lack of auditable documentation. CHCC has provided documentation for all material accounts.

Patient accounts receivable, net of allowance - CHCC maintains the Financial Systems using JDE that is on a modified accrual basis. Adjustments to convert to accrual are made at Financial Statement preparation. CHCC provided the reconciliation of the Accrual Basis Revenues from the Billing System to the recorded revenue in JDE. All related conversion entries were also provided.

Inventories - CHCC concurs with this finding as the Financial Information System was setup to do weighted average costing instead of First-in First-out, hence the is significant variances in the inventory balance that is requires huge time and effort to correct and would still require manual monitoring. We have been monitoring inventory balance through an excel spreadsheet for which the adjustments for issuances are not timely posted in the Financial Information System. We are implementing a new Inventory Management System beginning October 1, 2024.

Depreciable capital assets, net of accumulated depreciation - CHCC maintains the Financial Systems using JDE that is on a modified accrual basis. Adjustments to convert to accrual are made at Financial Statement preparation.

Accrued taxes and other liabilities

- CNMI Taxes - the unreconciled variance is \$1,843. We do not timely receive notice of penalties from the CNMI Division of Revenue and Taxation. The difference between the confirmed balance and our records could be identifiable to penalties.
- Accrued Payroll - Analysis of accrued payroll and subsequent payments was provided to the auditors

Due to related parties - Related party accounts are reconciled and recorded, except for CUC penalties.

Operating revenues - Please see response to patient accounts receivable, net of allowance. Also, the full detailed general ledgers supporting operating revenues were provided to the auditors.

Operating expenses - The full detailed general ledgers supporting operating expenses were provided to the auditors.

Finding No. 2019-001 - General Ledger and Financial Statement Close Process, Continued

Condition 2. The Audit adjustments from prior auditors were provided after the trial balances were provided to E&Y. We did post the Post-Trial balance adjustments and provided the reconciliation of the Fund Balance provided with the audited Fund Balance.

Condition 3. The difference between the CHCC recorded payable to CUC and the confirmed balance pertains to penalties not accrued on CHCC record.

Condition 4. All the necessary revisions were provided to the auditors. No material misstatement resulted to these conditions noted.

Proposed Completion Date: Not applicable as CHCC does not concur with the findings.

Finding No. 2019-002 – Inventories

Contact Persons: Perlie Santos, Chief Financial Officer and Cora Ada, Procurement Director

Corrective Action:

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

Condition 2 and 3. The cost of time and effort to address recurring findings for inventory and material management identified in these conditions and the financial statement qualification due to Inventory, outweighs the benefit as the Financial Information has errors from CHCC inception. To address this issue, CHCC acquired a new inventory management system that integrates to the Electronic Health Information System and will also be integrated to the Financial Information System. The new inventory system was implemented in October 1, 2024.

Proposed Completion Date: Not applicable as CHCC does not concur with the findings.

Finding No. 2019-003 – Capital Assets

Contact Persons: Perlie Santos, Chief Financial Officer and Cora Ada, Procurement Director

Corrective Action:

CHCC partially concurs with the finding. CHCC did conduct a physical count of capital assets in FY 2019. However, such count has not been reconciled with the recorded capital assets. With the new Procurement Director hired August 2019, CHCC aims to address this repeat finding. CHCC aims to complete physical inventory at the end of each Fiscal Year.

Proposed Completion Date: On-Going

Finding No.: 2019-004

Federal Agency: U.S. Department of Agriculture
CFDA Program: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
Award Number: 7NM700NM5
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

Contact Persons: Perlie Santos, Chief Financial Officer; Marie Attao, WIC Program Manager; Cora Ada, Procurement Director

Corrective Action:

The discrepancy noted was also noted in 2018. The vehicle was delivered in FY 2018 (September), however the invoice was processed in FY 2019 (October), hence the manual Capital Assets listing was only updated.

Proposed Completion Date: On-Going

Finding No.: 2019-005

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
Award Number: 5U79SM062447-04 and 6U79SM062447-04M001
Area: Allowable Costs/Cost Principles
Questioned Costs: \$16,190

Contact Persons: Perlie Santos, Chief Financial Officer; Reyna Saures, CGC Director; Vincent Camacho, Grant Administrator

Corrective Action:

Condition 1

CHCC does not concur with the findings and the questioned costs. The selected samples were part of a batch of invoices. The documentation of the approval was on the batch headers. The Auditors were only auditing for the manual approval stamp and signatures, when in fact CHCC's Financial Information system embedded internal control wherein the accounts payable accountants do not have access to post their own transactions. Transaction can only be posted after it is physically marked approved by the Accounting Managers in the JDE system and check payments cannot be printed when transactions are not posted for payment.

Condition 2

CHCC does not concur with the findings and the questioned costs. All the copies of the cleared checks were provided to the Auditors. They were not able to match the provided check to the invoice as the check vouchers were not attached to the cleared checks. Included in the 2019-005 are the images of the cleared checks and the corresponding check vouchers.

Finding No.: 2019-005 Continued

With the implementation of the new Munis Financial Information System in January 2023, CHCC is now able to electronically attach electronic images of the checks issued. The Check is linked to the invoices paid through the Tyler Content Manager (TCM). This will allow for audit testing to be done by providing auditors view only access to CHCC Financial Information System.

Condition 3

CHCC concurs with this finding. The selected employee was inactive since 11/23/2018. The Human Resources Department was not able to timely locate the personnel action file of the inactive employee. CHCC will roll out by the end of December 2024, the Tyler Munis Human Capital Management Module, wherein all personnel actions will be processed through an electronic workflow and will be saved in the Tyler Content Manager in electronic format. This will resolve the issue of unlocated files.

Condition 4

CHCC does not concur with the findings and the questioned costs. All payroll registers were provided to the auditors, however, the amounts selected for testing are not easily identifiable. Attached as Finding 2019-005 Condition 4 - 403867 \$529.pdf is the redacted payroll register to easily trace the amounts. The payroll register is available for testing.

Proposed Completion Date: Not applicable as CHCC does not concur with the findings.

Finding No.: 2019-006

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
Award Number: 6U79SM062447-04M001 and 6U79SM062447-04M004
Area: Matching, Level of Effort, Earmarking
Questioned Costs: \$-0-

Contact Persons: Perlie Santos, Chief Financial Officer; Reyna Saures, CGC Director; Vincent Camacho, Grants Administrator.

Corrective Action:

CHCC does not concur with these findings. CHCC affirms that the Match used to support activities of H71040 and H81040 were from verifiable records, and not from other federal funds. Costs were reasonable and necessary to accomplish the program's objectives and were provided to and approved by the awarding agency.

Finding No.: 2019-006 Continued

Furthermore, CHCC sought clarification with SAMHSA and received notice that a match waiver for the Territories of up to \$200,000 is applicable to all SAMHSA grants received based on the following federal statute:

“Pub. L. 96-205, title VI, Sec. 601, Mar. 12, 1980, 94 Stat. 90, as amended Pub. L. 98-213, Sec. 6, Dec. 8, 1983, 97 Stat. 1460; Pub. L. 98-454, title VI, Sec. 601(b), Oct. 5, 1984, 98 Stat. 1736, subsection (d): “Notwithstanding any other provision of law, in the case of American Samoa, Guam, the Virgin Islands, and the Northern Mariana Islands any department or agency shall waive any requirement for local matching funds under \$200,000 (including in-kind contributions) required by law to be provided by American Samoa, Guam, the Virgin Islands, or the Northern Mariana Islands. Therefore, whatever match amount required per year should be reduced by \$200,000 for the Northern Mariana Islands.”

Summarized below are the required and reported match amounts derived from the Final FFR for Grant SM062447, which included activities for H71040 and H81040 for fiscal year 2019.

Business Unit Account	Expenditure	Calculated Matching	Less Annual Waiver	Required Match	Actual Matching
CHH51040	\$ 484,653.00	\$ 161,551.00	\$ 200,000.00	\$ -	\$ 170,931.00
CHH61040	\$ 844,154.00	\$ 281,385.00	\$ 200,000.00	\$ 81,385.00	\$ 283,129.00
CHH71040	\$ 826,419.00	\$ 275,473.00	\$ 200,000.00	\$ 75,473.00	\$ 275,935.00
CHH81040	\$ 650,495.00	\$ 650,495.00	\$ 200,000.00	\$ 450,495.00	\$ 650,495.00
CHH81040 NCE	\$ 581,645.00	\$ 581,645.00	\$ 200,000.00	\$ 381,645.00	\$ 583,995.00
Total	\$ 3,387,366.00	\$ 1,950,549.00	\$ 1,000,000.00	\$ 988,998.00	\$ 1,964,485.00

SOC_CHH61040_Matching_Revised013019.docx

SOC_CHH71040 Matching.docx

SOC_CHH81040_FY19 Matching.docx

SOC_CHH81040_NCE Matching.docx

Proposed Completion Date: Not applicable as CHCC does not concur with the findings.

Finding No.: 2019-007

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
Award Number: 5U79SM062447-04
Area: Procurement and Suspension and Debarment
Questioned Costs: \$23,500

Contact Persons: Perlie Santos, Chief Financial Officer; Reyna Saures, CGC Director; Vincent Camacho, Grants Administrator; Cora Ada, Procurement Director.

Corrective Action:

Condition 1

CHCC does not concur with the findings and the questioned costs.

RFP19-CHCC/CHC-SOC-019 was published for Contract 686641, that supports Document 1475823 for \$9,800.

Document 1430779 was encumbered using 672067OM. This is a bridge obligation through an approved request for payment memorandum, while the contract was in progress.

ITB 16-CHCC/CGC-002 was published for Contract 621100, that supports documents 1456419 for \$850 and 1440996 for \$850.

Condition 2 and 3

CHCC does not concur with the findings and the questioned costs. The requested documentation was provided, however, CHCC acknowledges that the file sent referenced the Purchase Order numbers and the Document number (Payment Voucher Number). This may have resulted in auditors not properly associating the provided Purchase Orders to the selected payment vouchers.

2019-007

Document No.	Remarks
1442639	PO 674972 and supporting purchase requisition provided to auditors.
1446982	Unable to provide the purchase requisition timely, however, copy of signed PO 675565 is attached to payment voucher 1446982
1446380	This document is for monthly payment for communications, this is encumbered through a "request for payment memorandum" (OM).
1441003	PO 677400 and supporting purchase requisition provided to auditors.
1448082	PO 680132 and supporting purchase requisition provided to auditors.
1472682	Unable to provide the purchase requisition timely, however, copy of signed PO 677393 is attached to payment voucher 1472682
250242	PO 675990 and supporting purchase requisition provided to auditors.
251516	PO 683647 and supporting purchase requisition provided to auditors.

Finding No.: 2019-007, Continued

With the implementation of the Munis Financial Information System in January 2023, CHCC is now able to electronically attach Purchase Orders to the Invoices and supporting documents are also electronically linked to the Purchase Order and invoices. This will allow for audit testing to be done by providing auditors view only access to CHCC Financial Information System.

Condition 4

CHCC does not concur with the findings and the questioned costs. Although solicitations were not obtained for the car rental for the 4th year of the grant, CHCC believes that the vehicle rental agreement was competitively procured during the initial years of the rental. The agreement was rolled over annually to avoid disruption of service and program activity. To illustrate that, although no solicitation was obtained on the subsequent rental renewal, CHCC still ensures reasonableness of cost. For this agreement, the rental was even reduced from \$950 per month to \$900 per month on the 5th year of the agreement.

Proposed Completion Date: Not applicable as CHCC does not concur with the findings.

Finding No.: 2019-008

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of
Regional and National Significance
Award Number: 5H79SM062879-02 and 6U79SP020710-04M001
Area: Allowable Costs/Cost Principles

Questioned Costs: \$452,311

Contact Persons: Perlie Santos, Chief Financial Officer; Reyna Saures, CGC Director; Vincent Camacho, Grants Administrator.

Corrective Action:

Condition 1

CHCC does not concur with the findings and the questioned costs. The payment vouchers supporting the breakdown of the checks that agree to the selected samples are readily available. 2019-008 Condition 1. In the prior years' audits, CHCC provided auditors with read only access to our financial information system, wherein they will be able to view the "Payment with its Voucher Match". Although the scanned copies of the "Payment with Voucher Match" were not timely provided, internal controls are in place in the financial information system, wherein the CHCC treasurer is not able to prepare any check payment without the matching payment voucher. Hence the likelihood of the condition stated is mitigated by the system controls.

Finding No.: 2019-008 Continued

Condition 2

CHCC does not concur with the findings and the questioned costs. Although not timely scanned and sent electronically to the Auditors, the supporting documents from Travel Authorization to Travel Voucher are readily available for testing 2019-008 Condition 2.

With the implementation of the Munis Financial Information System in January 2023, CHCC is now able to electronically attach scanned supporting documents to the vouchers through the Tyler Content Manager (TCM). This will allow for audit testing to be done by providing auditors view only access to CHCC Financial Information System.

Condition 3

CHCC does not concur with the findings and the questioned costs. All the copies of the cleared checks were provided to the Auditors. They were not able to match the provided check to the invoice as the check vouchers were not attached to the cleared checks. 2019-008 Condition 3

With the implementation of the Munis Financial Information System in January 2023, CHCC is now able to electronically attach electronic images of the checks issued. The Check is linked to the invoices paid through the Tyler Content Manager (TCM). This will allow for audit testing to be done by providing auditors view only access to CHCC Financial Information System.

Condition 4

CHCC does not concur with the findings and the questioned costs. The invoices indicated as “not provided” were provided to the auditors since December 12, 2022. 2019-008 Condition 4

With the implementation of the Munis Financial Information System in January 2023, CHCC is now able to electronically attach scanned supporting documents to the vouchers through the Tyler Content Manager (TCM). This will allow for audit testing to be done by providing auditors view only access to CHCC Financial Information System.

Condition 5

CHCC does not concur with the findings and the questioned costs. The payroll register was provided for testing.

Finding No.: 2019-008 Continued

Condition 6

CHCC does not concur with the findings and the \$425,738 questioned costs. The auditor cited that CHCC expended more than the Grant award. Total expenditure reported and referenced by the auditor is correctly stated at \$1,144,077. This does not exceed the cumulative award for this grant that is \$1,304,330. The auditor may have erroneously referenced the additional funding for year 5, that is \$718,339 as the total grant award. The Payment Management System, wherein drawdowns are made will not allow for drawdown to exceed the awarded amounts. This documentation was submitted on 5/22/2024 XH1 93.243 - Additional grant award documents. Furthermore, FFR's are reported as cumulative amounts for the total project period.

SECTION I – AWARD DATA – 5U79SP020710-05	
Award Calculation (U.S. Dollars)	
Salaries and Wages	\$236,925
Fringe Benefits	\$30,154
Personnel Costs (Subtotal)	\$267,079
Materials & Supplies	\$17,135
Contractual	\$525,000
Travel	\$73,954
Other	\$359,405
Direct Cost	\$1,242,573
Indirect Cost	\$61,757
Approved Budget	\$1,304,330
Federal Share	\$1,304,330
Less Unobligated Balance	\$585,991
Cumulative Prior Awards for this Budget Period	\$0
AMOUNT OF THIS ACTION (FEDERAL SHARE)	\$718,339

SUMMARY TOTALS FOR ALL YEARS	
YR	AMOUNT
5	\$718,339

Proposed Completion Date: Not applicable as CHCC does not concur with the findings.

Finding No.: 2019-009

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of
Regional and National Significance
Award Number: 5U79SP020710-04
Area: Cash Management
Questioned Costs: \$-0-

Contact Persons: Perlie Santos, Chief Financial Officer; Reyna Saures, CGC Director; Vincent Camacho, Grants Administrator

Corrective Action:

CHCC does not concur with the findings and the \$175,000 questioned costs.

Pursuant to the terms and conditions of the sub-award agreement, before any subsequent disbursements to the Subgrantee, invoices and receipt and progress reports from the prior disbursements were be submitted to the Project Director for review and approval. No subsequent disbursements were issued without compliance to these requirements.

Proposed Completion Date: Not applicable as CHCC does not concur with the findings.

Finding No.: 2019-010

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of
Regional and National Significance
Award Number: 1H79SM062879-01, 5U79SP020710-04 and 6U79SP020710-04M001
Area: Period of Performance
Questioned Costs: \$97,710

Contact Persons: Perlie Santos, Chief Financial Officer; Reyna Saures, CGC Director; Vincent Camacho, Grants Administrator; Laurie Deleon Guerrero, Travel Coordinator

Corrective Action:

Condition 1

CHCC does not concur with the findings and the \$10,000 questioned costs. A copy of check 10980 dated 11/08/19 cleared the bank as of 11/25/2019 2019-010 Condition 1

Finding No.: 2019-010 Continued

Condition 2

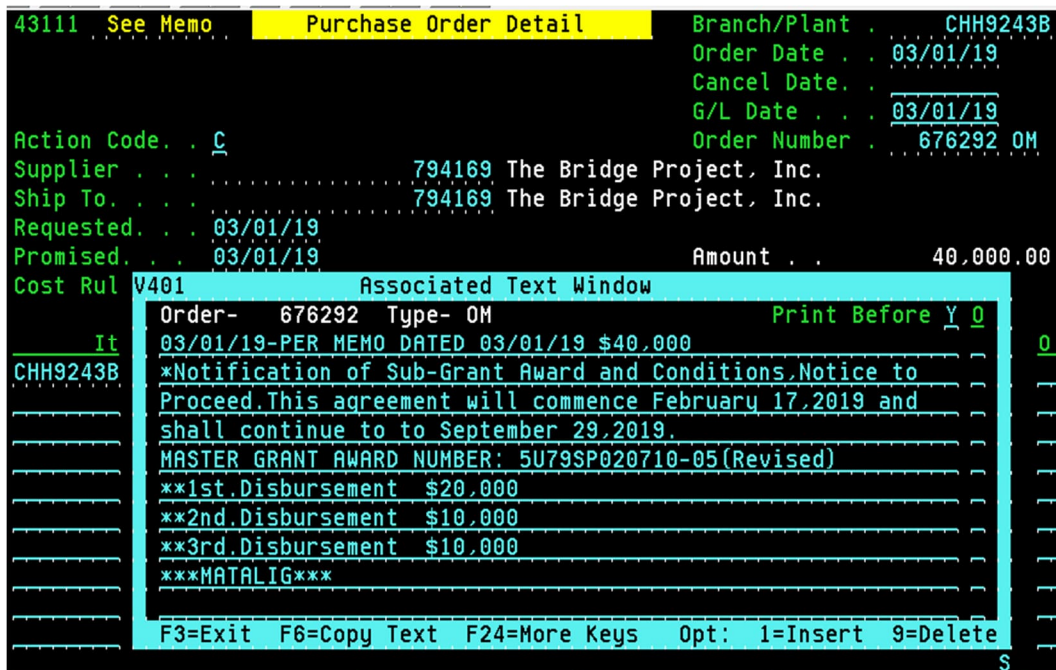
CHCC does not concur with the findings and the \$47,963 questioned costs. Uniform Guidance §200.305 requires Non-Federal entities other than States, payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the Non-Federal entity whether the payment is made by electronic funds transfer, or *issuance or redemption of checks*, warrants, or payment by other means.

CHCC believes we complied with this requirement as the check payments for the selected samples were issued before December 29, 2018. The Uniform Guidance allows for the timely issuance of checks to support compliance to Cash Management provisions. CHCC does not have control over the timeliness of vendors cashing the issued checks.

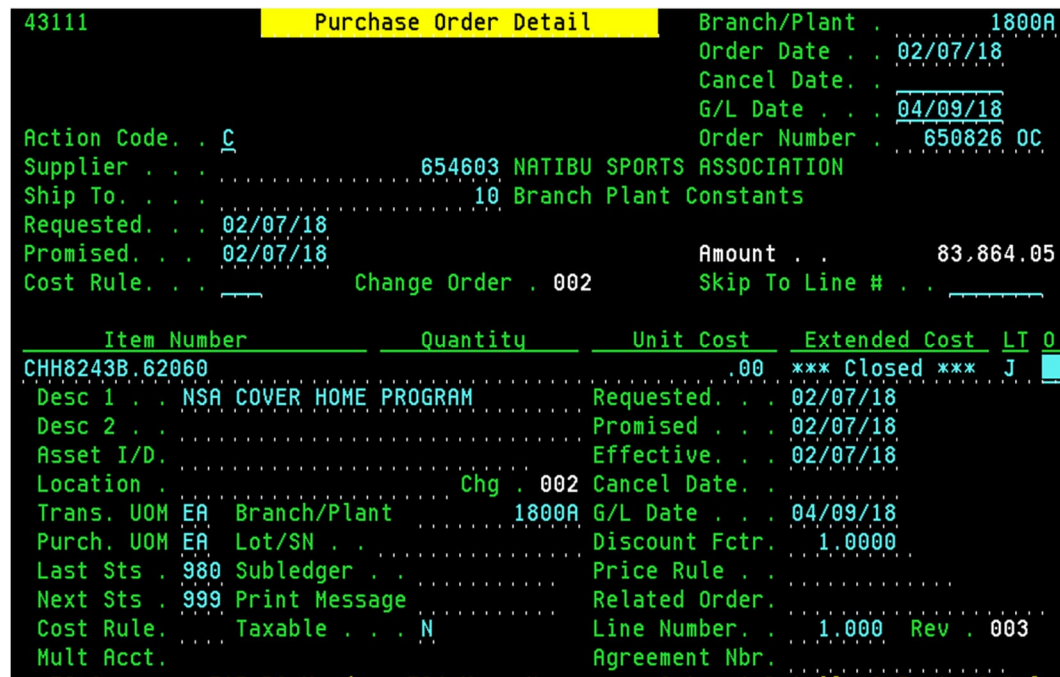
Condition 3

CHCC does not concur with the findings and the questioned costs.

The obligation of Payment Voucher 1479917 dated September 27, 2019, was through a memo payment OM 676292 obligated on March 1, 2019, and not September 29, 2019, as reported by the auditor. Below is the screenshot of the obligation.



The obligation of Payment Voucher 1428464 dated September 29, 2018, was through Contract 650826 OC obligated on February 7, 2019 and not September 28, 2018 as reported by the auditor. Below is the screenshot of the obligation.



Condition 4

CHCC does not concur with the findings and the questioned costs.

The indirect cost was calculated from direct cost during the period of performance and within the period of liquidation. It was however, entered into the accounting system late. CHCC will ensure corrective actions for timeliness of accounting entries is implemented. The Director of Grants and Fiscal Integrity and Comptroller will monitor this process.

Condition 5

CHCC concurs with the findings but not the questioned costs. Although it was not timely scanned and sent electronically to the Auditors, the supporting documents from Travel Authorization to Travel Voucher are readily available for testing. The travel was completed in May 2019, within the period of performance.

With the implementation of the Munis Financial Information System in January 2023, CHCC is now able to electronically attach scanned supporting documents to the vouchers through the Tyler Content Manager (TCM). This will allow for audit testing to be done by providing auditors view only access to CHCC Financial Information System.

Finding No.: 2019-010, Continued

Condition 6

CHCC does not concur with the findings and the questioned costs. Although not timely scanned and sent electronically to the Auditors, the selected invoices for services are as follows:

PV 1486136 - July 2019 Communications
PV 1486138 – September 2019 Communications

With the implementation of the Munis Financial Information System in January 2023, CHCC is now able to electronically attach scanned supporting documents to the vouchers through the Tyler Content Manager (TCM). This will allow for audit testing to be done by providing auditors view only access to CHCC Financial Information System.

Proposed Completion Date: On-Going

Finding No.: 2019-011

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of
Regional and National Significance
Award Number: 5U79SP020710-04 and 5H795M062879-02
Area: Procurement and Suspension and Debarment
Questioned Costs: \$183,926

Contact Persons: Perlle Santos, Chief Financial Officer; Reyna Saures, CGC Director; Vincent Camacho, Grants Administrator; Cora Ada, Procurement Director; Chellah Sablan, Comptroller.

Corrective Action:

CHCC concurs with the findings but not the questioned costs. Although not timely scanned and sent electronically to the Auditors, the Procurement Documents are available for testing.

In Fiscal Year 2020, CHCC implemented the document routing repository for the procurement process using Laserfiche Forms. This will enable CHCC to warehouse all supporting documentation related to procurement activities and document the approval process.

With the implementation of the Munis Financial Information System in January 2023, CHCC is now able to electronically attach scanned supporting documents to the vouchers through the Tyler Content Manager (TCM). This will allow for audit testing to be done by providing auditors view only access to CHCC Financial Information System.

Proposed Completion Date: On-Going

Finding No.: 2019-012

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of
Regional and National Significance
Award Number: 5U79SP020710-04
Area: Subrecipient Monitoring
Questioned Costs: \$468,864

Contact Persons: Perlie Santos, Chief Financial Officer; Reyna Saures, CGC Director; Vincent Camacho, Grants Administrator.

Corrective Action:

Condition 1

CHCC does not concur with the findings and the \$353,864 questioned costs. Pursuant to the terms and conditions of the sub-award agreement, before any subsequent disbursements to the Subgrantee, invoices and receipt and progress reports from the prior disbursements were submitted to the Project Director for review and approval. No subsequent disbursements were issued without compliance to these requirements

Condition 2

CHCC does not concur with the findings and the \$115,000 questioned costs.

The Announcement for the funding availability was published in the local newspaper. 2019-012 Condition 2.pdf

Condition 3

CHCC does not concur with the findings and the \$25,000 questioned costs. The selected transaction was voided (document type PE); hence no supporting documents were provided.

Do	Document	Pay	Invoice	Invoice	Gross	P	
P	Ty	Number	Itm	Date	Number	Amount	C
PV	1446815	001	06/13/19	002/2ND	DISBURSE/6761250M		D
PK	10223		06/24/19	002/2ND	DISBURSE/6761250M	25,000.00-	D
PO	10223		06/24/19	002/2ND	DISBURSE/6761250M	25,000.00	D
PE	1446815	001	06/13/19	002/2ND	DISBURSE/6761250M	25,000.00-	D

Finding No.: 2019-012, Continued

This 2nd disbursement was subsequently processed on July 29, 2019 (PV1456803), when all the required documentation pursuant to the sub-award agreement were complied with.

Proposed Completion Date: Not applicable as CHCC does not concur with the findings.

Finding No.: 2019-013

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.268 Immunization Cooperative Agreements
Award Numbers: 6 NH23IP000736-05-01 and 5NH231P000736-05-00
Area: Allowable Costs/Cost Principles
Questioned Costs: \$22,500

Contact Persons: Perlie Santos, Chief Financial Officer; Emman Parian, Immunization Manager; Vincent Camacho, Grants Administrator; Chellah Sablan, Comptroller; Clarinda Ngirausui, Human Resources Manager; April Camacho, Payroll Supervisor.

Corrective Action:

Condition 1

CHCC does not concur with the findings and the \$13,352 questioned costs. All the copies of the cleared checks were provided to the Auditors (Request# 53 and 54).

Condition 2

CHCC does not concur with the findings and the questioned costs. The selected samples were part of a batch of invoices. The documentation of the approval was on the batch headers. The Auditors were only auditing for the manual approval stamp and signatures, when CHCC's Financial Information system has embedded internal controls wherein the accounts payable accountants do not have access to post their own transactions. Transactions can only be posted after it is physically marked approved by the Accounting Managers in the JDE System and check payments cannot be printed when transactions are not posted for payment.

Condition 3

We concur with the findings but not the questioned costs. Although not timely scanned and sent electronically to the Auditors, the Procurement Documents are available for testing.

In fiscal year 2020, CHCC implemented the document routing repository for the procurement process using Laserfiche Forms. This will enable CHCC to warehouse all supporting documentation related to procurement activities and document the approval process.

With the implementation of the Munis Financial Information System in January 2023, CHCC is now able to electronically attach scanned supporting documents to the vouchers through the Tyler Content Manager (TCM). This will allow for audit testing to be done by providing auditors view only access to CHCC Financial Information System.

Finding No.: 2019-013, Continued

Condition 4 to 6

We concur with the finding but not the questioned cost. The Human Resources Department was not able to timely locate the personnel action file and although payroll was able to provide the payroll registers, we were not able to provide them in excel format to facilitate the audit. CHCC will roll out on December 2024, the Tyler Munis Human Capital Management Module, wherein all personnel action will be processed through electronic workflow and will be saved in the Tyler Content Manager in electronic format. This will also streamline documentation for payroll processing. This will resolve the issue of unlocated files.

Proposed Completion Date: On-Going

Finding No.: 2019-014

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.268 Immunization Cooperative Agreements
Award Numbers: 6NH231P000736-05-01 and 5NH231P000786-05-00
Area: Period of Performance
Questioned Costs: \$80,809

Contact Persons: Perlle Santos, Chief Financial Officer; Emman Parian, Immunization Manager; Vincent Camacho, Grants Administrator; Chellah Sablan, Comptroller.

Corrective Action:

Condition 1

CHCC concurs with the finding but not the questioned costs.

Documents 11809, 11845, 11860, 11854, 11809, 11846 and 11861 pertain to payroll transactions for which the payroll register and supporting documents are readily available for testing. They may have not been properly labeled when transmitted to the auditor, hence CHCC would like to request for the subsequent audits to be performed onsite.

The remaining documents were emailed to the auditor on May 29, 2024. We would like to request the subsequent audits to be performed onsite.

Condition 2

CHCC concurs with the finding but not the questioned cost.

Copies of ACH for 11809, 11845, 11860, 11854, 11809, 11846 and 11861 had personal identifiable information and were not submitted electronically to the auditors.

Finding No.: 2019-014 Continued

Condition 3

CHCC does not concur with the findings and the questioned costs. Based on the Uniform Guidance, the obligation is made as follows:

If the obligation is for:	The obligation is made:
Services by an employee of the grantee	On the date the services are performed
Services by a contractor	On the date the grantee makes a binding written commitment to obtain the services or work; or <i>On the date the services are received</i> , if there is not an advance written commitment to obtain the services
Public utility services	On the date the grantee receives the services
Travel	On the date the travel is taken
Acquisition of real property	On the date the grantee makes a binding written commitment to acquire the property; or On the date the property is received, if there is not an advance written commitment to obtain the property
Rental of real or personal property	When the grantee uses the property
Acquisition of supplies, equipment, or other personal property	On the date the grantee orders from the vendor; or On the date the grantee makes a binding written commitment for the property
Pre-agreement (i.e., pre-award) costs that were properly approved under the cost principles	On the first day of the effective date of the grant/sub-grant award period
Audit Services	In the period the audit is conducted.

Condition 4 and 5

CHCC does not concur with the findings and the questioned costs. The additional samples were provided to the auditors on an email from of Director of Grants and Fiscal integrity on September 27, 2024. These were not on the September 24, 2024 draft provided to CHCC.

With the implementation of the Munis Financial Information System in January 2023, CHCC is now able to electronically attach scanned supporting documents to the vouchers through the Tyler Content Manager (TCM). This will allow for audit testing to be done by providing auditors view only access to CHCC Financial Information System.

Proposed Completion Date: On-Going

Finding No.: 2019-015

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.870 Maternal, Infant and Early Childhood Home Visiting Grant Program
Award Number: X10MC29495 and X10MC31162
Area: Cash Management
Questioned Costs: \$524,804

Contact Persons: Perlie Santos, Chief Financial Officer; Yuline Cruz, MIECHV Program Manager; Vincent Camacho, Grants Administrator; Chellah Sablan, Comptroller.

Corrective Action:

Condition 1 and 2

CHCC does not concur with the findings and the questioned costs. Uniform Guidance §200.305 requires Non-Federal entities other than States, payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the Non-Federal entity whether the payment is made by electronic funds transfer, or *issuance or redemption of checks*, warrants, or payment by other means.

CHCC believes we complied with this requirement as the check payments for the selected samples were issued on November 15, 2018, and April 4, 2019. The Uniform Guidance allows for the timely issuance of checks to support compliance to Cash Management provisions. CHCC does not have control over the timeliness of vendors cashing the issued checks.

Condition 3

CHCC does not concur with the findings and the questioned costs of \$524,804.

Award X10MC29495 and X10MC31162 are restricted awards. CHCC is not able to drawdown without the grantor approval of the SF270. CHCC may have not timely provided the auditor with the copies of the SF270, but this does not substantiate \$524,804 in questioned costs as the Payment Management System would not have transferred the payments without grantor approval.

Proposed Completion Date: On-Going

Finding No.: 2019-016

Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.870 Maternal, Infant and Early Childhood Home Visiting Grant Program
Award Number: 1X10MC31162-01-00
Area: Procurement and Suspension and Debarment
Questioned Costs: \$60,104

Contact Persons: Perlie Santos, Chief Financial Officer; Yuline Cruz, MIECHV Program Manager; Vincent Camacho, Grants Administrator; Cora Ada, Procurement Director.

Corrective Action:

CHCC concurs with the findings but not the questioned costs. Although not timely scanned and sent electronically to the Auditors, the Procurement Documents are available for testing.

In fiscal year 2020, CHCC implemented the document routing repository for the procurement process using Laserfiche Forms. This will enable CHCC to warehouse all supporting documentation related to procurement activities and document the approval process.

With the implementation of the Munis Financial Information System in January 2023, CHCC is now able to electronically attach scanned supporting documents to the vouchers through the Tyler Content Manager (TCM). This will allow for audit testing to be done by providing auditors view only access to CHCC Financial Information System.

Proposed Completion Date: On-Going



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



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

2 CFR 200.511(b)

September 30, 2019

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, 2019 and subsequently resolved prior to the release of this single audit report:

Questioned costs as previously reported:	
Fiscal year 2018	\$ 791,456
Fiscal year 2017	685,575
Fiscal year 2015	<u>12,372</u>
	1,489,403
Less questioned costs resolved pursuant to 200.511	
Fiscal year 2017	(685,575)
Fiscal year 2015	<u>(12,372)</u>
Unresolved Prior Year Questioned Costs	<u><u>\$ 791,456</u></u>

Finding Number	Finding Summary	Status	Additional Information	Contact Person
2018-001 2017-001 2016-003 2015-004 2014-004	Local Procurement/Non-payroll Expenditures	In Progress	<p>We acknowledge the weakness in documentation of the required element of a sole source procurement. We have communicated with requesting program managers the requirements of §140-80.1-225 of our Procurement Regulations. We have also obtained written documentation of the justifications for the sole sourced contracts referenced in this finding.</p> <p>In fiscal year 2020, CHCC implemented the document routing repository for the procurement process using Laserfiche Forms. This will enable CHCC to warehouse all supporting documentation related to procurement activities and document the approval process.</p>	Requesting Program Managers, Procurement Director, Comptroller and Chief Financial Officer
2018-002 2017-002 2016-004 2015-005 2014-005	Payroll/Employee Benefits	In Progress	CHCC is to implement the Human Capital Management Module of Tyler Munis. This will provide an integrated employee benefit and employee time entry system.	Human Resources Officer, Comptroller and Chief Financial Officer
2018-003 2017-003 2016-005 2015-009 2014-009	An effective system of control includes procedures to: (1) reconcile inventory to the general ledger on a periodic basis and (2) monitor the movement and recording of inventory.	In Progress	<p>To address recurring findings for inventory and material management identified and the financial statement qualification due to Inventory, the Chief Financial Officer have tasked Procurement Director and Comptroller to review current policies and procedures, including inventory costing method applied.</p> <p>On October 1, 2024, CHCC went live with an inventory management system.</p>	Pharmacy Manager, Procurement Director, Comptroller and Chief Financial Officer
2018-003 2017-004 2016-006 2015-010 2014-010	Recording and reconciliation of Capital Assets and Related depreciation.	In Progress	CHCC did conduct a physical count of capital assets in FY 2019. However, such count has not been reconciled with the recorded capital assets. With the new Procurement Director hired August 2019, CHCC aims to address this repeat finding.	Procurement Director, Comptroller and Chief Financial Officer.

<p>2018-005 2017-005 2016-008 2015-012 2014-012</p>	<p>Related party transactions should be recorded in the financial statements and be timely reconciled.</p>	<p>In Progress</p>	<p>(1) The Settlement Order for federal District Court for the CNMI Case No. 09-00023, which states that the NMIRF shall assign to the CNMI government all rights to collect employer contributions deficient as of August 6, 2013 and related costs from the Autonomous Agencies, or any other CNMI instrumentalities. With this order, the previous obligation of CHCC to the NMI Retirement Fund became part of the CNMI Government obligation in form of Settlement Payments to the NMI Settlement Fund. We acknowledge that we did not reconcile with the NMI retirement Fund prior to the Settlement Order. However, we believe that such liability is no longer the obligation of CHCC. The unfunded pension obligation should be calculated based on a recent actuarial valuation and allocation of CHCC share should be included in the valuation. Without such information, CHCC has no basis to recognize the liability.</p> <p>(2) We agree with the condition, CHCC intends to reconcile with the Office of the Public Auditor and to negotiate a lower rate. We have been seeking abatement of this OPA fee as to assist CHCC in its deficit reduction. In fact, in the Appropriation Act of 2018, the CHCC OPA fee have been waived.</p>	<p>Comptroller and Chief Financial Officer</p>
<p>2018-006 2017-006 2016-009 2015-013 2014-013</p>	<p>Reporting and Payment of Withholding Taxes Payable</p>	<p>Resolved</p>	<p>On June 6, 2024, the CNMI and CHCC entered into as settlement agreement.</p>	<p>Comptroller and Chief Financial Officer</p>

2018-007 CFDA 10.557	Eligibility Questioned Costs: \$204	Resolved	The WIC cash collection point was established on 02/06/2018 pursuant to Operating Policy 7039. WIC has not issued any sanction or claim letters and has reported zero collections since December 2019. This can be attributed to active WIC participant and vendor training on program and eWIC processing requirements. Therefore, WIC is requesting to close the WIC cash collection point up at our Administrative Office, surrender all unused manual official cash receipts, and utilize the CHC Business Office Cashiers for any payment to be made by a WIC participant or vendor for penalties or claims should any be imposed in the future.	WIC Administrator
2018-009 CFDA 10.557	Period of Performance Questioned Costs: \$40,773	We do not concur with the finding.	The checks noted in the Finding were issued during the period of liquidation and were immediately subsequently mailed. CHCC have no control over when the vendor deposits the check.	Comptroller, Grants Administrator and Chief Financial Officer
2018-010 CFDA 10.557	Procurement and Suspension and Debarment	We do not concur with the finding.	Grantor prior approval was obtained for this transaction.	WIC Administrator
2018-011 CFDA 93.104	Allowable Costs/Cost Principles Questioned Costs: \$10,674	We do not concur with the finding. 2017 - Resolved Pursuant to §200.511	2018: 1. CHCC reversed the transaction and recorded the receivable from the traveler. 2. Our policy does not require the traveler to turn-in a certificate of attendance and not all meetings/conference provide a certificate of attendance. 3. CHCC will better document the reason for the business class segment. There are instances wherein due to limited flights from Saipan to Guam wherein only business class are available, a business class segment may be allowed depending on the importance of the travel to the administration of the program.	Comptroller, Grants Administrator and Chief Financial Officer

			<p>4. For this trip, the cancellation was not due to the airlines. CHCC will update the travel policy to strengthen the documentation on travel cancellations.</p> <p>5. Both employees selected are “Exempt Employees” and CHCC does not require exempt employees receiving fixed by weekly pay to clock in and out.</p> <p>2017: CHCC do not agree with the finding and the questioned cost. In accordance with 2 CFR 200.414(f), non-federal entity who have not received a negotiated indirect cost rate previously can now utilize the de minimis rate. CHCC have elected to use this di minimis rate.</p>	
<p>2018-012 2017-008</p> <p>CFDA 93.104</p>	<p>Matching, Level of Effort, Earmarking</p> <p>Questioned Costs \$39,975</p>	<p>We do not concur with the finding</p> <p>Partially resolved, 2017-008 (1) was not noted as a repeat finding in 2018.</p> <p>2017-008 (2) Resolved Pursuant to §200.511</p>	<p>1. CHCC do not agree with the finding. An appraisal is not the only allowed basis for determining the fair value of an in-kind donation for property. Fair market value can be determined through an appraisal, the market rate on similar assets, or the net present value of the expected future cash flows generated by the asset.</p> <p>We believe that the in-kind donation recorded for the land and building is reasonable. To illustrate, absent an appraisal, we believe a reasonable monthly rental we could get for that property is \$2,000 per month. Using 6.99% interest rate (which is the current borrowing rate for loans in the CNMI, the present value of monthly annuity due for 10 years is \$292,874.90, hence, CHCC met the require match.</p> <p>Furthermore, CHCC sought clarification with SAMHSA and received notice that a match waiver for the Territories of up to \$200,000</p>	<p>CGC Director, Program Manager, Grants Management Officer, Comptroller and Chief Financial Officer</p>

			<p>is applicable to all SAMHSA grants received based on the following federal statute:</p> <p>“Pub. L. 96-205, title VI, Sec. 601, Mar. 12, 1980, 94 Stat. 90, as amended Pub. L. 98-213, Sec. 6, Dec. 8, 1983, 97 Stat. 1460; Pub. L. 98-454, title VI, Sec. 601(b), Oct. 5, 1984, 98 Stat. 1736, subsection (d):</p> <p>“Notwithstanding any other provision of law, in the case of American Samoa, Guam, the Virgin Islands, and the Northern Mariana Islands any department or agency shall waive any requirement for local matching funds under \$200,000 (including in-kind contributions) required by law to be provided by American Samoa, Guam, the Virgin Islands, or the Northern Mariana Islands.</p> <p>Therefore, whatever match amount required per year should be reduced by \$200,000 for the Northern Mariana Islands.</p> <p>2 The auditor calculated the level of effort based on the approved budget. Level of effort should be comparing charges to the program to the actual level of effort made and paid.</p> <p>Pursuant to 200.430 (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.</p>	
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			We disagree with the questioned cost as the actual amount charged to the program of \$27,900 is less than the actual level of effort of \$67,875. The salaries not charged to the program were paid using our General Funds.	
2018-013 2017-009 CFDA 93.104	Procurement and Suspension and Debarment Questioned Costs: \$70,257	We do not concur with the finding	In fiscal year 2020, CHCC implemented the document routing repository for the procurement process using Laserfiche Forms. This will enable CHCC to warehouse all supporting documentation related to procurement activities and document the approval process.	Program Manager, Grants Management Officer, Procurement Director and Chief Financial Officer
2018-014 CFDA 93.104	Reporting	Resolved	CHCC Grants Management Office hired additional Grants Fiscal Specialist last August 17, 2020 to assist in the preparation of reports and timely recording of transactions so that reports generated could be timely reconciled to the Financial Reports. The erroneous reports have been updated and reuploaded to the Grants portal.	Grants Management Administrator and Chief Financial Officer
2018-015 2017-014 CFDA 93.243	Allowable Costs/Cost Principles Questioned Cost: \$2,440	In Progress 2017- Resolved Pursuant to §200.511	Grants Management Office will develop a tracking system of all required reporting and coordinate with the program key personnel to ensure that both financial and non-financial reporting are timely submitted.	Human Resources Officer, Grants Management Officer and Chief Financial Officer
2018-016 2017-015 CFDA 93.243	Matching, Level of Effort, Earmarking Questioned Cost: \$55,000	We do not concur with the finding. 2017- Resolved Pursuant to §200.511	CHCC do not concur that this is a Level of Effort finding. We believe that the not timely reporting of the change of key personnel is a reporting finding. We do not believe that the change in key personnel in this situation constituted a change in	Grants Management Officer, Comptroller and Chief Financial Officer

			Level of Effort. A reportable change in level of effort per SAMSHA guidelines is "separation for more than three months or a 25% reduction in the PD's time devoted to the project." We do acknowledge that the change in key personnel was not timely reported, however the level of effort of the PD is still 100% and the position was not vacant for more than three months.	
2017-016 2016-018 CFDA 93.243	Period of Performance	Resolved Pursuant to \$200.511		Grants Management Officer and Chief Financial Officer
2018-017 2017-017 2016-019 CFDA 93.243	Procurement and Suspension and Debarment Questioned Cost: \$207.725	In Progress 2016 and 2017- Resolved Pursuant to \$200.511	To address procurement documentation repeat findings, CHCC started utilizing the Laserfiche software beginning Fiscal year 2021 to electronically route for approval and store all procurement documentation in a repository server that is maintained and backed-up by CHCC Information Systems Division. Although physical file will still be maintained, the electronic file will provide for secondary supporting documentation.	Grants Management Officer, Procurement Director and Chief Financial Officer
2018-018 CFDA 93.243	Reporting	Resolved	CHCC Grants Management Office hired additional Grants Fiscal Specialist last August 17, 2020 to assist in the preparation of reports and timely recording of transactions so that reports generated could be timely reconciled to the Financial Reports. The erroneous reports have been updated and reuploaded to the Grants portal.	Grants Management Officer
2018-019 2017-018 CFDA 93.243	Subrecipient Monitoring Questioned Cost: \$205,310	In Progress	CHCC disagrees with this finding. Subgrantees are monitored through quarterly progress reports submitted and approved by the Program on a quarterly basis throughout the	Program Manager, Grants Management Officer and

			<p>duration of the subgrant implementation.</p> <p>CHCC monitors by reviewing each quarterly report which includes all invoices and expenses from each subgrantee. Without the submission of each progress report, the subgrantee would not receive their subsequent disbursement of funds.</p> <p>Additionally, the program manager has initiated several improvements in subrecipient monitoring. The terms and conditions to Subrecipients agreement have been amended to include more specific reporting and monitoring activities. This also includes the use of monitoring tools and checklists.</p>	Chief Financial Officer
2017-019 2016-020 CFDA 93.243	<p>Special Tests and Provisions - Wage Rate Requirements</p> <p>Questioned Cost: \$0</p>	Resolved Pursuant to §200.511		

<p>2018-008</p> <p>2017-026</p> <p>2016-032</p> <p>2015-048</p> <p>CFDA 93.224 93.268 10.557</p>	<p>Equipment and Real Property Management</p> <p>Questioned Cost: \$0</p>	<p>In Progress</p>	<p>CHCC Accounting maintains an excel listing of all capital assets and prepares the depreciation entries. We have not fully utilized the capabilities of the Accounting System to automatically calculate and post depreciation entries as our Procurement and Supply Office does not currently have the manpower trained to process such transaction. We believe that the excel file and the annual depreciation entries are sufficient to meet the reporting requirement of CHCC.</p> <p>CHCC did conduct a physical count of capital assets in FY 2019. However, such count has not been reconciled with the recorded capital assets. With the new Procurement Director hired August 2019, CHCC aims to address this repeat finding</p>	<p>Grants Management Officer, Procurement Director and Chief Financial Officer</p>
<p>2018-020</p> <p>CFDA 93.268</p>	<p>Allowable Costs/Cost Principles</p> <p>Questioned Costs: \$52,188</p>	<p>In-progress</p>	<p>The CNMI Department of Finance included CHCC in its the Financial Systems improvement project. We are going to transition a new financial information system that aims to address the reporting gaps of our legacy software.</p> <p>We have initiated beginning Fiscal Year 2020 the electronic filing of all payroll documents including personnel actions, timesheets, leave forms, overtime authorizations among others. This aims to facilitate the retrieval of document for audits.</p>	<p>Program Manager, Grants Management Officer and Chief Financial Officer</p>
<p>2018-021</p> <p>CFDA 93.268</p>	<p>Program Income</p> <p>Questioned Costs: \$56,608</p>	<p>We do not concur with the finding</p>	<p>CHCC does not agree with the finding. The finding stated that the program income was not used for Immunization Program, however, we have supporting documents to show that such program income remains unexpended and the immunization program is allocating that funds to purchase vaccines not provided the CDC for free.</p>	<p>Program Manager, Grants Management Officer and Chief Financial Officer</p>

2018-022 CFDA 93.268	Reporting	We do not concur with the finding	SF-425 is an inception to date reporting, the significant difference noted by the auditor was because the auditor only used Fund Status Reports of Business Units with FY 2018 expenditures in comparing to the SF-425 which covers commutative expenditures since FY 2013.	Director of MICAH, Grants Management Administrator and Chief Financial Officer
2018-023 CFDA 93.268	Special test and Provision	In-progress	<p>CHCC acknowledge the weakness in document filing and retention. The Program administrator resigned while FY 2018 audit is in progress.</p> <p>CHCC will develop electronic document achieving policies. In line with this goal, CHCC Health Information Division is hardening our server hardware, software and security.</p>	Director of MICAH, Grants Management Administrator and Chief Financial Officer
2018-024 CFDA 93.505/93.870	Period of Performance Questioned Costs: \$5,297	We do not concur with the finding	<p>CHCC acknowledged that the payments were issued after the liquidation period. The Maternal, Infant, and Early Childhood Home Visiting Cluster is a block grant requiring grantor prior authorization for drawdown of funds. Although all services and goods were received during period of liquidation as documented in the "General Ledger Dates", CHCC was not able to release payments until funds prior authorization and review of grantor is received and fund released to CHCC. For this grant, prior authorization request was submitted within the liquidation period, however authorization and funds were received on February 28, 2019 (hence check Nos. 9576, 9584, 9579 and 9577 were written on March 4, 2019) and April 12, 2019 (hence check No. 9805 was written on April 16, 2019).</p>	Director of MICAH, Grants Management Administrator and Chief Financial Officer

<p>2018-025</p> <p>CFDA 93.505/93.870</p>	<p>Procurement and Suspension and Debarment</p>	<p>In-progress</p>	<p>To address procurement documentation repeat findings, CHCC started utilizing the Laserfiche software beginning Fiscal year 2021 to electronically route for approval and store all procurement documentation in a repository server that is maintained and backed-up by CHCC Information Systems Division. Although physical file will still be maintained, the electronic file will provide for secondary supporting documentation.</p>	<p>Director of MICAH, Grants Management Administrator, Procurement Director and Chief Financial Officer</p>
<p>2018-026</p> <p>CFDA 93.505/93.870</p>	<p>Reporting</p>	<p>In-progress</p>	<p>Beginning Fiscal Year 2020, Grants Management Office took over all financial reporting from the Program Fiscal Specialist. With all financial reports generated by one office, the review and reconciliation process can be timely done prior to submission of reports.</p>	<p>Director of MICAH, Grants Management Administrator, Procurement Director and Chief Financial Officer</p>