

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

INDEPENDENT AUDITORS' REPORTS ON  
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2019

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

Board of Directors  
Commonwealth Ports Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Commonwealth Ports Authority (CPA), a component unit of the Commonwealth of the Northern Mariana Islands, which comprise the statement of net position as of September 30, 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 March 8, 2021. Our report was qualified due to our inability to determine the effects of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* on CPA's financial statements and includes an explanatory paragraph concerning the impact of COVID-19.

## **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CPA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2019-001 and 2019-002.

## **CPA's Response to Findings**

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

## **Purpose of this Report**

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

*Deloitte & Touche LLC*

March 8, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Commonwealth Ports Authority:

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

We have audited the Commonwealth Ports Authority's (CPA's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on CPA's sole major federal program for the year ended September 30, 2019. CPA's sole major federal program is identified in the summary of auditors' 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 CPA's sole major federal program 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 CPA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Basis for Qualified Opinion on Sole Major Federal Program***

As described in the accompanying Schedule of Findings and Questioned Costs, CPA did not comply with requirements regarding CFDA Program 20.106 Airport Improvement Program as described in item 2019-002 for Equipment and Real Property Management. Compliance with such requirements is necessary, in our opinion, for CPA to comply with the requirements applicable to that program.

**Qualified Opinion on Sole Major Federal Program**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, CPA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA Program 20.106 Airport Improvement Program for the year ended September 30, 2019.

**Other Matters**

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

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

**Report on Internal Control Over Compliance**

Management of CPA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CPA's internal control over compliance with the types of requirements that could have a direct and material effect on the sole major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the sole 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 CPA'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 first paragraph of this section 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, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002, that we consider to be material weaknesses.

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



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

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

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

We have audited the financial statements of CPA as of and for the year ended September 30, 2019, and have issued our report thereon dated March 8, 2021, which contained a qualified opinion on those financial statements due to our inability to determine the effects of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* on CPA's financial statements and included an explanatory paragraph concerning the impact of COVID-19. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Deloitte + Toushy LLC*

March 8, 2021

# COMMONWEALTH PORTS AUTHORITY

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Other Identification Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of the Interior Pass-Through Program From: CNMI Government - Economic, Social, and Political Development of the Territories - Office of Insular Affairs Technical Assistance Program Automated Passports Control Unit Acquisition (APC)	15.875		D18AP00080	\$ 195,000
<b>Total U.S. Department of the Interior</b>				\$ 195,000
U.S. Department of Transportation Direct Program Airport Improvement Program	20.106			\$ 8,248,003
<b>Total U.S. Department of Transportation</b>				\$ 8,248,003
U.S. Department of Homeland Security Direct Programs National Explosives Detection Canine Team Program (NEDCTP)	97.072			\$ 113,810
TSA Recapitalization Program	97.U01	HSTS04-17-H-CT1012		408,214
Saipan International Airport - Reimbursement Agreement	97.U02	HSTS0208HSLR157		66,250
Subtotal U.S. Department of Homeland Security Direct Programs				588,274
U.S. Department of Homeland Security Pass-Through Program From: CNMI Government - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		FEMA-4396-DR-MP	16,979
<b>Total U.S. Department of Homeland Security</b>				605,253
<b>Total Expenditures of Federal Awards</b>				\$ 9,048,256
Reconciliation:				
Expenditures per Statement of Revenues, Expenses and Changes in Net Position:				
Capital contributions				\$ 8,868,196
Other grant revenues and contributions				180,060
				\$ 9,048,256

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

## COMMONWEALTH PORTS AUTHORITY

### Notes to the Schedule of Expenditures of Federal Awards Year Ended September 30, 2019

#### (1) Scope of Audit

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

#### (2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of CPA 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 CPA, it is not intended to and does not present the financial position, changes in net position or cash flows of CPA.

#### (3) Summary of Significant Accounting Policies

##### a. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. All expenses and capital outlays are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. CPA does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance.

##### b. Matching Requirements

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



COMMONWEALTH PORTS AUTHORITY  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2019

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

*Financial Statements*

- |    |   |           |
|----|---|-----------|
| 1. | Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: | Qualified |
|    | Internal control over financial reporting:  |           |
| 2. | Material weakness(es) identified?   | No        |
| 3. | Significant deficiency(ies) identified?   | Yes       |
| 4. | Noncompliance material to the financial statements noted?   | Yes       |

*Federal Awards*

- |                    |   |                    |                                |        |                             |  |
|--------------------|---|--------------------|--------------------------------|--------|-----------------------------|--|
|                    | Internal control over major federal programs:   |                    |                                |        |                             |  |
| 5.                 | Material weakness(es) identified?   | Yes                |                                |        |                             |  |
| 6.                 | Significant deficiency(ies) identified?   | None reported      |                                |        |                             |  |
| 7.                 | Type of auditors' report issued on compliance for major federal programs:   | Qualified          |                                |        |                             |  |
| 8.                 | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  | Yes                |                                |        |                             |  |
| 9.                 | Identification of major federal program:  |                    |                                |        |                             |  |
|                    | <table border="0" style="width: 100%;"> <tr> <td style="text-align: center;"><u>CFDA Number</u></td> <td style="text-align: center;"><u>Name of Federal Program</u></td> </tr> <tr> <td style="text-align: center;">20.106</td> <td style="text-align: center;">Airport Improvement Program</td> </tr> </table> | <u>CFDA Number</u> | <u>Name of Federal Program</u> | 20.106 | Airport Improvement Program |  |
| <u>CFDA Number</u> | <u>Name of Federal Program</u>  |                    |                                |        |                             |  |
| 20.106             | Airport Improvement Program   |                    |                                |        |                             |  |
| 10.                | Dollar threshold used to distinguish between Type A and Type B Programs:  | \$750,000          |                                |        |                             |  |
| 11.                | Auditee qualified as low-risk auditee?  | No                 |                                |        |                             |  |

**SECTION II - FINANCIAL STATEMENT FINDINGS**

<u>Reference Number</u>	<u>Finding</u>
2019-001	Local Noncompliance - Procurement
2019-002	Equipment and Real Property Management

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

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2019-002	20.106	Equipment and Real Property Management	\$ -

# COMMONWEALTH PORTS AUTHORITY

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

### Local Noncompliance - Procurement

#### Finding No. 2019-001

Criteria: Applicable procurement rules and regulations are as follows:

- §40-50-205 part (a) states that the purchase of all services, goods, supplies and materials and all construction works, when the expenditure exceeds \$25,000, shall be by contract let to the lowest responsible bidder. An Invitation for Bid may be solicited by the Executive Director or his authorized designee when the Authority determines that the best interests of the Authority are served by and/or any relevant Federal Law or regulation requires an Invitation for Bid. All invitation for bids shall be publicized in order to increase competition and broaden industry participation. Public notices shall be published in two newspapers of general circulation in the Commonwealth at least once in each week from the time the solicitation is issued including the week when the bidding period expires. Bidding period of at least thirty (30) calendar days shall be provided unless the Executive Director or authorized designee certifies that a shorter time period is reasonable and necessary.
- §40-50-215 states that a contract may be awarded for a supply, service, or construction item without competition when the contracting officer determines in writing that there is only one source for the required supply, service or construction item. The written determination shall state the unique capabilities required, why they are required, the consideration given to alternative sources and shall contain the specific unique capabilities required; the specific unique capabilities of the contractor and the availability of funding for such services as certified by the Comptroller.
- §40-50-225 states a contract or procurement may be obtained through a Request for Proposal when the Executive Director, in the exercise of his/her discretion, determines in writing that the use of an Invitation for Bid is either not practical or not advantageous to the Authority. The Executive Director or Procurement Officer must obtain written price quotations from at least three vendors for any procurement valued from \$250 to \$25,000. Adequate public notice of the request for proposal shall be given in the same manner as provided for in competitive sealed bids.

Condition: Tests of non-federal purchases/disbursements noted the following:

1. For four purchases (Seaport check nos. 32634, 32764, 32814 and 32835; totaling \$610,383, \$171,212, \$457,363 and \$253,335), the original contract agreement is for the procurement, supply and installation of marine fenders for the Abel and Baker Dock wherein Change Order 2 pertains to the Charlie Dock 1 and 2. The second change order is a different project and should have undergone procurement procedures. Accordingly, the procurement, supply and installation of marine fenders for Charlie Dock 1 and 2 should have been bid out.
2. For one purchase (Seaport check no. 61437; totaling \$3,120, respectively), the public announcements for the Invitation for Bid were not provided.
3. For eleven purchases (Airport check nos. 61545, 61547, 61550, 61693, 62049, 62333, 62431, 62432, 62438 and Seaport check nos. 32634 and 32763; totaling \$11,347, \$1,620, \$9,500, \$3,000, \$26,908, \$34,788, \$15,107, \$2,100, \$9,500, \$610,383 and \$22,070, respectively), the bidding period was less than 30 days; however, the Executive Director's or authorized designee's certification that a shorter time period is reasonable and necessary was not on file.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No. 2019-001, Continued

Condition, Continued:

4. For four disbursements (Airport check nos. 61450, 61454, 62343 and 62426; totaling \$8,039, \$2,490, \$421 and \$6,450, respectively), less than three written price quotations were obtained.
5. For three purchases (Airport check nos. 61191, 61436 and 61694; totaling \$12,233, \$579 and \$1,035, respectively), the written determination from the contracting officer that there were only one source for the supply and services was not on file.
6. For four disbursements (Airport check nos. 61550, 61693, 62438 and Seaport check no. 32634; totaling \$9,500, \$3,000, \$9,500, and \$610,383, respectively), a Request for Proposal was used, however, the Executive Director's written determination that the use of an Invitation for Bid is either not practical or not advantageous to the Authority was not on file.
7. For four disbursements (Airport check nos. 61440, 61550, 61693 and 62438; totaling \$24,383, \$9,500, \$3,000 and \$9,500, respectively), the public announcements for the Request for Proposal were not provided.
8. For two disbursements (Airport check no. 62049 and Seaport check no. 32763; totaling \$26,908 and \$22,070, respectively), the newspaper public announcements for one newspaper were not provided (April 6, 2019 and April 13, 2019 public notice for Airport check no. 62049 and January 18, 2019 public notice for Seaport check no. 32763).

Cause: CPA lacks controls, such as oversight responsibility and monitoring, over compliance with procurement rules and regulations.

Effect: CPA is in noncompliance with applicable procurement rules and regulations requirements for non-Federal transactions.

Recommendation: CPA should establish and implement controls over compliance with procurement rules and regulations. Responsible personnel should review all vendor selections for adherence with CPA's Procurement Rules and Regulations prior to signing contracts.

Views of Responsible Officials:

CPA's Corrective Action Plan states agreement and provides planned corrective actions.

# COMMONWEALTH PORTS AUTHORITY

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-002  
Federal Agency: U.S. Department of Transportation  
CFDA Program: 20.106 Airport Improvement Program  
Federal Award Nos.: All AIP Grants  
Area: Equipment and Real Property Management  
Area: Capital Assets  
Questioned Costs: \$-0-

Criteria: In accordance with applicable equipment and real property management requirements, a State must use, manage and dispose of equipment acquired under a Federal award by the State in accordance with State laws and procedures.

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal of the property; and
- (2) A physical inventory of the property must be taken and the results reconciled with the property records annually.

### Condition:

#### **CFDA 20.106**

1. CPA conducted a capital assets inventory during fiscal year 2019; however, only a partial reconciliation was performed. Total fixed asset additions capitalized and related to CPA's major program amounted to \$8,222,248, \$-0-, \$6,476,899, \$5,294,765 and \$-0- during fiscal years 2019, 2018, 2017, 2016 and 2015, respectively.
2. The capital assets schedule did not include the federal award identification number, who holds title, percentage of federal participation, location, use and condition of the assets.

Of forty items tested, we noted deficiencies, as follows:

3. Two items (or 5%) have been replaced; as such, assets should have been written-off.

FAA Grant No.	General Ledger Asset Account No.	System No.	Description	In Service Date	Acquisition Cost	Net Book Value
Not available	1510-111	000094	SECURITY ACCESS CONTROL SYSTEM	10/01/97	\$ 1,134,655	\$ -
Not available	1510-111	000025	Generator - SPN	04/01/87	\$ 1,419,119	\$ -

4. One item (or 3%) was tagged; however, the tag number was not documented in the entity's records.

FAA Grant No.	General Ledger Asset Account No.	System No.	Description	In Service Date	Acquisition Cost	Net Book Value
3-69-0002-90	1590-111	001367	1,500 GALLON ARFF VEHICLE	10/01/18	\$ 689,097	\$ 620,187

No questioned cost is raised as we were able to identify the asset through the VIN documented in the entity's records.

**COMMONWEALTH PORTS AUTHORITY**

**Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019**

Finding No.: 2019-002, Continued  
 Federal Agency: U.S. Department of Transportation  
 CFDA Program: 20.106 Airport Improvement Program  
 Federal Award Nos.: All AIP Grants  
 Area: Equipment and Real Property Management  
 Area: Capital Assets  
 Questioned Costs: \$-0-

Condition, Continued:

**Non-Federal Capital Assets**

Tests of other capital assets noted the following:

- Five expense items were improperly capitalized. Management did not consider the amounts sufficiently material to the financial statements to warrant an adjustment.

System Description	Location	System No.	In Service Date	Acquired Value	Net Book Value
ACFT KIT CLOS GRAY LINET	Airport	000632	10/01/03	\$ 4,731	\$ -
CAMERA (SEA) PTZ PELCO	Airport	000968	12/01/10	\$ 6,325	\$ -
90 & 45 DEGREE BELTS FOR BHS SYSTEMS	Airport	001045	06/01/13	\$ 12,534	\$ -
Crash 8 Parts	Airport	001377	12/01/18	\$ 80,000	\$ 63,333
10 TON R22 RECIPROCATING COMPRESSOR	Airport	001287	09/30/17	\$ 4,578	\$ -

- For five assets, we were unable to determine physical existence as the serial number on the asset does not agree with the serial number on the subledger.

System Description	Location	System No.	Serial No. Per Subledger	Serial No. Per Asset	In Service Date	Acquired Value	Net Book Value
18,000 BTU SPLIT UNIT	Airport	001240	11431NGB190H10600013	11431NGB190H10600013	03/01/17	\$ 1,120	\$ -
WELDER GENERATOR	Airport	001297	4717004221	U1170705994	11/01/17	\$ 4,553	\$ 190
DESKTOP COMPUTER	Airport	001326	H7LMTF135019	H7LMTF136019	04/01/18	\$ 1,118	\$ 280
LINELAZER	Airport	001334	L17A17R58500316	L17A17K585000316	05/01/18	\$ 14,476	\$ 4,222
YAMAHA SECURITY CART	Seaport	000213	ICO-404111	JCO-404111	07/01/13	\$ 3,125	\$ -

- For nine assets, we were unable to determine physical existence as the subledger lacked sufficient description (e.g., tag number or serial number) to match the asset to the fixed asset detail.

System Description	Location	System No.	In Service Date	Acquired Value	Net Book Value
FIRE PREVENTION EQUIPMENTS	Airport	000644	03/01/04	\$ 13,476	\$ -
LED Police Siren (3ea)	Airport	000888	10/01/08	\$ 5,625	\$ -
90 & 45 DEGREE BELTS FOR BHS SYSTEMS	Airport	001045	06/01/13	\$ 12,534	\$ -
40 TON A/C UNIT-Saipan Commuter Terminal	Airport	001319	03/01/18	\$ 89,945	\$ 61,463
DARK OXIDIZED BRONZE PLAQUE	Airport	001341	06/01/18	\$ 3,750	\$ 1,250
INSTALLATION OF WIFI ANTENNA AND CCTV CAMERA SYSTEM	Airport	001371	12/01/18	\$ 6,900	\$ 5,463
Generator	Seaport	000132	08/01/07	\$ 25,342	\$ -
SECURITY SIREN WARNING SYSTEM	Seaport	000215	01/01/14	\$ 24,800	\$ -
REMOTE AREA LIGHTING SYSTEM	Seaport	000224	08/01/14	\$ 7,160	\$ -

- For five assets, we were unable to determine physical existence as we were advised that the asset had either been disposed, replaced or damaged. At September 30, 2019, the assets were included in the fixed asset subledger.

System Description	Location	System No.	In Service Date	Acquired Value	Net Book Value
EZ GO CAR	Airport	000276	01/01/92	\$ 6,806	\$ -
COPIER/NETWORK PRINTER	Airport	000576	05/01/02	\$ 11,600	\$ -
ACFT KIT CLOS GRAY LINET	Airport	000632	10/01/03	\$ 4,731	\$ -
18,000 BTU SPLIT UNIT	Airport	001189	09/01/16	\$ 1,329	\$ -
SURVEILLANCE CAMERA SYSTEM	Seaport	000223	08/01/14	\$ 46,544	\$ -

## COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-002, Continued  
 Federal Agency: U.S. Department of Transportation  
 CFDA Program: 20.106 Airport Improvement Program  
 Federal Award Nos.: All AIP Grants  
 Area: Equipment and Real Property Management  
 Area: Capital Assets  
 Questioned Costs: \$-0-

Condition, Continued:**Non-Federal Capital Assets, Continued**

9. For six asset items, the description comprises numerous units, however, we were not able to verify physical existence for all units. At September 30, 2019, the assets were included in the fixed asset subledger.

System Description	Location	System No.	In Service Date	Number of Units per Subledger	Number of Units Could Not be Verified for Existence	Acquired Value	Net Book Value
TORO/GUARDIAN RECYCLER	Airport	000553	10/01/01	4	3	\$ 23,000	\$ -
FORD EXPLORER	Airport	000583	08/01/02	8	2	\$ 178,643	\$ -
MACHINE GUN MP-5A3	Airport	000649	06/01/04	4	1	\$ 7,980	\$ -
WIFI UPGRADE WITH SOFTWARE CONTROLLER FOR TERMINAL	Airport	001112	01/01/15	5	1	\$ 7,900	\$ -
Crash 8 Parts	Airport	001377	12/01/18	9	7	\$ 80,000	\$ 63,333
15-APX7000 DIGITAL PORTABLE RADIO	Seaport	000218	03/01/14	15	8	\$ 87,229	\$ -

In addition, we noted the following:

- Of the eight units for System No. 000583, four were decommissioned (VIN numbers 1FMZU73E72ZC23724, 1FUZM72E02UC61018, 1FMZU72E92UC61017 and 1FMZU72E72UC61011), and one was donated to a government agency (VIN number 1FMZU73E92ZC43487); however, the decommissioned and transfer of ownership documentations were not provided.
  - During sighting for System No. 001377, we noted two additional units (3322205 Control Arm Left and 3322206 Control Arm Lower Right Spring) that were not included in the subledger.
10. For eight assets, we were unable to determine physical existence as there was no information as to the asset's location.

System Description	Location	System No.	In Service Date	Acquired Value	Net Book Value
2007 TOYOTA PRE RUNNER	Airport	000772	08/01/07	\$ 12,750	\$ -
Canon Document Scanner	Airport	000842	04/24/08	\$ 4,937	\$ -
ARFF Auxiliary Equipment	Airport	000844	10/01/07	\$ 18,299	\$ -
CAMERA (SEA) PTZ PELCO	Airport	000968	12/01/10	\$ 6,325	\$ -
DESKTOP COMPUTER INTER CORE 2 DUO 2.93 GHZ PROCESSOR	Airport	000980	08/01/11	\$ 1,635	\$ -
10 TON LENNOX A/C UNIT	Airport	001023	12/01/12	\$ 13,760	\$ -
3 TONS CENTRAL SPLIT UNIT	Airport	001179	06/01/16	\$ 5,344	\$ -
Mobil Radios	Seaport	000059	05/06/96	\$ 9,705	\$ -

11. For three assets, we were unable to determine physical existence as the asset could not be located.

System Description	Location	System No.	In Service Date	Acquired Value	Net Book Value
10 TON R22 RECIPROCATING COMPRESSOR	Airport	001287	09/30/17	\$ 4,578	\$ -
WIDE ANGLE WEATHERPROOF CAMERA	Airport	001338	06/01/18	\$ 3,480	\$ 1,160
WATER PUMP	Airport	001368	10/01/18	\$ 6,215	\$ 3,108



# COMMONWEALTH PORTS AUTHORITY

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2019

Finding No.: 2019-002, Continued  
 Federal Agency: U.S. Department of Transportation  
 CFDA Program: 20.106 Airport Improvement Program  
 Federal Award Nos.: All AIP Grants  
 Area: Equipment and Real Property Management  
 Area: Capital Assets  
 Questioned Costs: \$-0-

### Condition, Continued:

12. The assets are not functional, however, the assets have not been decommissioned.

System Description	Location	System No.	In Service Date	Acquired Value	Net Book Value
FORD ECONOLINE CARGO VAN	Airport	000612	06/01/03	\$ 17,154	\$ -
TORO/GUARDIAN RECYCLER	Airport	000553	10/01/01	\$ 23,000	\$ -
WIFI UPGRADE WITH SOFTWARE CONTROLLER FOR TERMINAL	Airport	001112	01/01/15	\$ 7,900	\$ -

Cause: CPA lacks controls, such as oversight responsibility and monitoring, over compliance with equipment and real property management requirements.

Effect: CPA is in noncompliance with applicable equipment and real property management requirements.

Recommendation: CPA should establish and implement controls over compliance with applicable property management requirements. Responsible personnel should perform monitoring activities to ascertain that the results of the annual physical inventory reconcile to the property records and that sufficient details are included in the capital assets subledger to specifically identify individual assets.

Identification as a Repeat Finding: Finding 2018-002.

### Views of Responsible Officials:

CPA's Corrective Action Plan states agreement and provides planned corrective actions.



# Commonwealth Ports Authority

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## Finding No 2019-001

**Name of Contact Person:** Skye Lynn L. Aldan Hofschneider

### Corrective Action:

Condition 1: CPA Management will comply with the procurement regulations. Departments that issue Requests for Proposals have been advised of the requirement and informed to ensure that when issuing a Request for Proposal, a written determination indicating that the use of an Invitation for Bid is not practical or advantageous to the Authority is issued and kept in file.

Condition 2: CPA issued an Emergency Procurement for the procurement, supply, and installation of fenders and anchors at Able and Baker Docks in order to keep the ports facility open to traffic in a safe condition. During the course of that installation, it was discovered that Charlie Dock also needed similar repairs to ensure its safety. Because the contractor was already providing the procurement, supply, and installation of fenders needed for Able and Baker, a change order was executed to include Charlie Dock.

CPA Management will comply with the procurement regulations. Proposed change orders and amendments to existing contracts will be reviewed to ensure that the requested changes are in line with what is allowable in CPA's procurement regulations.

**Proposed Completion Date:** Fiscal Year 2021

## Finding No 2019-002

**Name of Contact Person:** Skye Lynn L. Aldan Hofschneider

### Corrective Action:

Condition 1: In FY 2021, CPA reconciled its federally funded fixed assets and compiled a listing of federally funded assets to be removed. CPA sent a letter to the federal grantor in November 2020, requesting for the approval of the decommission of these items.

Condition 2: CPA has implemented additional requirements for entering capital assets into its fixed asset system. For each asset entered, CPA includes the serial number, VIN number, or other identification number and the specific location within the CPA premises. CPA will include the title, percentage of federal participation, use, and condition of the assets when entering into the system

Condition 3: In November 2020, CPA sent a letter to the federal grantor requesting to decommission fixed assets number 000094 and 000025. CPA is awaiting response from the federal grantor to concur with the removal of these fully depreciated federally funded items from CPA's fixed asset system.

Condition 4: Resolved. CPA has documented the tag number for fixed asset number 001367 in its fixed asset system and inventory records.

**Proposed Completion Date:** Fiscal Year 2021