



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, 2020

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, 2020, 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 December 13, 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) 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 CPA's internal control. Accordingly, we do not express an opinion on the effectiveness of CPA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 to be material weaknesses.



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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2020-003 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 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 2020-002 and 2020-003.

#### **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*

December 13, 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 each of CPA's major federal programs for the year ended September 30, 2020. CPA's major federal programs are 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 each of CPA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 major federal programs. However, our audit does not provide a legal determination of CPA's compliance.

#### ***Basis for Qualified Opinion on CFDA Program 20.106***

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 2020-003 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 CFDA Program 20.106***

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, 2020.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, CPA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2020.

### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-004 and 2020-005. Our opinion on each major federal program is not modified with respect to these matters.

CPA's response to the noncompliance findings identified in our audit 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 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 CPA's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.



A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2020-003 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2020-004 and 2020-005 to be significant deficiencies.

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, 2020, and have issued our report thereon dated December 13, 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 & Touche LLC*

December 13, 2021

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Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

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	\$ 11,000
<b>Total U.S. Department of the Interior</b>				<u>11,000</u>
U.S. Department of Transportation Direct Program Airport Improvement Program	20.106			5,503,876
COVID-19 Airport Improvement Program	20.106			<u>5,601,165</u>
<b>Total U.S. Department of Transportation</b>				<u>11,105,041</u>
U.S. Department of Homeland Security Direct Programs National Explosives Detection Canine Team Program (NEDCTP)	97.072			155,765
TSA Recapitalization Program	97.U01	HSTS04-17-H-CT1012		161,627
Saipan International Airport - Reimbursement Agreement	97.U02	HSTS0208HSLR157		<u>35,038</u>
Subtotal U.S. Department of Homeland Security Direct Programs				<u>352,430</u>
U.S. Department of Homeland Security Pass-Through Program From: CNMI Government - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		FEMA-4404-DR-MP	<u>2,741,280</u>
<b>Total U.S. Department of Homeland Security</b>				<u>3,093,710</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 14,209,751</u>
Reconciliation: Expenditures per Statement of Revenues, Expenses and Changes in Net Position:				
Capital contributions				\$ 8,417,783
Other grant revenues and contributions				<u>5,791,968</u>
				<u>\$ 14,209,751</u>

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

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Notes to the Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

(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, 2020. 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.

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Schedule of Findings and Questioned Costs  
Year Ended September 30, 2020

**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?   | Yes       |
| 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?   | Yes                |                                |        |                             |        |   |  |
| 7.                 | Type of auditors' report issued on compliance for major federal programs:   |                    |                                |        |                             |        |   |  |
|                    | 20.106  | Qualified          |                                |        |                             |        |   |  |
|                    | 97.036  | Unmodified         |                                |        |                             |        |   |  |
| 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="margin-left: 40px;"> <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> <tr> <td style="text-align: center;">97.036</td> <td style="text-align: center;">Disaster Grants - Public Assistance (Presidentially Declared Disasters)</td> </tr> </table> | <u>CFDA Number</u> | <u>Name of Federal Program</u> | 20.106 | Airport Improvement Program | 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) |  |
| <u>CFDA Number</u> | <u>Name of Federal Program</u>  |                    |                                |        |                             |        |   |  |
| 20.106             | Airport Improvement Program   |                    |                                |        |                             |        |   |  |
| 97.036             | Disaster Grants - Public Assistance (Presidentially Declared Disasters)   |                    |                                |        |                             |        |   |  |
| 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>
2020-001	Nonpayroll Expenditures
2020-002	Local Noncompliance - Procurement
2020-003	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>
2020-003	20.106	Equipment and Real Property Management	\$ -
2020-004	20.106	Reporting	\$ -
2020-005	20.106	COVID-19 Allowable Costs/Cost Principles	\$ 24,763

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Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Nonpayroll Expenditures

Finding No. 2020-001

Criteria: An effective system of internal control includes policies and procedures to determine that transactions are adequately substantiated and are recorded in the period incurred. Lastly, relevant supporting documents should be filed and maintained.

Condition: Tests of purchases/disbursements noted the following:

1. For two disbursements, approved purchase orders or equivalent authorizing the services rendered were not provided.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	6856-101	03/31/20	None	5819	03/18/20	\$ 45
Airport	6856-101	03/31/20	None	5828	03/20/20	\$ 34

2. For two disbursements, transactions pertain to prepayments made on September 8, 2016 for the Rota and Tinian harbor feasibility studies for which CPA only became aware in fiscal year 2021 that the feasibility studies were completed since June 2018 and December 2018 for Rota and Tinian, respectively. CPA recorded a journal entry to expense the amounts in fiscal year 2020; however, since the feasibility studies were completed since June 2018 and December 2018, an audit adjustment was proposed to record the expenses in the period incurred of \$216,000, which resulted in a restatement of net position.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Seaport	5360-200	09/30/20	MOA	None	09/07/16	\$ 108,000
Seaport	5360-300	09/30/20	MOA	None	09/07/16	\$ 108,000

3. For four disbursements, transactions pertain to architect-engineer and construction management services for the air traffic control tower that were recorded as construction in progress in previous years, however, CPA subsequently determined the transactions to be expenses in nature. An audit adjustment was proposed to reclassify the amount to expense in the period incurred of \$193,117, which resulted in a restatement of net position.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	7186-103	09/30/20	CPA-SA-004-17	98505	04/28/18	\$ 65,729
Airport	7186-103	09/30/20	CPA-SA-004-17	105651	08/31/18	\$ 13,176
Airport	7186-103	09/30/20	CPA-SA-004-17	120558	05/25/19	\$ 1,130
Airport	7186-103	09/30/20	CPA-SA-004-17	128644	09/28/19	\$ 113,082

4. For one disbursement, the total quantity of materials received per the receiving report differs from the total quantity per the invoice, resulting in a shortage in materials amounting to \$25. Management did not consider the amount material to the financial statements to warrant an adjustment.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	6259-100	10/31/19	SPN-20-23992	06-162206	10/24/19	\$ 2,996

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Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-001, Continued

Condition, Continued:

5. For three disbursements, the price payable for petroleum products are those in effect (Commercial Tank Wagon or CTW price) on the date of delivery of the products less the relevant discount of \$1.00 per petroleum products purchased for the Saipan International Airport and Port of Saipan. The CTW price for the petroleum products ordered for the Saipan International terminal; however, was not reflected on either the invoices, order forms or delivery tickets to determine whether CPA was billed at the discounted rate. The detail breakdown of the costs reflecting the CTW price less the discounted rate of \$1.00 was subsequently obtained from the vendor on June 10, 2021 for which the discounted rate agreed to the rates on the invoices.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	6162-100	01/31/20	CPA-RFP-003-20	30023580	01/09/20	\$ 6,725
Airport	6162-100	01/31/20	CPA-RFP-003-20	30024320	01/24/20	\$ 6,726
Airport	6762-100	10/24/19	CPA-RFP-003-20	30019539	10/10/19	\$ 6,934

Cause: CPA lacks controls, such as oversight responsibility and monitoring to confirm documents are properly maintained and safeguarded and that expenditures are recorded in the period incurred.

Effect: Expenditures are misstated. Also, CPA is noncompliant with applicable internal control policies to confirm expenditure are adequately substantiated.

Recommendation: CPA should establish and implement monitoring controls to confirm that documents are properly maintained and safeguarded and that expenditures are recorded in the period incurred.

Views of Responsible Officials:

CPA's Corrective Action Plan states agreement.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Local Noncompliance - Procurement

Finding No. 2020-002

Criteria: Applicable procurement rules and regulations are as follows:

- 40-50-110 states all contracts must first be prepared by the Procurement Officer who shall certify compliance with this chapter and any applicable federal statutory or regulatory provisions or requirements; that the proposed contract is for a public purpose; and that the contract does not constitute a waste or abuse of Authority funds regardless of source. All contract documents must be complete including attachments and exhibits if they are incorporated into the contract by reference. If there are any defects with any contract or there were defects in the procurement process, the Procurement Officer shall report the defects to the Executive Director who shall not execute such contract until the Procurement Officer certifies correction of such defects. In addition, it is the responsibility of the Executive Director or Procurement Officer to ensure that the contractor does not sign the contract or incur any expenses under it until all necessary Authority signatures have been obtained.
- §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.
- §40-50-210 states that the Executive Director or Procurement Officer must obtain written price quotations from at least three vendors for any procurement valued from \$250 to \$25,000.
- §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.
- §40-50-220 states that in case of any major public calamity, or whenever it is in the interest of aviation or shipping safety, or necessary to keep the ports operable by the Authority or to protect any property as well as the protection of the environment or the people of the CNMI, the Executive Director shall issue a summary finding or report of such calamity as soon as practical to the Comptroller and the Board advising of the emergency or calamity. In addition, following the resolution of the emergency, the Executive Director shall file his report with the Board within five days providing the further details relating to the emergency; the actions taken; the expenditures; and any recommendations.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-002, Continued

Criteria, Continued:

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

Further, an effective system of internal control includes policies and procedures to determine that transactions are adequately substantiated. Lastly, relevant supporting documents should be filed and maintained.

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

1. For eight disbursements, bidding periods were less than 30 days; however, the Executive Director or authorized designee's certification that a shorter period is reasonable and necessary was not provided.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	6156-100	10/24/19	CPA-RFP-001-16	623-2019	10/15/19	\$ 14,000
Airport	6156-100	02/24/20	CPA-RFP-001-16	641-2019	01/15/20	\$ 14,000
Airport	6156-100	06/24/20	CPA-RFP-001-16	658-2020	06/15/20	\$ 14,000
Airport	6156-100	06/24/20	CPA-IFB-002-18	S-001830	06/10/20	\$ 900
Airport	6856-101	03/31/20	CPA-RFP-008-19	20200328	03/26/20	\$ 8,738
Airport	6856-103	04/20/20	CPA-RFP-010-19	9161000480	04/08/20	\$ 15,000
Airport	6158-100	12/31/19	CPA-RFP-007-19	13527	12/31/19	\$ 3,750
Seaport	5330-100	02/28/20	CPA-RFP-010-19	9161000434	02/12/20	\$ 5,000

2. For three disbursements, documentation substantiating that only two vendors submitted proposals, as well as the proposals' evaluation criteria forms, were not provided.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	6156-100	10/24/19	CPA-RFP-001-16	623-2019	10/15/19	\$ 14,000
Airport	6156-100	02/24/20	CPA-RFP-001-16	641-2019	01/15/20	\$ 14,000
Airport	6156-100	06/24/20	CPA-RFP-001-16	658-2020	06/15/20	\$ 14,000

3. For five disbursements, requests for proposal were used; however, the Executive Director's written determination that the use of an invitation for bid is either not practical or not advantageous to CPA was not provided.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	6156-100	10/24/19	CPA-RFP-001-16	623-2019	10/15/19	\$ 14,000
Airport	6156-100	02/24/20	CPA-RFP-001-16	641-2019	01/15/20	\$ 14,000
Airport	6156-100	06/24/20	CPA-RFP-001-16	658-2020	06/15/20	\$ 14,000
Airport	6856-103	04/20/20	CPA-RFP-010-19	9161000480	04/08/20	\$ 15,000
Seaport	5330-100	02/28/20	CPA-RFP-010-19	9161000434	02/12/20	\$ 5,000

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-002, Continued

Condition, Continued:

4. For three disbursements, transactions pertain to a janitorial service contract for the air traffic control tower that was procured under CPA-RFP-002-16. The contract was renewed for another two years, with an option to extend for an additional two years when it expired on September 30, 2017; however, the original contract did not contain an option-to-renew provision. In addition, when the renewed contract expired on September 30, 2019, the janitorial service contract was incorporated into another contract that was procured under CPA-RFP-004-18, for which the same vendor was also providing janitorial services at the Saipan International Airport and Commuter Terminal. Since the original contract did not contain the option-to-renew provision, and the two contracts were separately procured through separate RFPs, a new procurement process for the air traffic control tower should have commenced when the original contract was expiring.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	6256-100	11/30/19	CPA-RFP-004-18	2019-322	11/02/19	\$ 5,000
Airport	6256-100	03/31/20	CPA-RFP-004-18	2020-046	03/02/20	\$ 5,000
Airport	6256-100	07/31/20	CPA-RFP-004-18	2020-110	07/01/20	\$ 5,000

5. For one disbursement, the transaction pertains to the airside grounds maintenance services for which the contract agreement expired on March 31, 2020 and was renewed for another two years, expiring on April 1, 2022; however, the term was only for four years, and the contract agreement did not contain an option-to-renew provision. The contract should have gone through the procurement process.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	6156-100	06/24/20	CPA-RFP-001-16	658-2020	06/15/20	\$ 14,000

6. For four disbursements, procurement files were not provided.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	6856-101	03/31/20	None	CS0005931	03/01/20	\$ 357
Airport	6856-103	04/20/20	CPA-RFP-010-19	9161000480	04/08/20	\$ 15,000
Airport	6882-101	09/30/20	None	Various	10/01/20	\$ 5,407
Seaport	5330-100	02/28/20	CPA-RFP-010-19	9161000434	02/12/20	\$ 5,000

7. For thirty-one disbursements, the Procurement Officer's certification of compliance that the contract is for a public purpose and that the contract does not constitute a waste or abuse of CPA funds regardless of source were not provided.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	6856-101	03/31/20	None	CS0005931	03/01/20	\$ 357
Airport	6856-101	03/31/20	CPA-RFP-008-19	20200328	03/26/20	\$ 8,738
Airport	6856-101	03/31/20	None	12002	03/31/20	\$ 300
Airport	7186-103	09/30/20	CPA-SA-003-20	1	05/11/20	\$ 29,542
Airport	7186-103	09/30/20	CPA-SA-003-20	2	06/09/20	\$ 48,284
Airport	7186-103	09/30/20	CPA-SA-003-20	3	07/21/20	\$ 48,946
Airport	7186-103	09/30/20	CPA-SA-003-20	4	08/21/20	\$ 53,239
Airport	7186-103	09/30/20	CPA-SA-003-20	5	09/10/20	\$ 51,884

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-002, Continued

Condition, Continued:

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	7186-103	09/30/20	CPA-SA-003-20	6	10/20/20	\$ 45,361
Airport	7186-103	09/30/20	CPA-SA-003-20	9	02/26/21	\$ 14,592
Airport	7186-103	09/30/20	CPA-SA-003-20	1	04/20/20	\$ 397,073
Airport	7186-103	09/30/20	CPA-SA-003-20	2	06/08/20	\$ 52,605
Airport	7186-103	09/30/20	CPA-SA-003-20	3	07/01/20	\$ 487,638
Airport	7186-103	09/30/20	CPA-SA-003-20	4	07/23/20	\$ 425,372
Airport	7186-103	09/30/20	CPA-SA-003-20	5	08/24/20	\$ 79,979
Airport	7186-103	09/30/20	CPA-SA-003-20	6	10/21/20	\$ 127,494
Airport	7186-103	09/30/20	CPA-SA-003-20	7	01/06/21	\$ 174,463
Airport	7186-103	09/30/20	CPA-SA-004-17	98505	04/28/18	\$ 65,729
Airport	7186-103	09/30/20	CPA-SA-004-17	105651	08/31/18	\$ 13,176
Airport	7186-103	09/30/20	CPA-SA-004-17	120558	05/25/19	\$ 1,130
Airport	7186-103	09/30/20	CPA-SA-004-17	128644	09/28/19	\$ 113,082
Airport	7186-103	09/30/20	CPA-SA-004-17	138276	03/27/20	\$ 10,209
Airport	7186-103	09/30/20	CPA-SA-004-17	140201	04/27/20	\$ 29,444
Airport	7186-103	09/30/20	CPA-SA-004-17	142197	06/08/20	\$ 18,945
Airport	7186-103	09/30/20	CPA-SA-004-17	144838	06/30/20	\$ 9,578
Airport	7186-103	09/30/20	CPA-SA-004-17	145649	07/31/20	\$ 11,102
Airport	7186-103	11/26/19	CPA-SS-001-19	Prepayment	02/05/19	\$ 27,500
Airport	7186-103	11/26/19	CPA-SS-001-19	19-0091	10/21/19	\$ 82,500
Airport	7186-103	08/31/20	CPA-SA-001-19	CPA-20-8-2	08/25/20	\$ 6,720
Airport	7186-103	09/30/20	CPA-SA-001-19	CPA 20-9-1	09/24/20	\$ 6,720
Airport	7186-103	09/30/20	CPA-SA-001-19	CPA 20-9-2	10/05/20	\$ 6,720

8. For three disbursements, documentation substantiating that three written price quotations were obtained was not provided.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	6856-101	03/31/20	None	12002	03/31/20	\$ 300
Airport	6259-100	10/31/19	SPN-20-23989	025975	10/24/19	\$ 539
Airport	6860-200	07/31/20	None	R4927	07/31/20	\$ 280

9. For fourteen disbursements, transactions were procured under the sole source method; however, the written determination did not state the unique capabilities required for the project.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	7186-103	09/30/20	CPA-SA-003-20	1	05/11/20	\$ 29,542
Airport	7186-103	09/30/20	CPA-SA-003-20	2	06/09/20	\$ 48,284
Airport	7186-103	09/30/20	CPA-SA-003-20	3	07/21/20	\$ 48,946
Airport	7186-103	09/30/20	CPA-SA-003-20	4	08/21/20	\$ 53,239
Airport	7186-103	09/30/20	CPA-SA-003-20	5	09/10/20	\$ 51,884
Airport	7186-103	09/30/20	CPA-SA-003-20	6	10/20/20	\$ 45,361
Airport	7186-103	09/30/20	CPA-SA-003-20	9	02/26/21	\$ 14,592
Airport	7186-103	09/30/20	CPA-SA-003-20	1	04/20/20	\$ 397,073
Airport	7186-103	09/30/20	CPA-SA-003-20	2	06/08/20	\$ 52,605
Airport	7186-103	09/30/20	CPA-SA-003-20	3	07/01/20	\$ 487,638
Airport	7186-103	09/30/20	CPA-SA-003-20	4	07/23/20	\$ 425,372
Airport	7186-103	09/30/20	CPA-SA-003-20	5	08/24/20	\$ 79,979
Airport	7186-103	09/30/20	CPA-SA-003-20	6	10/21/20	\$ 127,494
Airport	7186-103	09/30/20	CPA-SA-003-20	7	01/06/21	\$ 174,463

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-002, Continued

Condition, Continued:

10. For eight disbursements, transactions were procured under the sole source procurement method; however, written determinations by the Contracting Officer stating that there is only one source for the required construction item was not provided for contract no. CPA-SS-001-19; written determinations for purchase order nos. ROP-20-3961 and ROP-20-3960 and contract no. CPA-SA-001-19 do not state the unique capabilities required and considerations given to alternative sources. In addition, certification of funding availability by the Comptroller and documentation substantiating that the vendor is the only authorized company within Micronesia to sell the supply purchased was not provided for purchase order nos. ROP-20-3961 and ROP-20-3960.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	6758-200	04/30/20	ROP-20-3961	14920-51654	03/10/20	\$ 5,043
Airport	6758-200	04/30/20	ROP-20-3960	14920-51659	03/10/20	\$ 2,116
Airport	7186-103	11/26/19	CPA-SS-001-19	N/A	02/05/19	\$ 27,500
Airport	7186-103	11/26/19	CPA-SS-001-19	19-0091	10/21/19	\$ 82,500
Airport	7186-103	08/31/20	CPA-SA-001-19	CPA-20-8-2	08/25/20	\$ 6,720
Airport	7186-103	09/30/20	CPA-SA-001-19	CPA 20-9-1	09/24/20	\$ 6,720
Airport	7186-103	09/30/20	CPA-SA-001-19	CPA 20-9-2	10/05/20	\$ 6,720
Seaport	5290-100	08/31/20	S-CPA-20-3874	15062	09/01/20	\$ 6,939

11. For three disbursements, transactions were procured under the emergency procurement; however, the Executive Director's summary finding or report of the calamity to the Comptroller and the Board advising of the emergency or calamity was not provided.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	7186-103	03/11/20	SPN-20-24073	1206-032	12/06/19	\$ 17,875
Airport	7186-103	03/11/20	SPN-20-24073	0120-051	02/07/20	\$ 25,025
Airport	7186-103	03/11/20	SPN-20-24073	0220-063	02/25/20	\$ 28,600

12. For nine disbursements, transactions were procured under the emergency procurement method; however, the Executive Director's reports to the Board of Directors providing further details relating to the emergency, the actions taken, the expenditures, and any recommendations following the resolution of the emergency were not provided.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	6258-100	07/30/20	SPN-20-24297	TAG-20-149	06/11/20	\$ 1,315
Airport	6258-100	07/30/20	SPN-20-24298	TAG-20-150-R.1	06/11/20	\$ 1,863
Airport	6258-100	07/30/20	SPN-20-24299	TAG-20-144	06/11/20	\$ 4,628
Airport	6258-100	07/30/20	SPN-20-24297	2159	07/16/20	\$ 2,958
Airport	6258-100	07/30/20	SPN-20-24298	2160	07/16/20	\$ 4,191
Airport	6258-100	07/30/20	SPN-20-24299	2161	07/16/20	\$ 10,413
Airport	7186-103	03/11/20	SPN-20-24073	1206-032	12/06/19	\$ 17,875
Airport	7186-103	03/11/20	SPN-20-24073	0120-051	02/07/20	\$ 25,025
Airport	7186-103	03/11/20	SPN-20-24073	0220-063	02/25/20	\$ 28,600

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-002, Continued

Condition, Continued:

13. For nine disbursements, public notices for the Request for Qualification Statements were not provided.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Airport	7186-103	09/30/20	CPA-SA-004-17	98505	04/28/18	\$ 65,729
Airport	7186-103	09/30/20	CPA-SA-004-17	105651	08/31/18	\$ 13,176
Airport	7186-103	09/30/20	CPA-SA-004-17	120558	05/25/19	\$ 1,130
Airport	7186-103	09/30/20	CPA-SA-004-17	128644	09/28/19	\$ 113,082
Airport	7186-103	09/30/20	CPA-SA-004-17	138276	03/27/20	\$ 10,209
Airport	7186-103	09/30/20	CPA-SA-004-17	140201	04/27/20	\$ 29,444
Airport	7186-103	09/30/20	CPA-SA-004-17	142197	06/08/20	\$ 18,945
Airport	7186-103	09/30/20	CPA-SA-004-17	144838	06/30/20	\$ 9,578
Airport	7186-103	09/30/20	CPA-SA-004-17	145649	07/31/20	\$ 11,102

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.

Identification as a Repeat Finding: Finding 2019-001.

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 with Conditions 1 through 8 and 10 (except for CPA-SA-001-19) through 13 and states disagreement with Conditions 9 and 10 (CPA-SA-001-19), as follows:

Condition 9 - CPA agrees that the procurement could have been done under emergency procurement. However, the sole source justification is valid as the roofing contractor specializes in these services. They were the original subcontractor hired during the high roof replacement in 2006, so they are familiar with the airport roofing system. They are also the local representative for the same material pitched roof aluminum siding in the region. Based on conversations with the Saipan Airport Manager, CPA tried to hire roofing contractors in the CNMI for water proofing work prior to the typhoon, but vendors did not respond and/or did not provide quotations. For the construction manager, they provided project oversight on the roof repairs completed in 2017. They are familiar with the airport's entire roofing system and would not have needed extra time to review the previous drawings prior to the typhoon repairs. For another consultant to perform the construction management services, it would have taken them additional time (which could result in additional expenditures) to familiarize themselves with the previous project.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-002, Continued

Views of Responsible Officials, Continued:

Condition 10 - CPA-SA-001-19: The sole source justification for this contract does provide the “unique capabilities” for procuring their technical services. They were the original project manager for the initial construction of the training facility and are familiar with the intricacies of this facility and its highly technical systems. There is no consultant in the CNMI that knows the facility more. For another consultant to familiarize themselves, it would take a vast amount of time due to the technicalities of the project as well as potentially more money since consultant costs are based on hourly rates. With the pressure from FAA for immediate repairs of the facility to ensure compliance with FAA’s Part 139 annual live fire certification requirements, hiring an unfamiliar consultant was not an option.

Auditor Response:

Condition 9 - The sole source written determination did not state the unique capabilities required for the project as required per the procurement regulations.

Condition 10 - For CPA-SA-001-19, the sole source written determination did not state the unique capabilities required for the project and considerations given to alternative sources as required per the procurement regulations.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-003  
 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 2020; however, only a partial reconciliation was performed. Total fixed asset additions capitalized and related to CPA's major program amounted to \$-0-, \$8,222,248, \$-0-, \$6,476,899, \$5,294,765 and \$-0- during fiscal years 2020, 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 sixty items (or 46%) tested of a total population of one hundred and thirty FAA-funded capital assets, we noted deficiencies, as follows:

3. Three items (or 7%) have been replaced; as such, the assets should have been written-off.

<u>General Ledger Asset Account No.</u>	<u>System No.</u>	<u>Description</u>	<u>In Service Date</u>	<u>Acquisition Cost</u>	<u>Net Book Value</u>
1510-111	000094	SECURITY ACCESS CONTROL SYSTEM	10/01/97	\$ 1,134,655	\$ -
1510-111	000025	Generator - SPN	04/01/87	\$ 1,419,119	\$ -
1570-311	000066	PERIMETER FENCING - TIQ	09/01/93	\$ 197,894	\$ -

4. We were unable to determine the existence of four (or 7%) as the capital asset subledger lacks a sufficient description to specifically identify the asset.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-003, 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:

**CFDA 20.106, Continued**

General Ledger Asset Account No.	System No.	Description	In Service Date	Acquisition Cost	Net Book Value
1520-311	000045	TIQ FAA 75-0011-01	06/01/78	\$ 188,031	\$ -
1520-311	000047	FAA 06-69-0011-04	12/03/80	\$ 1,503,392	\$ -
1520-311	000801	AJE to recon SEFA - FY06	09/30/07	\$ 24,624	\$ 8,721
1590-311	000845	AJ-06 FY 2005 SEFA CIP Recon	10/01/07	\$ 33,481	\$ -

5. One item (or 2%) could not be verified against pictures provided as the asset detail report lacks a sufficient description.

General Ledger Asset Account No.	System No.	Description	In Service Date	Acquisition Cost	Net Book Value
1520-211	000694	ROTA VISUAL GUIDANCE	10/01/05	\$ 207,235	\$ -

6. Eight items (or 13%) have been replaced or decommissioned; as such, the assets should have been written-off.

General Ledger Asset Account No.	System No.	Description	In Service Date	Acquisition Cost	Net Book Value
1570-311	000068	MASTER PLAN – TIQ	02/01/94	\$ 197,894	\$ 825
1590-111	000644	FIRE PREVENTION EQUIPMENTS	12/11/03	\$ 13,476	\$ -
1530-111	000706	PASSENGER LIFTER	10/01/05	\$ 75,999	\$ -
1520-111	000749	PAINT REMOVER MACHINE	08/01/06	\$ 8,592	\$ -
1510-111	000814	Inverter HF-430	01/01/08	\$ 10,355	\$ -
1510-111	000815	Inverters	02/01/08	\$ 7,586	\$ -
1590-111	000879	Radio Equipment	10/01/08	\$ 30,532	\$ -
1510-111	000891	4160 VAC Caterpillar Alternator	03/04/09	\$ 90,895	\$ -

7. For one item (or 2%), the asset system number 60 was disposed of during FY2020, but was included in the FAA fixed asset listing of September 30, 2020.

**Non-Federal Capital Assets**

Tests of other capital assets noted the following:

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

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-003, 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**

<u>System Description</u>	<u>Location</u>	<u>System No.</u>	<u>In Service Date</u>	<u>Acquired Value</u>	<u>Net Book Value</u>
REPLACE CONTROL BOARD AND MOTION SENSOR WITH NEW HARDWARE	Airport	001230	01/01/17	\$ 3,404	\$ -
TIRE & RIM ASSEMBLY (2 EA. - 24R21)	Airport	001125	04/01/15	\$ 16,423	\$ -
HYDRAULIC STEERING ASSEMBLY	Seaport	000190	03/01/13	\$ 1,950	\$ -

9. For one asset, 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.

<u>System Description</u>	<u>Location</u>	<u>System No.</u>	<u>In Service Date</u>	<u>Acquired Value</u>	<u>Net Book Value</u>
6 Solid Core Doors for ARFF Bldg	Airport	000955	09/01/10	\$ 10,355	\$ -

10. For fourteen assets, we were unable to determine physical existence as we were advised that the asset had either been disposed of, replaced or damaged. At September 30, 2020, the assets were included in the fixed asset subledger.

<u>System Description</u>	<u>Location</u>	<u>System No.</u>	<u>In Service Date</u>	<u>Acquired Value</u>	<u>Net Book Value</u>
FIRE PREVENTION EQUIPMENTS	Airport	000644	03/01/04	\$ 13,476	\$ -
SONY VAIO LAPTOP	Airport	000787	09/01/07	\$ 1,064	\$ -
INFOCUS PROJECTOR/PRINTER	Airport	000608	05/01/03	\$ 2,605	\$ -
Intel Core 2 Duo Computer	Airport	000838	01/16/08	\$ 1,695	\$ -
TIRE W/RIM	Airport	000419	02/01/97	\$ 2,000	\$ -
AIR PAK	Airport	000297	03/01/95	\$ 13,100	\$ -
Gateway Intel Core i3 Computer	Airport	000945	08/01/10	\$ 693	\$ -
6 ALUMINUM DOORS FOR LOADING BRIDGE	Airport	001033	03/01/13	\$ 12,380	\$ -
PROJECTOR INFOCUS LP120	Airport	000719	05/01/05	\$ 2,680	\$ -
LINK 3 SEAT	Airport	000456	10/01/97	\$ 14,400	\$ -
CA TRANSPORTER	Airport	000602	02/01/03	\$ 16,739	\$ -
Intel Duo Computer	Airport	000839	01/31/08	\$ 620	\$ -
DELL DESKTOP COMPUTER	Seaport	000184	11/01/12	\$ 674	\$ -
6 PCS. BOSCH VEZ-523-EW PTZ CAMERA	Seaport	000237	12/01/15	\$ 14,708	\$ -

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

<u>System Description</u>	<u>Location</u>	<u>System No.</u>	<u>In Service Date</u>	<u>Acquired Value</u>	<u>Net Book Value</u>
DUPLEX BOOSTER WATER PUMP	Airport	001131	09/01/15	\$ 25,868	\$ -
22,000 BTU AC SPLIT UNIT	Airport	001328	04/01/18	\$ 1,700	\$ -
CENTRAL SPLIT AC UNIT	Seaport	000255	06/01/18	\$ 3,350	\$ -
Dock Lighting Improvements	Seaport	000154	10/01/07	\$ 409,263	\$ 56,842

12. Nine decommissioned assets were included in the fixed asset subledger.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-003, 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**

<u>System Description</u>	<u>Location</u>	<u>System No.</u>	<u>In Service Date</u>	<u>Acquired Value</u>	<u>Net Book Value</u>
TORO/GUARDIAN RECYCLER	Airport	000553	10/01/01	\$ 23,000	\$ -
TOYOTA HILUX PICK UP	Airport	000282	10/01/94	\$ 12,970	\$ -
FORD ECONOLINE CARGO VAN	Airport	000612	06/01/03	\$ 17,154	\$ -
INTEL PENTIUM SONY LAPTOP	Airport	000740	03/01/06	\$ 2,155	\$ -
2 Intel Core Duo Desktop Computers	Airport	000903	02/01/10	\$ 2,578	\$ -
Sony VAIO Notebook Laptop	Airport	000902	01/01/10	\$ 1,349	\$ -
FORD ECONOLINE CARGO VAN	Airport	000611	06/01/03	\$ 18,801	\$ -
LED Police Siren (3ea)	Airport	000888	10/01/08	\$ 5,625	\$ -
Desktop w/ 19" Monitor	Airport	000836	06/27/08	\$ 2,700	\$ -

13. For three assets, the location per the subledger did not agree to the location where the item was sighted.

<u>System Description</u>	<u>System No.</u>	<u>In Service Date</u>	<u>Acquired Value</u>	<u>Net Book Value</u>	<u>Location per Subledger</u>	<u>Location per Sighting</u>
FORD ECONOLINE CARGO VAN	000612	06/01/03	\$ 17,154	\$ -	Airport	Seaport
MAS90 UPGRADE/FRx DESKTOP	000112	03/01/03	\$ 2,816	\$ -	Seaport	Airport
TOYOTA TACOMA 4X2 PICK UP (DARK GREEN)	001057	09/01/13	\$ 21,547	\$ -	Saipan	Rota

14. For six assets, the description comprises numerous units; however, we were not able to verify physical existence of these units as they have been decommissioned. We were not provided with the decommissioning documents.

<u>System Description</u>	<u>Location</u>	<u>System No.</u>	<u>In Service Date</u>	<u>Number of Units Per Subledger</u>	<u>Number of Units Verified for Existence</u>	<u>Acquired Value</u>	<u>Net Book Value</u>
7 SETS OF ALUMINUM SOLID DOORS	Airport	001117	02/01/15	7	4	\$ 15,216	\$ -
6 UNITS, 30K SPLIT TYPE FLOOR STANDING	Airport	001059	09/30/13	6	5	\$ 7,488	\$ -
FEVER SCAN, THERMAL IMAGING CAMERA	Airport	001423	04/01/20	6	1	\$ 25,045	\$ 21,914
SWING ALUMINUM GLASS DOORS (2 SETS)	Airport	001149	02/01/16	2	1	\$ 5,734	\$ 5,734
REPLACE CONTROL BOARD AND MOTION SENSOR WITH NEW HARDWARE	Airport	001230	01/01/17	2	1	\$ 3,404	\$ -
2-SOLID ALUMINUM DOOR	Airport	001063	11/01/13	2	1	\$ 2,650	\$ -

15. For system no. 1413, eight air-conditioning units were added in FY2020 as fixed assets to replace the old eight units; however, the decommissioning documents for the old units were not provided.

16. System no. 1436 was added as a fixed asset in April 2020, while the final project was accepted and the final billing was paid in December 2019.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-003, 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**

17. Accumulated depreciation was understated as the accumulated depreciation was reduced equivalent to the acquisition cost of disposed assets even though it was not fully depreciated. This was corrected through a proposed audit adjustment.

System No.	Location	Asset Description	Acquired Value	Accumulated Depreciation	Net Book Value
001330	Airport	EQUIPMENT SHELTER	\$ 24,480	\$ 10,608	\$ 13,872
000590	Airport	ROTA ARRIVAL/AIRCON	\$ 872,523	\$ 774,364	\$ 98,159
001241	Airport	AUTOMATED PARKING FACILITY SYSTEM	\$ 52,905	\$ 34,388	\$ 18,517
001248	Airport	INTALLATION OF WIFI ANTENNA AND IP	\$ 6,900	\$ 4,600	\$ 2,300
000806	Airport	PIA Hangar	\$ 154,883	\$ 131,650	\$ 23,233
001283	Airport	PUMP HOUSE FENCING PROJECT	\$ 97,214	\$ 22,683	\$ 74,531
001377	Airport	PARTS FOR CRASH 8	\$ 80,000	\$ 36,667	\$ 43,333
001284	Airport	ROOF LEAK REPAIRS	\$ 189,880	\$ 58,546	\$ 131,334
001350	Airport	WOODEN ROOF STRUCTURE	\$ 13,828	\$ 6,626	\$ 7,202
001203	Airport	ROTATING BEACON REPLACEMENT	\$ 222,423	\$ 85,262	\$ 137,161

18. We were unable to determine the existence of the following as the asset could not be sighted due to inaccessibility.

System Description	Location	System No.	In Service Date	Acquired Value	Net Book Value
3 TONS CENTRAL SPLIT UNIT	Airport	001403	07/01/19	\$ 5,660	\$ 2,123
24,000 BTU SPLIT A/C FOR COMMUTER DEPARTURE	Airport	001034	03/01/13	\$ 1,784	\$ -
REPLACE CONTROL BOARD AND MOTION SENSOR WITH NEW HARDWARE	Airport	001230	01/01/17	\$ 3,404	\$ -

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. No questioned costs are presented as we are unable to quantify the extent of noncompliance.

Identification as a Repeat Finding: Finding 2019-002.

Recommendation: CPA should adhere to property management requirements such as performing 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.

Views of Responsible Officials:

CPA's Corrective Action Plan states agreement.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-004  
 Federal Agency: U.S. Department of Transportation  
 CFDA Program: 20.106 Airport Improvement Program  
 Federal Award Nos.: All AIP Grants  
 Area: Reporting  
 Questioned Costs: \$-0-

**Criteria:** In accordance with applicable reporting requirements, SF-425, Federal Financial Report for cash status, should be supported by applicable accounting records.

**Condition:** For three (or 18%) of seventeen SF-425 reports tested, we noted incorrect amounts reported for Total recipient share required and Remaining recipient share to be provided for the reporting period ended September 30, 2020, as follows:

<b>Federal Award No. 3-69-0002-89</b>		Per SF-425	Per Audit	Variance
Federal expenditures and unobligated balance	10d. Total federal funds authorized	\$ 5,293,632	\$ 5,961,217	\$ (667,585)
	10h. Unobligated balance of federal funds	\$ 2,066,222	\$ 2,733,807	\$ (667,585)
Recipient share	10i. Total recipient share required	\$ 365,959	\$ 440,135	\$ (74,176)
	10j. Recipient share of expenditures	\$ 92,729	\$ 136,379	\$ (43,650)
	10k. Remaining recipient share to be provided	\$ 273,230	\$ 303,756	\$ (30,526)
<b>Federal Award No. 3-69-0002-91</b>				
Recipient share	10j. Recipient share of expenditures	\$ 20,040	\$ 24,917	\$ (4,877)
	10k. Remaining recipient share to be provided	\$ 9,959	\$ 5,083	\$ 4,876
<b>Federal Award No. 3-69-0002-92</b>				
Recipient share	10j. Recipient share of expenditures	\$ 23,586	\$ 60,078	\$ (36,492)
	10k. Remaining recipient share to be provided	\$ 51,880	\$ 15,388	\$ 36,492

**Cause:** CPA did not effectively monitor reports for compliance with applicable reporting requirements.

**Effect:** CPA is in noncompliance with grant reporting requirements. No questioned costs are presented as the variances do not represent Program overpayments, and reports have been subsequently corrected.

**Recommendation:** Responsible personnel should perform supervisory reviews so that reports accurately reflect the required recipient share and remaining recipient share in accordance with applicable reporting requirements.

Views of Responsible Officials:

CPA's Corrective Action Plan states agreement.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-005  
Federal Agency: U.S. Department of Transportation  
CFDA Program: 20.106 COVID-19 Airport Improvement Program  
Federal Award No.: 3-69-0002-094-2020  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$24,763

Criteria: In accordance with applicable allowable costs/cost principles requirements, allowable costs must meet the purpose of the grant to maintain safe and efficient airport operations.

Further, in accordance with the terms and conditions of the CARES Act award regarding utilities proration, it states that for purposes of computing the United States' share of the allowable airport operations and maintenance costs, the allowable cost of utilities incurred by the Sponsor to operate and maintain airport(s) included in the Grant must not exceed the percent attributable to the capital or operating costs of the airport.

Condition: Of twenty-five samples tested, totaling \$3,609,993 of a total population of \$11,114,508, the following were noted:

1. For one (or 4%), rental costs for decorative potted plants totaling \$1,500 under AP-002935 dated 09/30/2020 were charged under the grant and is not a permitted use of airport revenues.
2. For one (or 4%), utility costs of \$88,640 under AP-002922 dated 08/31/2020 were charged to the grant at 100% when only 74% appears allowable.

Cause: CPA lacks such controls as oversight responsibility and monitoring over compliance with allowable costs/cost principles requirements.

Effect: CPA is in noncompliance with applicable allowable costs/cost principles requirements, and questioned costs of \$24,763 exist, as projected questioned costs exceed the threshold.

Recommendation: CPA should adhere to allowable costs/cost principles requirements and should confirm that costs charged to the Program are in compliance with the terms and conditions of the Federal award.

Views of Responsible Officials:

CPA's Corrective Action Plan states disagreement with Conditions 1 and 2, as follows:

Condition 1 - CPA disagrees with this finding. According to the grant terms and conditions, the grant shall be available for any purpose for which airport revenues may be lawfully used. The plant rental service is a service provided directly to the airport and meets the requirements of the FAA Revenue Use Policy.

Condition 2 - CPA disagrees with this finding. 100% of the utility costs claimed are for airport operations.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-005, Continued  
Federal Agency: U.S. Department of Transportation  
CFDA Program: 20.106 COVID-19 Airport Improvement Program  
Federal Award No.: 3-69-0002-094-2020  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$24,763

Auditor Response:

Condition 1 - Airport revenue may be used for the capital or operating costs of the airport directly and substantially related to the air transportation of passengers or property. Plant rental services do not meet this definition. The finding remains.

Condition 2 - The terms of the CARES Act grant state that the allowable cost of utilities incurred by the Sponsor to operate and maintain airport(s) included in the Grant must not exceed the percent attributable to the capital or operating costs of the airport. The finding remains.



# Commonwealth Ports Authority

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## **Finding No 2020-001**

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

### **Corrective Action:**

Condition 1: Resolved. CPA received updated documents from the vendor to reflect the current prices.

Condition 2: Resolved. CPA Management concurs with this finding. CPA was not aware that the studies were completed and was only provided a copy of the completed studies in FY 2020. CPA has entered the audit adjustment to reflect the expense.

Condition 3: Resolved. CPA agrees with this finding. CPA has entered the audit adjustments to reclassify the amounts to be expensed in the periods incurred.

Condition 4: Resolved. CPA concurs with this finding. The Department Manager confirmed that the shortage in materials was a typo. The Department Manager later certified the number of materials received matched the invoice. CPA Accounting will verify all receiving reports to ensure that the quantities certified to be received match up to the invoices billed.

Condition 5: Resolved. CPA has required the vendor to submit updated documentation whenever a price change occurs. The vendor has agreed to comply with the requirement.

**Proposed Completion Date:** Fiscal Year 2021

## **Finding No 2020-002**

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

### **Corrective Action:**

Condition 1, 3, 4, 5, 6, 7, 8, 10, 11: CPA agrees with this finding. CPA has implemented oversight procedures to ensure that Procurement regulations are complied with. CPA will create a checklist to include all RFP and IFB requirements to ensure that all requirements are met and all documents are kept on file.

Condition 2: CPA reviewed the project file and noted that only two vendors submitted proposals in response to the RFP. The evaluation forms were misplaced with the transfer of the Procurement Office. CPA has implemented an updated filing system to ensure that bid documents are complete and kept on file per project.

Condition 9: CPA agrees that the procurement could have been done under emergency procurement. However, the sole source justification is valid as the roofing contractor specializes in these services. They were the original subcontractor hired during the high roof replacement in 2006, so they are familiar with the airport roofing system. They are also the local representative for the same material pitched roof aluminum siding in the region. Based on conversations with the Saipan Airport Manager, CPA tried to hire roofing contractors in the CNMI for water proofing work prior to the typhoon, but vendors did not respond and/or did not provide quotations. For the construction manager, they provided project oversight on the roof repairs completed in 2017. They are familiar with the airport's entire roofing system and would not have needed extra time to review the previous drawings prior to the typhoon repairs. For another consultant to perform the construction management services, it would have taken them additional time (which could result in additional expenditures) to familiarize themselves with the previous project.

Condition 10: CPA-SA-001-19: The sole source justification for this contract does provide the "unique capabilities" for procuring their technical services. They were the original project manager for the initial construction of the training facility and are familiar with the intricacies of this facility and its highly technical systems. There is no consultant in the CNMI that knows the facility more. For another consultant to familiarize themselves, it would take a vast amount of time due to the technicalities of the project as well as potentially more money since consultant costs are based on hourly rates. With the pressure from FAA for immediate repairs of the facility to ensure compliance with FAA's Part 139 annual live fire certification requirements, hiring an unfamiliar consultant was not an option.

Condition 12: CPA agrees with this finding. CPA Management will comply with Procurement regulations and provide the Executive Director's closeout reports for any emergency procurement.

Condition 13: CPA agrees with this finding. CPA has placed protocols such as better filing systems and filing of hard copies of all newspaper articles to ensure this does not happen again. Additionally, all advertised requests for qualifications will be placed on CPA's website.

**Proposed Completion Date:** Fiscal Year 2022

## **Finding No 2020-003**

**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. The grantor agency has approved the removal of these assets from the system and CPA proceeded with the decommissioning of these assets in FY 2021.

Condition 2, 4 & 9, 14: 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: Resolved. For fixed assets 000094 and 000025, CPA decommissioned these assets in FY 2021. For fixed asset 000066, CPA decommissioned this asset in August 2021. The fencing project was not completed until FY 2021.

Condition 5: Resolved. CPA decommissioned this asset in FY 2021, as the item is not in usable condition.

Condition 6: In FY 2021, CPA decommissioned the assets listed, except for FA 000749. CPA will verify the status of FA 000749. If confirmed that the asset is not in service, CPA will prepare the required documentation for decommissioning.

Condition 7 & 12: Resolved. This was an oversight. CPA will enter all approved decommissions into the fixed asset system.

Condition 8: CPA agrees with this finding. CPA Accounting and Procurement will review all purchases to properly determine which items should be capitalized.

Condition 10 & 11: CPA will review all assets to determine if they were replaced, disposed, or not functioning. If confirmed, CPA will process the required decommission forms to remove the fixed assets from the system.

Condition 13: Resolved. CPA updated the location in the subledgers to match the physical location of each asset listed.

Condition 15: CPA agrees with this finding. CPA will review the fixed assets to determine which items have been decommissioned.

Condition 16: CPA reviewed the project files and determined that there was a timing issue with this grant. The final billing was paid in December 2019, but the closeout documents for the grant were received in May 2020.

Condition 17: Resolved. CPA entered the audit adjustment to reflect the corrected accumulated depreciation.

Condition 18: Fixed asset 1403 is located on the rooftop, the area is able to be accessed through a ladder and the item is tagged. Fixed asset 1034 is located in the Saipan commuter building, which is condemned. CPA will proceed with decommissioning the asset, as it is not in usable condition. CPA agrees with the finding regarding fixed asset number 1230.

**Proposed Completion Date:** FY 2022

**Finding No 2020-004**

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

**Corrective Action:** Resolved. CPA agrees to the finding listed under Federal Award No. 3-69-0002-89 and 3-69-0002-92. For federal award 3-69-0002-89, the SF-425 has been amended to include the grant amendment. For federal award 3-69-0002-92, the SF 425 was subsequently amended to reflect the closeout recipient share.

**Proposed Completion Date:** FY 2021

**Finding No 2020-005**

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

**Corrective Action:**

Condition 1: CPA disagrees with this finding. According to the grant terms and conditions, the grant shall be available for any purpose for which airport revenues may be lawfully used. The plant rental service is a service provided directly to the airport and meets the requirements of the FAA Revenue Use Policy.

Condition 2: CPA disagrees with this finding. 100% of the utility costs claimed are for airport operations.

**Proposed Completion Date:** FY 2021