

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, 2021

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, 2021, 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 July 22, 2022. 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 explanatory paragraphs concerning the impact of COVID-19 and a restatement of prior year balances.

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.

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 2021-002 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 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 2021-001 and 2021-002.

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

July 22, 2022

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, 2021. 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 the sole major federal program. However, our audit does not provide a legal determination of CPA's compliance.

Basis for Qualified Opinion on the Sole Major Federal Program

As described in the accompanying Schedule of Findings and Questioned Costs, CPA did not comply with requirements regarding AL Program 20.106 Airport Improvement Program as described in item 2021-002 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 the 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 the sole major federal program for the year ended September 30, 2021.

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 2021-002 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, 2021, and have issued our report thereon dated July 22, 2022, 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 explanatory paragraphs concerning the impact of COVID-19 and a restatement of prior year balances. 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

July 22, 2022

COMMONWEALTH PORTS AUTHORITY

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing 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 Incinerator Units	15.875		D17AP00078	\$ 24,539
Total U.S. Department of the Interior				<u>24,539</u>
U.S. Department of Transportation Direct Program Airport Improvement Program	20.106			5,524,646
COVID-19 Airport Improvement Program - Coronavirus Aid, Relief, and Economic Security Act	20.106			10,577,672
COVID-19 Airport Coronavirus Response Grant Program - Coronavirus Response and Relief Supplemental Appropriations Act	20.106			<u>2,440</u>
Total U.S. Department of Transportation				<u>16,104,758</u>
U.S. Department of the Treasury Pass-Through Program From CNMI Government - Coronavirus State and Local Fiscal Recovery Funds	21.027		CNMI22028	<u>99,000</u>
Total U.S. Department of the Treasury				<u>99,000</u>
U.S. Department of Homeland Security Direct Programs National Explosives Detection Canine Team Program (NEDCTP)	97.072			146,354
TSA Recapitalization Program	97.U01	HSTS04-17-H-CT1012		195,975
Saipan International Airport - Reimbursement Agreement	97.U02	HSTS0208HSLR157		9,647
TSA Construct Office Storage Room	97.U03	PS001-47PK0620F0086		<u>21,408</u>
Subtotal U.S. Department of Homeland Security Direct Programs				<u>373,384</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>253,503</u>
Total U.S. Department of Homeland Security				<u>626,887</u>
Total Expenditures of Federal Awards				<u>\$ 16,855,184</u>
Reconciliation:				
Expenditures per Statement of Revenues, Expenses and Changes in Net Position:				
Capital contributions				\$ 5,795,099
Contribution from the CNMI				99,000
Other grant revenues and contributions				10,733,674
Prior year expenditures reflected in the current year				242,205
Seaport grant revenue not reflected in the current Schedule of Expenditures of Federal Awards				<u>(14,794)</u>
				<u>\$ 16,855,184</u>

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

COMMONWEALTH PORTS AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

(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, 2021. 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. 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.

b. 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.

FEMA expenditures recorded in the FY 2021 SEFA were incurred in FY 2019 due to insurance reductions on the project worksheet.

(4) Indirect Cost Rate

CPA does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

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"> <tr> <td style="text-align: center;"><u>Assistance Listing 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>Assistance Listing Number</u> | <u>Name of Federal Program</u> | 20.106 | Airport Improvement Program | |
| <u>Assistance Listing 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>
2021-001	Local Noncompliance - Procurement
2021-002	Capital Assets

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<u>Reference Number</u>	<u>Assistance Listing Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2021-002	20.106	Equipment and Real Property Management	\$ -

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Local Noncompliance - Procurement

Finding No. 2021-001

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 invitations for bid 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. This section shall be construed to include the purpose of obtaining professional services in highly specialized or technical expertise in aviation and admiralty; compliance with federal regulations; rate-setting consulting services; and whenever so required by any federal granting agencies or grant requirements.
- §40-50-225 Request for Proposals (a) Conditions for use. The purchase of all services, goods, supplies and materials and all construction work, when the expenditure or procurement by the Authority exceeds \$25,000 may be made through a Request for Proposal as set forth in this section 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, a contract or procurement may be obtained through a Request for Proposals.
- § 40-50-220 Emergency Procurement states 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.

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 six 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.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No. 2021-001, 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	6156-100	01/21/21	CPA-RFP-001-16	692-2021	01/15/21	\$ 14,000
Airport	6156-100	08/16/21	CPA-RFP-001-16	722-2021	08/13/21	\$ 14,000
Airport	6256-100	02/28/21	CPA-RFP-010-17	4541	02/28/21	\$ 1,500
Airport	6876-101	04/30/21	CPA-RFP-001-20	200001	04/05/21	\$ 33,200
Airport	7186-103	01/15/21	CPA-RFP-006-20	PB#1	12/15/20	\$ 25,821
Airport	7186-103	06/28/21	CPA-RFP-006-20	PB #4	06/08/21	\$ 25,829

2. For two 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	01/21/21	CPA-RFP-001-16	692-2021	01/15/21	\$ 14,000
Airport	6156-100	08/16/21	CPA-RFP-001-16	722-2021	08/13/21	\$ 14,000

3. For eight 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	1570-100	08/01/21	CPA-SA-006-19	RNV 2021-4843	03/16/21	\$ 183,362
Airport	1570-100	08/01/21	CPA-SA-006-19	RNV 2021-4869	05/15/21	\$ 84,487
Airport	1570-100	08/01/21	CPA-SA-006-19	RNV 2021-4892	07/31/21	\$ 59,160
Airport	6156-100	01/21/21	CPA-RFP-001-16	692-2021	01/15/21	\$ 14,000
Airport	6156-100	08/16/21	CPA-RFP-001-16	722-2021	08/13/21	\$ 14,000
Airport	6256-100	02/28/21	CPA-RFP-010-17	4541	02/28/21	\$ 1,500
Airport	7186-103	01/15/21	CPA-RFP-006-20	PB#1	12/15/20	\$ 25,821
Airport	7186-103	06/28/21	CPA-RFP-006-20	PB #4	06/08/21	\$ 25,829

4. For three 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	6875-101	12/31/20	None	63322	12/30/20	\$ 298
Airport	6875-101	12/31/20	None	63324	12/19/20	\$ 281
Airport	6875-101	12/31/20	None	63328	12/17/20	\$ 226

5. One contract, CPASSRS-001-21, was awarded without competition; however, no sufficient evidence was provided that determined in writing that there is only one source for the required supply, service or construction item. A sole source justification was issued for two different vendors after the first vendor failed to meet bond requirements which contradicts the procurement method used.
6. For seven 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 was not provided.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No. 2021-001, 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	01/12/21	CPA-SA-003-20	PB #7	01/08/21	\$ 189,064
Airport	7186-103	09/20/21	CPA-SA-001-19	CPA 21-8-1	09/10/21	\$ 9,875
Airport	7186-103	09/30/21	CPA-SA-001-19	RNV 2021-4934	09/30/21	\$ 183,704
Airport	7186-103	12/31/20	CPA-SA-003-20	PB#7	11/13/20	\$ 49,340
Airport	7186-103	01/31/21	CPA-SA-001-19	CPA 21-1-3	03/26/21	\$ 9,256
Airport	7186-103	02/28/21	CPA-SA-001-19	CPA 21-2-2	04/13/21	\$ 6,720
Airport	7186-103	09/30/21	CPA-SA-001-19	CPA-21-9-2	09/30/21	\$ 5,896

7. For ten 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	01/12/21	CPA-SA-003-20	PB #7	01/08/21	\$ 189,064
Airport	7186-103	09/20/21	CPA-SA-001-19	CPA 21-8-1	09/10/21	\$ 9,875
Airport	7186-103	09/20/21	CPA-SS-001-21	RNV 2021-4918	09/13/21	\$ 256,083
Airport	7186-103	09/30/21	CPA-SA-001-19	RNV 2021-4934	09/30/21	\$ 183,704
Airport	7186-103	12/31/20	CPA-SA-003-20	PB#7	11/13/20	\$ 49,340
Airport	7186-103	01/31/21	CPA-SA-001-19	CPA 21-1-3	03/26/21	\$ 9,256
Airport	7186-103	02/28/21	CPA-SA-001-19	CPA 21-2-2	04/13/21	\$ 6,720
Airport	7186-103	05/07/21	CPA-SS-001-21	RNV 2021-4857	03/31/21	\$ 112,955
Airport	7186-103	09/30/21	CPA-SA-001-19	CPA-21-9-2	09/30/21	\$ 5,896
Airport	5361-300	09/20/21	CPA-SS-001-21	RNV 2021-4918	09/13/21	\$ 20,400

8. For four disbursements, the expenditure was incurred before it was obligated.

<u>Location</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Reference No.</u>	<u>Reference No. Date</u>	<u>Invoice No.</u>	<u>Invoice Date</u>	<u>Days Lapsed</u>
Airport	6158-100	03/31/21	SPN-21-24636	03/16/21	15093	02/09/21	35
Airport	6158-100	03/31/21	SPN-21-24762	06/24/21	238951/1	06/18/21	6
Airport	6158-100	03/31/21	SPN-21-24762	06/24/21	363814/2	06/18/21	6
Airport	6158-100	03/31/21	SPN-21-24762	06/24/21	363846/2	06/21/21	3

9. For one disbursement (check no. 33222 dated 08/05/21 amounting to \$3,832), the expenditure was procured under emergency procurement. The resolution of the emergency occurred on July 16, 2021; however, the Executive Director's report was filed on July 28, 2021.

Cause: CPA lacks oversight responsibility and monitoring controls 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 2020-002.

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

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No. 2021-001, Continued

Views of Responsible Officials:

CPA's Corrective Action Plan states agreement with Conditions 1, 2, 3, 5, 6, 7, 8 and 9 and states disagreement with Condition 4, as follows:

Condition 4: The Criteria is that procurement files were not provided in regard to Account No. 6875-101. This is incorrect. The procurement files were provided. The files provided include a December 6, 2005, letter regarding an adjustment to the hourly rate for legal services, an engagement proposal, a January 2007 legal services retainer agreement, a March 2010 email regarding an adjustment to the hourly rate for legal services, and an April 2015 "Authorization for Private Counsel" letter from the CNMI Office of the Attorney General.

In conversations with the auditor regarding this Condition, the auditor asserts that no procurement files were provided because the term of the January 2007 legal services retainer agreement was for two years and no extension was provided.

Although the contract mentioned a two-year term, the contract also stated that it "shall remain in effect until the above-mentioned matter has been fully resolved . . ." Reading these requirements together, the contract's term was the longer of 2 years or until the legal matters had been resolved. The "above-mentioned matters" include "litigation, aviation/maritime law, contracting law, procurement matters, and collection matters," and none of those matters have been fully resolved. Because the matters were not fully resolved, the contract remained effective and no extension was needed. In other words, an extension would only be required if two years passed and the matters were resolved.

Even if an extension were required, the procurement files show that the parties extended the contract for legal services indefinitely. In March 2010, the law firm provided an email regarding an adjustment to the hourly rate for legal services. In April 2015, the CNMI Office of the Attorney General indicated that he met with the CPA Acting Chairman and the CPA Executive Director, stating that he was "enclosing the final draft of the Authorization for private counsel for CPA which I intend to sign." These actions would not have been undertaken unless both parties understood that either the contract remained effective or that the contract had been implicitly extended.

Based on the foregoing, the auditor's conclusion that no procurement files were provided is incorrect. No extension was required because the contract remained effective on its own terms. Even if an extension were required, the parties implicitly extended the contract indefinitely as evidenced by the procurement files provided.

Auditor Response:

Condition 4 - Procurement documents were not provided during fieldwork. When procurement documents were subsequently provided, it was noted that the contract was only valid until January 1, 2019 as it was dated January 1, 2017. Although the contract states "that the agreement will remain in effect until the above-mentioned matter has been fully resolved", these pertain to general legal services concerning the port. As a result, the "above-mentioned matter" will, in essence, never be resolved as it involves any type of legal service. The contract has a provision that specifically states that the agreement shall be for a term of two years and may be extended by agreement of the parties. No extension was provided. The finding remains.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-002
 Federal Agency: U.S. Department of Transportation
 AL 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:

ALN 20.106

1. CPA conducted a capital assets inventory during fiscal year 2021; however, only a partial reconciliation was performed. Total fixed asset additions capitalized and related to CPA's major program amounted to \$12,113,793, \$3,681,264, \$29,437,789, \$-0- and \$6,476,899 during fiscal years 2021, 2020, 2019, 2018 and 2017, 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 fourteen items (or 10%) tested of a total population of one hundred and thirty-six FAA-funded capital assets, we noted deficiencies, as follows:

3. Four items (or 28%) are runways, and based on the acquisition date, they have outlived their 20-year life expectancy; as such, the assets should have been written-off.

General Ledger Asset Account No.	System No.	Description	Acquisition Date	Acquisition Cost	Net Book Value
1520-111	000086	WEST APRON EXPANSION	04/01/97	\$ 4,520,630	\$ -
1520-111	000040	RUNWAY (TTG) SPN	10/01/76	\$ 1,062,145	\$ -
1520-100	000519	PARALLEL TAXIWAY	10/01/98	\$ 388,940	\$ -
1520-211	000048	FAA 06-75-0003-01	10/01/79	\$ 2,193,714	\$ -

4. One item (or 7%) has been replaced or decommissioned and was tested in the FY2020 audit but was included in the FAA fixed asset listing as of FY2021.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-002, Continued
Federal Agency: U.S. Department of Transportation
AL 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:

ALN 20.106, Continued

<u>General Ledger Asset Account No.</u>	<u>System No.</u>	<u>Description</u>	<u>Acquisition Date</u>	<u>Acquisition Cost</u>	<u>Net Book Value</u>
1510-111	000891	4160 VAC Caterpillar Alternator	03/04/09	\$ 90,895	\$ -

5. Three items (or 21%) were disposed of during FY2021, but were included in the FAA fixed asset listing as of FY2021.

<u>General Ledger Asset Account No.</u>	<u>System No.</u>	<u>Description</u>	<u>Acquisition Date</u>	<u>Acquisition Cost</u>	<u>Net Book Value</u>
1520-111	000688	AIRCRAFT DOCKING SYSTEM	09/01/05	\$ 15,017	\$ -
1570-311	000863	Pavement Stripping Machine	08/24/09	\$ 56,015	\$ -
1510-111	000036	MASTER PLAN - SPN	02/01/92	\$ 161,716	\$ -

Non-Federal Capital Assets

Tests of non-Federal capital assets noted the following:

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

<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>
SWING ALUMINUM GLASS DOORS (2 SETS)	Airport	001149	02/01/16	\$ 5,734	\$ -
HYDRAULIC PUMP WITH REGULATOR ASSEMBLY	Airport	001158	03/01/16	\$ 8,134	\$ -
20 TON TANDEM COMPRESSOR (2 SETS)	Airport	001345	07/01/18	\$ 16,387	\$ -

7. For six assets, the tag number in the fixed asset system did not agree with the tag number sighted.

<u>Asset Description</u>	<u>Location</u>	<u>System No.</u>	<u>Tag Number Per System</u>	<u>Tag Number Per Asset</u>
VMS Workstations	Airport	001126	2096	2095
PELCO Endura N5400 12 Series	Airport	001126	1965	1956
PELCO Monitor	Airport	001126	2091	2092
PELCO Monitor	Airport	001126	1988	1998
LINK SEAT UNIT GATE 1	Airport	000448	3858	3855
LINK 3 SEAT	Airport	000456	3839	3829
Gateway Intel Core i3 Computer	Airport	000945	2608	2068
3-ASUS DESKTOP COMPUTER W/ 19" LCD MONITOR	Airport	001079	430	434
ASUS CM6730 DESKTOP COMPUTER (2)	Seaport	000214	1788	380

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-002, Continued
Federal Agency: U.S. Department of Transportation
AL 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

8. For fifteen 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, 2021, 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>
TAXI LIGHT REGULATOR ASSY.	Airport	000579	06/01/02	\$ 3,558	\$ -
FORD ECONOLINE CARGO VAN	Airport	000612	06/01/03	\$ 17,154	\$ -
JOHN DEERE RIDING MOWER	Airport	000704	04/01/05	\$ 12,995	\$ -
SONY VAIO LAPTOP	Airport	000787	09/01/07	\$ 1,064	\$ -
ASUS 15.6" NOTEBOOK	Airport	001103	09/01/14	\$ 3,144	\$ -
3 TONS CENTRAL SPLIT UNIT	Airport	001179	06/01/16	\$ 5,344	\$ -
ALUMINUM GLASS SKYLIGHT	Airport	001193	09/01/16	\$ 18,915	\$ -
22,000 BTU SPLIT UNIT	Airport	001239	02/01/17	\$ 1,280	\$ -
APC MACHINE CABLING, INSTALLATION & CONFIGURATION	Airport	001262	07/01/17	\$ 27,485	\$ 4,123
18,000 BTU SPLIC A/C UNIT	Airport	001267	07/01/17	\$ 1,120	\$ -
Computer Network	Seaport	000068	06/01/97	\$ 4,580	\$ -
PRESSURE WASHER 2700PSI	Seaport	000120	11/01/03	\$ 1,170	\$ -
Perimeter Fence	Seaport	000156	10/01/07	\$ 261,202	\$ 18,865
6 PCS. BOSCH VEZ-523-EW PTZ CAMERA	Seaport	000237	12/01/15	\$ 14,708	\$ -
18,000 BTU SPLIT UNIT	Airport	001443	10/01/20	\$ 1,220	\$ 610

9. Two 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>
CAMERA PTZ FOR SECURITY	Airport	000982	08/01/11	\$ 2,650	\$ -
YAMAHA SECURITY CART	Seaport	000212	07/01/13	\$ 9,375	\$ -

10. For six assets, the description in the fixed asset system did not agree with the sighted asset.

<u>System No.</u>	<u>Location</u>	<u>Tag Number Per System</u>	<u>Tag Number Per Asset</u>
001345	Airport	ZPT166KCE-TFD-950	ZPT166KCE-TFD-250
001426	Airport	FVFZLC5NL40Y	FVFZLCZGL40Y
000455	Airport	SATELLITE-A135-S2356	SATELLITE-A135-S2386
001432	Airport	FVF2LK5NL40Y	FVF2LC5NL40Y
000238	Airport	AIR COMPRESSOR - 30 GALLONS	AIR COMPRESSOR - 26 GALLONS
001247	Airport	LOUNGE SEAT WITH ARMREST 50 pieces	LOUNGE SEAT WITH ARMREST 53 pieces

11. For four assets, the description comprises numerous units; however, we were not able to verify the physical existence of these units, as they have been decommissioned. Decommissioning documents were not provided.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-002, Continued
 Federal Agency: U.S. Department of Transportation
 AL 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>No. of Units Per Subledger</u>	<u>No. of Units that Could not be Verified for Existence</u>	<u>Acquired Value</u>	<u>Net Book Value</u>
LOUNGE SEAT WITH ARMREST	Airport	001247	05/01/17	50	2	\$ 53,500	\$ -
Radios (20ea) w/ Base Station	Seaport	000131	08/01/07	20	14	\$ 7,218	\$ -
Radios (20ea) w/ Base Station	Seaport	000133	08/01/07	20	14	\$ 107,432	\$ -
15-APX7000 DIGITAL PORTABLE RADIO	Seaport	000218	03/01/14	15	8	\$ 87,229	\$ -

12. Of forty-six disposals tested, we noted the following:

a. For three (or 7%), decommission forms were not provided.

<u>Location</u>	<u>General Ledger Asset Account No.</u>	<u>System No.</u>	<u>Acquisition Date</u>	<u>Disposal Date</u>	<u>Acquired Value</u>	<u>Realized Gain (Loss)</u>
Airport	1510-100	000006	04/01/87	08/31/21	\$ 322,620	\$ -
Airport	1510-100	000453	10/01/97	08/31/21	\$ 236,422	\$ -
Airport	1520-100	000073	09/01/81	08/31/21	\$ 30,324	\$ -

b. For one (or 2%), system no. 370 with an acquisition cost of \$22,770 was sold in November 2013, but was recorded as a disposal in FY2021.

c. For one (or 2%), system no. 1443 was replaced in FY2021; however, the decommission document for the old unit was not provided.

d. System no. 1443 was added as a fixed asset in October 2021, while the receiving report indicates the asset was received in September 2021.

Cause: CPA lacks oversight responsibility and monitoring controls 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 2020-003.

COMMONWEALTH PORTS AUTHORITY

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2021

Finding No.: 2021-002, Continued
Federal Agency: U.S. Department of Transportation
AL Program: 20.106 Airport Improvement Program
Federal Award Nos.: All AIP Grants
Area: Equipment and Real Property Management
Area: Capital Assets
Questioned Costs: \$-0-

Recommendation: CPA should adhere to property management requirements and 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.

Views of Responsible Officials:

CPA's Corrective Action Plan states agreement.



Commonwealth Ports Authority

Main Office: SAIPAN INTERNATIONAL AIRPORT, 2ND Floor Arrival Bldg.
PO BOX 501055 • SAIPAN • MP • 96950
Phone: (1-670) 237-6500/1 Fax: (1-670) 234-5962
E-Mail Address: cpa.admin@pticom.com Website: www.cnmiports.com



Finding No 2021-001

Name of Contact Person: Skye Lynn L. Aldan Hofschneider

Corrective Action:

Conditions 1, 3, 8: CPA agrees with this finding. CPA has implemented oversight procedures to ensure that Procurement regulations are complied with. A standard project checklist has been implemented that includes all RFP and IFB requirements to ensure that all requirements are met and all documents are kept on file. This is a part of the standard operating procedures that were implemented on June 30, 2022.

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 4: The Criteria is that procurement files were not provided in regard to Account No. 6875-101. This is incorrect. The procurement files were provided. The files provided include a December 6, 2005, letter regarding an adjustment to the hourly rate for legal services, an engagement proposal, a January 2007 legal services retainer agreement, a March 2010 email regarding an adjustment to the hourly rate for legal services, and an April 2015 "Authorization for Private Counsel" letter from the CNMI Office of the Attorney General.

In conversations with the auditor regarding this Condition, the auditor asserts that no procurement files were provided because the term of the January 2007 legal services retainer agreement was for two years and no extension was provided.

Although the contract mentioned a two-year term, the contract also stated that it "shall remain in effect until the above-mentioned matter has been fully resolved" Reading these requirements together, the contract's term was the longer of 2 years or until the legal matters had been resolved. The "above-mentioned matters" include "litigation, aviation/maritime law, contracting law, procurement matters, and collection matters," and none of those matters have been fully resolved. Because the matters were not fully resolved, the contract remained effective and no extension was needed. In other words, an extension would only be required if two years passed and the matters were resolved.

Even if an extension were required, the procurement files show that the parties extended the contract for legal services indefinitely. In March 2010, the law firm provided an email regarding an adjustment to the hourly rate for legal services. In April 2015, the CNMI Office of the Attorney General indicated that he met with the CPA Acting Chairman and the CPA Executive Director,

stating that he was “enclosing the final draft of the Authorization for private counsel for CPA which I intend to sign.” These actions would not have been undertaken unless both parties understood that either the contract remained effective or that the contract had been implicitly extended.

Based on the foregoing, the auditor’s conclusion that no procurement files were provided is incorrect. No extension was required because the contract remained effective on its own terms. Even if an extension were required, the parties implicitly extended the contract indefinitely as evidenced by the procurement files provided.

Condition 6: In December 2021, CPA incorporated into all of its contract agreements the Procurement Officer’s signature to certify compliance with requirements under NMIAC §40-50-110(b). The signature block has also been input into all draft contracts and agreements.

Conditions 5 & 7: Written determinations were issued for the sole source procurements listed. The written justifications provide the unique capabilities required of the contractors throughout the justification but do not specifically identify these as unique capabilities. As of June 2022, CPA has implemented standard operating procedures, including standard forms, to ensure that the appropriate justification is provided for each sole source justification. The sole source justification form includes a specific section to identify the unique capabilities.

Condition 9: CPA agrees with this finding. The standard operating procedures include the requirement to submit timely reports on emergency procurement in line with the Procurement regulations.

CPA has developed the following corrective action plan for this finding:

1. Establish Standard Operating Procedures (SOP) for Procurement
CPA has established Procurement SOPs and flowcharts that were implemented and effective on June 30, 2022. The SOPs detail the procurement requirements, responsibilities, and include best practices. These SOPs are based on CPA procurement regulations. The flowchart provides staff a determination on the type of procurement required and the workflow to the next steps in line with the Procurement regulations.
2. Develop a Training Plan for Procurement Procedures
CPA developed a Procurement training plan that was implemented on June 17, 2022. The training plan includes annual requirements for training on procurement regulations, methods and compliance requirements. The training is based on the established SOPs and is mandatory for CPA Department heads and all staff involved in the procurement process. The first initial training was completed in June 2022 by CPA legal counsel, CPA procurement staff, and the Comptroller.
3. Implement Standard Procurement Forms
Standard procurement forms have been developed to establish additional controls and reviews for all purchases. The standard forms include requirements as per the procurement regulations and are required to be submitted with the applicable

procurement requests. Other standard procurement forms are being revised to align with the procurement SOPs.

4. Technical Consultant Review

CPA hired a technical consultant (certified public accounting firm) on May 6, 2022. Part of the technical consultant's scope of work is to review the fiscal year 2020 findings and provide recommendations on how to prevent findings from recurring. The technical consultant conducted a training and provided recommendations on resolving the local procurement non-compliance finding in fiscal year 2020. CPA will implement the recommendations of the technical consultant by July 31, 2022.

5. Internal Auditor Position

An internal auditor position was created on May 16, 2022. CPA is announcing this position and anticipates hiring an internal auditor by August 2022. Part of the internal auditor's responsibilities include reviewing procurement documents for compliance. The internal auditor reports directly to the CPA Board of Director and will be required to provide quarterly reports. The internal auditor quarterly reports will be used as a tool to identify areas of procurement non-compliance for immediate correction.

Proposed Completion Date: July 31, 2022

Finding No 2021-002

Name of Contact Person: Skye Lynn L. Aldan Hofschneider

Corrective Action:

Conditions 1 & 2: CPA hired a technical consultant to conduct a full inventory and reconciliation of its fixed asset. The reconciliation includes the documenting of identifying information for entry into the fixed asset system.

Conditions 3, 8, 9, 11: CPA will proceed with the proper decommissioning and disposals of these assets in the fixed asset system.

Conditions 4 & 5: These assets were inadvertently included in the FAA fixed asset listing. Although they were included in the listing, they are identified as disposed in the listing. CPA will remove these items from the FAA asset listing.

Condition 6: CPA agrees with this finding. CPA Accounting and Procurement will review all purchases to properly determine which items should be capitalized based on GAAP rules.

Conditions 7 & 10: CPA will make the corrections on the fixed asset system.

Condition 12: CPA has placed protocols such as a better filing system to ensure that approved decommission files are readily available for review.

CPA has developed the following corrective action plan for this finding:

1. Technical Consultant Review

CPA hired a technical consultant (certified public accounting firm) on May 6, 2022 to conduct a full reconciliation of its fixed asset inventory. The technical consultant completed the full fixed asset inventory on July 1, 2022. The fixed asset inventory included documenting identifying information for each fixed asset. The CPA Procurement Office is entering the identifying information for the assets into the fixed asset system. The fixed asset inventory also identified obsolete and damaged assets that were recommended to be removed from the fixed asset system. These asset disposals and decommissions are being conducted by the CPA Procurement Office. The technical consultant also conducted training and provided recommendations on resolving the equipment management finding. CPA will implement the recommendations of the technical consultant by July 31, 2022.

2. Establish Standard Operating Procedures (SOP) for Equipment Management

CPA has established Equipment Management SOPs that were implemented and effective on June 30, 2022. The SOPs detail the equipment management requirements, details, and responsibilities. In addition, the SOPs include an annual mandatory schedule for inventory, disposals, and reconciliation.

3. Implement Standard Equipment Management Forms

Standard procurement forms have been developed to establish additional controls and reviews for all equipment. These standard forms include requirements such as identifying details for all fixed assets. Other standard forms are being revised to align with the Equipment Management SOPs.

4. Develop a Training Plan for Equipment Management Procedures

CPA developed an Equipment Management training plan that was implemented on June 17, 2022. The training plan includes annual requirements for training on equipment management and compliance requirements. The training is based on the established SOPs and is mandatory for all staff involved in equipment management. The first initial training was conducted in June 2022 by CPA legal counsel, CPA procurement staff, and the Comptroller.

5. Internal Auditor Position

An internal auditor position was created on May 16, 2022. CPA is announcing this position and anticipates hiring an internal auditor by August 2022. Part of the internal auditor's responsibilities include reviewing inventory records and equipment management files for compliance. The internal auditor reports directly to the CPA Board of Director and will be required to provide quarterly reports. The internal auditor quarterly reports will be used as a tool to identify areas of equipment management non-compliance for immediate correction.

Proposed Completion Date: July 31, 2022



SUMMARY OF PRIOR YEAR AUDIT FINDINGS: FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2021

Ref. Number	Assistance Listing No.	Finding	Questioned Costs	Status	Corrective Action Plan	Contact Person	QC Resolved	\$Amt Bal Carry Forward
Fiscal Year 2020								
2020-001	N/A	Nonpayroll Expenditures	\$ -	Ongoing, Anticipated Completion July 31, 2022	<ul style="list-style-type: none"> • The Accounting internal controls are being reviewed by the technical consultant (Accounting Firm) CPA contracted on May 6, 2022. • The technical consultant will provide recommendations to Accounting processes to ensure proper internal controls are in place. • The technical consultant's recommendations will be provided by June 23, 2022. These recommendations will be implemented by July 1, 2022. • As a monitoring control, CPA established an internal auditor position on May 16, 2022 • The internal auditor position has been advertised and will close by June 17, 2022. CPA to hire an internal auditor by July 15, 2022. • The responsibilities of the internal auditor include the review of accounting procedures for compliance with local and federal requirements. The internal auditor will review Accounting transactions for posting in the proper period and that proper supporting documents are maintained for expenditures • The internal auditor will be required to provide quarterly reports on compliance reviews to the CPA Board and Management. • The internal auditor quarterly reports will be used to identify areas of non compliance for CPA's corrective action prior to the single audit. 	Skye Aldan Hofschneider, Comptroller	\$ -	-
					<ul style="list-style-type: none"> • CPA legal counsel drafted Procurement Standard Operating Procedures (SOP) and Flowcharts on May 30, 2022. These SOP's will be finalized by June 30, 2022. • The SOP's detail the Procurement requirements, responsibilities, and include best practices. The SOP's are based on CPA Procurement Regulations. • The Procurement flowchart provides staff a determination on the type of Procurement required and the workflow to the next steps in line with Procurement regulations. 			
					<ul style="list-style-type: none"> • A training plan was drafted on May 30, 2022 and will be finalized by June 17, 2022. • The training plan includes annual requirements for training on Procurement regulations, methods, and compliance requirements. The training will be based on the Procurement SOP's. The training will be mandatory for Department Heads and staff involved in the Procurement process. • The Procurement training will held in June annually. The first training will be conducted in June 2022 by legal counsel, Procurement, and the Comptroller and will be conducted each year thereafter by Procurement Staff, CPA legal counsel, and Accounting Staff. • The training materials for the Procurement training are being drafted and will be finalized for the initial Procurement training by the week of June 20, 2022. • A reinforcement training will be conducted in August 2022 on the Procurement SOP's. 			



**SUMMARY OF PRIOR YEAR AUDIT FINDINGS: FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2021**

Ref. Number	Assistance Listing No.	Finding	Questioned Costs	Status	Corrective Action Plan	Contact Person	QC Resolved	\$Amt Bal Carry Forward
2020-002	N/A	Local Noncompliance - Procurement	-	Ongoing, Anticipated Completion July 31, 2022	<ul style="list-style-type: none"> Standard Procurement forms are being implemented to establish controls and reviews for all purchases. In February 2022, a Procurement checklist was implemented as a requirement for all project files. The checklist includes the applicable Procurement regulation requirements, such as bidding periods, project advertisements, justification documents, and evaluation forms. The project checklist will be reviewed quarterly by the Comptroller and Internal Auditor. A standard sole source procurement justification form has been developed and will be implemented in June 2022. The justification form requires the requestor to respond to specific questions to provide the proper sole source determination as required by Procurement regulations. Other standard Procurement forms are being revised to align with the Procurement SOP's. These forms include the Purchase Requisition Form and Request for Proposal Justification Form. 	Skye Aldan Hofschneider, Comptroller	-	-
					<ul style="list-style-type: none"> CPA hired a technical consultant on May 6, 2022. A part of the technical consultant's scope is to review contracts that were cited to provide recommendations to resolve the findings by June 23, 2022. The technical consultant's recommendations will be implemented by July 1, 2022. The internal auditor position was established on May 16, 2022. The position has been advertised and will close by June 17, 2022. CPA to hire an internal auditor by July 15, 2022. 			
					<ul style="list-style-type: none"> The internal auditor's responsibilities will be to review Procurement documents for compliance with applicable regulations. The internal auditor will be required to provide quarterly reports on compliance reviews to the CPA Board and Management. The internal auditor quarterly reports will be used to identify areas of non-compliance for CPA's corrective action prior to the single audit. 			
					<ul style="list-style-type: none"> On May 6, 2022, CPA contracted a technical consultant to conduct a full reconciliation of its fixed asset inventory. The technical consultant and Procurement office are conducting a full inventory and reconciliation of all fixed assets. The fixed asset inventory for Saipan Airport Departments was completed on June 9, 2022. The Tinian Airport fixed asset inventory will be conducted on June 10, 2022. The Rota Airport fixed asset inventory will be conducted in the week of June 13, 2022. The fixed asset inventory includes documenting identifying information for each fixed asset. CPA is entering this identifying information into the fixed asset system and will complete by June 30, 2022. The fixed asset inventory being conducted includes identification of obsolete /damaged assets for write off and decommission. The disposals from the system will be completed by June 30, 2022. 			
					<ul style="list-style-type: none"> CPA legal counsel drafted Equipment Management SOP's on May 30, 2022. These SOP's will be finalized by June 30, 2022. The SOP's detail the Equipment Management process, requirements and responsibilities. The SOP's include an annual schedule for Equipment Management. The annual inventory will be conducted in January, disposals will be conducted in April, and a full reconciliation will be completed in June annually. 			



**SUMMARY OF PRIOR YEAR AUDIT FINDINGS: FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2021**

Ref. Number	Assistance Listing No.	Finding	Questioned Costs	Status	Corrective Action Plan	Contact Person	QC Resolved	\$Amt Bal Carry Forward
2020-003	N/A	Equipment and Real Property Management	-	Ongoing, Anticipated Completion July 31, 2022	<p>Internal Auditor Position & Responsibilities</p> <ul style="list-style-type: none"> The internal auditor position was established on May 16, 2022. The position has been advertised and will close by June 17, 2022. CPA to hire an internal auditor by July 15, 2022. The internal auditor's responsibilities will be to review inventory records for compliance with federal requirements. The internal auditor will be required to provide quarterly reports on compliance reviews to the CPA Board and Management. The internal auditor quarterly reports will be used to identify areas of non compliance for CPA's corrective action prior to the single audit. <p>Implement Standard Equipment Management Forms</p> <ul style="list-style-type: none"> Standard Equipment Management forms are being implemented to establish controls and reviews for all purchases. In May 2022, a Fixed asset detail form was implemented to ensure that identifying details are included in the fixed asset system. The form is a requirement for all new fixed assets and includes required items such as: serial numbers, model, and specific location. Other standard Equipment Management forms are being revised to align with the Equipment Management SOP's. These forms include the Survey/ Decommission Form and the Property Transfer Form. <p>Develop Training Plan for Equipment Management</p> <ul style="list-style-type: none"> A training plan was drafted on May 30, 2022 and will be finalized by June 15, 2022. The training plan includes annual requirements for training on Equipment Management. The training will be based on the Equipment Management SOP's that were developed. The training will be mandatory for all staff. The Equipment Management training will be conducted in January annually. The first training will be conducted in June 2022 by legal counsel and will be conducted each year thereafter by Procurement Staff, CPA legal counsel, and Accounting Staff. The training materials for the Equipment Management training are being drafted and will be finalized for the initial Equipment Management training by the week of June 20, 2022. A reinforcement training will be conducted in August 2022 on the Equipment Management SOP's. 	Skye Aldan Hofschneider, Comptroller	-	-
2020-003	20.106	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	<p>See corrective action plan for Finding No. 2020-003</p> <p>Technical Consultant Review</p> <ul style="list-style-type: none"> CPA hired a technical consultant on May 6, 2022. A part of the technical consultant's scope is to review reports that were cited to provide recommendations to resolve the findings. The technical consultant will provide their recommendations by June 23, 2022. The technical consultant's recommendations will be reviewed by CPA Management for implementation by July 1, 2022. 	Skye Aldan Hofschneider, Comptroller	-	-
2020-004	20.106	Reporting	-	Ongoing, Anticipated Completion July 31, 2022	<p>Internal Auditor Position & Responsibilities</p> <ul style="list-style-type: none"> The internal auditor position was established on May 16, 2022. The position has been advertised and will close by June 17, 2022. CPA to hire an internal auditor by July 15, 2022. The internal auditor's responsibilities will be to review federal reporting materials for compliance with federal requirements. The internal auditor will be required to provide quarterly reports on compliance reviews to the CPA Board and Management. The internal auditor quarterly reports will be used to identify areas of non compliance for CPA's corrective action prior to the single audit. 	Skye Aldan Hofschneider, Comptroller	-	-



**SUMMARY OF PRIOR YEAR AUDIT FINDINGS: FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2021**

Ref. Number	Assistance Listing No.	Finding	Questioned Costs	Status	Corrective Action Plan	Contact Person	QC Resolved	\$Amt Bal Carry Forward
2020-005	20.106	COVID-19 Allowable Costs/Costs Principles	24,763.00	Resolved	CPA received a determination from the grantor that the questioned costs are allowable.	Skye Aldan Hofschneider, Comptroller	24,763.00	-
							<u>\$ 24,763.00</u>	<u>\$ -</u>
Fiscal Year 2019								
2019-001	N/A	Local NonCompliance - Procurement	\$ -	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-002	Skye Aldan Hofschneider, Comptroller	\$ -	\$ -
2019-002	N/A	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
2019-002	20.106	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
							<u>\$ -</u>	<u>\$ -</u>
Fiscal Year 2018								
2018-002	N/A	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
2018-002	20.106	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
							<u>\$ -</u>	<u>\$ -</u>
Fiscal Year 2017								
2017-001	N/A	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
2017-001	20.106	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
							<u>\$ -</u>	<u>\$ -</u>
Fiscal Year 2016								
2016-001	20.106	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
							<u>\$ -</u>	<u>\$ -</u>
Fiscal Year 2015								
2015-001	20.106	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
							<u>\$ -</u>	<u>\$ -</u>



**SUMMARY OF PRIOR YEAR AUDIT FINDINGS: FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2021**

Ref. Number	Assistance Listing No.	Finding	Questioned Costs	Status	Corrective Action Plan	Contact Person	QC Resolved	\$Amt Bal Carry Forward
Fiscal Year 2014								
2014-002	20.106	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
			<u>\$ -</u>				<u>\$ -</u>	<u>\$ -</u>
Fiscal Year 2013								
2013-001	20.106	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
			<u>\$ -</u>				<u>\$ -</u>	<u>\$ -</u>
Fiscal Year 2012								
2012-001	20.106	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
			<u>\$ -</u>				<u>\$ -</u>	<u>\$ -</u>
Fiscal Year 2011								
2011-002	20.106	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
			<u>\$ -</u>				<u>\$ -</u>	<u>\$ -</u>
Fiscal Year 2010								
2010-002	20.106	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
			<u>\$ -</u>				<u>\$ -</u>	<u>\$ -</u>
Fiscal Year 2009								
2009-003	20.106	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
			<u>\$ -</u>				<u>\$ -</u>	<u>\$ -</u>
Fiscal Year 2008								
2008-006	20.106	Equipment and Real Property Management	-	Ongoing, Anticipated Completion FY July 31, 2022	See corrective action plan for Finding No. 2020-003	Skye Aldan Hofschneider, Comptroller	-	-
			<u>\$ -</u>				<u>\$ -</u>	<u>\$ -</u>
Summary for FY 2008 thru 2020			<u>\$ 24,763.00</u>				<u>\$ 24,763.00</u>	<u>\$ -</u>