

**NORTHERN MARIANAS COLLEGE  
(A COMPONENT UNIT OF THE GOVERNMENT OF CNMI)**

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**INDEPENDENT AUDITOR'S REPORTS ON  
INTERNAL CONTROL AND ON  
COMPLIANCE**

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**YEAR ENDED SEPTEMBER 30, 2016**

**NORTHERN MARIANAS COLLEGE**  
(A Component Unit of the CNMI Government)

Years Ended September 30, 2016 and 2015

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

Board of Regents  
Northern Marianas College:

We have audited, 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 Northern Marianas College (the College) as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated May 11, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control. Accordingly, we do not express an opinion on the effectiveness of the College’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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **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.



Saipan, Commonwealth of the Northern Mariana Islands  
May 11, 2017





**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Regents  
Northern Marianas College:

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

We have audited the Northern Marianas College’s (the College’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 the College’s major federal programs for the year ended September 30, 2016. The College’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

***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 the College’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 the College’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College’s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

### **Report on Internal Control over Compliance**

Management of the College 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 the College'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 the College'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 combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

We have audited the financial statements of the College as of and for the year ended September 30, 2016, which collectively comprise the College's basic financial statements. We issued our report thereon dated May 11, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.

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.



Saipan, Commonwealth of the Northern Mariana Islands  
May 11, 2017

**NORTHERN MARIANAS COLLEGE**  
(A Component Unit of the CNMI Government)

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2016

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Research and Development Cluster
Direct from U.S. Department of Agriculture:				
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act		\$ 903,802	\$ 903,802
10.322	Building Faculty Capacity		47,177	-
10.500	Cooperative Extension Service		<u>677,181</u>	<u>-</u>
	Subtotal Direct Programs		<u>1,628,160</u>	<u>903,802</u>
Pass-through from Secretariat of the Pacific Community:				
10.200	Non Communicable Disease Prevention and Control Plan	2-1-22	11,986	-
Pass-through				
10.303	Islands of Opportunity Alliance	none identified	16,844	-
Pass-through from University of Hawaii:				
10.310	Children's Healthy Living Program	MA110018	<u>205,116</u>	<u>205,116</u>
	Subtotal Pass-Through Programs		<u>233,946</u>	<u>205,116</u>
	Total U.S. Department of Agriculture		<u>\$ 1,862,106</u>	<u>\$ 1,108,918</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.



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Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2016

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Research and Development Cluster
Direct from U.S. Department of Education:				
Student Financial Aid Cluster:				
84.007	Federal Supplemental Educational Opportunity Grants		\$ 43,978	
84.033	Federal Work-Study Program		37,793	
84.063	Federal Pell Grant Program		3,915,969	
84.379	Teacher Education Assistance for College and Higher Education Grants		<u>98,792</u>	
	Subtotal Student Financial Aid Cluster		4,096,532	
84.002	Adult Education - Basic Grants to States		352,276	
84.031	Project for the Promotion and Retention of Opportunities for Advancement		50,587	
84.378	College Access Challenge Grant Program		<u>846,909</u>	
	Subtotal Direct Programs		<u>5,346,304</u>	
Pass-through from Asian & Pacific Islander American Scholarship Fund:				
84.031	Enhancing Tech	none identified	18,315	
84.unknown	Pass-through Pacific Rim College to Improve Education	none identified	<u>4,672</u>	
	Subtotal Pass-Through Programs		<u>22,987</u>	
	Total U.S. Department of Education		<u>\$ 5,369,291</u>	
National Endowment for the Humanities:				
Pass-through from Northern Marianas Humanities Council:				
45.164	Culture in the Marianas: Perspectives on the Present-day Landscape	GPH16-00261	<u>\$ 507</u>	<u>\$ 507</u>
	Subtotal Pass-Through Programs		<u>507</u>	<u>507</u>
	Total National Endowment for the Humanities		<u>\$ 507</u>	<u>\$ 507</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

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Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2016

Federal CFDA #	Federal Grantor/Program Title	Pass-through ID Number	Expenditures	Research and Development Cluster
U.S. Department of Health and Human Services:				
Pass-through from University of Hawaii:				
93.107	Model State-Supported Area Health Education Center	5U77HP08404-09-00	\$ 76,956	\$ 76,956
Pass-through from Portland State University:				
93.310	Enhance Cross Discipline and Infrastructure and Training	205CRE491	34,414	34,414
Pass-through from Portland State University:				
93.310	Enhance Cross Discipline and Infrastructure and Training	205CRE492	15,185	-
Pass-through from University of Hawaii:				
93.632	Pacific Basin University Centers for Excellence in Developmental Diabilities Education, Research, and Service (B)	MA120060	<u>188,961</u>	<u>188,961</u>
Total Pass-Through Programs			<u>315,516</u>	<u>300,331</u>
Total U.S. Department of Health and Human Services			<u>\$ 315,516</u>	<u>\$ 300,331</u>
U.S. Department of Homeland Security:				
Pass-through from CNMI Government:				
97.unknown	Commonwealth Worker Fund	none identified	<u>\$ 607,766</u>	
Total Pass-Through Programs			<u>607,766</u>	
Total U.S. Department of Homeland Security			<u>\$ 607,766</u>	
U.S. Department of the Interior:				
Pass-through from CNMI Government:				
15.875	Economic, Social, and Political Development of the Territories - Compact Impact	none identified	<u>\$ 129,068</u>	
Total Pass-Through Programs			<u>129,068</u>	
Total U.S. Department of the Interior			<u>\$ 129,068</u>	
Grand Total			<u>\$ 8,284,254</u>	

See accompanying notes to Schedule of Expenditures of Federal Awards.

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Notes to the Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2016

(1) Scope of Audit

The Northern Marianas College (the College) was created as an autonomous public agency of the Commonwealth of the Northern Mariana Islands (CNMI) pursuant to Title 3, Division 1, Chapter 3, Article 1 of the Commonwealth Code. The College's existence is to be perpetual and it shall have all the rights and privileges of a corporation. The purpose of the College is to provide secondary educational opportunities to the people of the CNMI. Only the financial statements of the College are included within the scope of the Uniform Guidance audit (the "Single Audit").

Programs Subject to Single Audit

The Schedule of Expenditures of Federal Awards presents each Federal program related to the following agencies:

- U.S. Department of Agriculture
- U.S. Department of the Interior
- U.S. Department of Education
- U.S. Department of Health and Human Services
- U.S. Department of Homeland Security
- National Endowment for the Humanities

(2) Summary of Significant Accounting Policies

*Basis of Accounting*

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

*Cost Allocation*

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

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Notes to the Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2016

(3) Indirect Cost Allocation

For fiscal year 2016, the College has an approved indirect cost rate of 21% for all grant programs, except for U.S. Department of Education programs, which is 8%.

The College has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NORTHERN MARIANAS COLLEGE**  
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Schedule of Findings and Questioned Costs  
Year Ended September 30, 2016

**SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR § 200.516 (a)? \_\_\_\_\_ yes   X   none reported

**NORTHERN MARIANAS COLLEGE**  
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Schedule of Findings and Questioned Costs  
Year Ended September 30, 2016

**SECTION I – SUMMARY OF INDEPENDENT AUDITORS’ RESULTS, Continued**

*Federal Awards*

Identification of major programs:

<u>CFDA Number</u>	<u>Description</u>	<u>Federal Expenditures</u>
	Student Financial Assistance Cluster:	
84.063	Federal Pell Grant Program	\$ 3,915,969
84.379	Teacher Education Assistance for College and Higher Education (TEACH) Grant Program	98,792
84.007	Federal Supplemental Educational Opportunity Grants	43,978
84.033	Federal Work-Study Program	<u>37,793</u>
	Student Financial Assistance Cluster	4,096,532
93.632	Pacific Basin University Center for Excellence in Developmental Disabilities, Education, and Service (PBUCEDD)	<u>188,961</u>
Total Federal Expenditures-Major Programs		<u>\$ 4,285,493</u>
Percentage of total federal awards tested		<u>52%</u>
Dollar threshold used to distinguish between Type A and Type B programs		<u>\$ 750,000</u>
Auditee qualified as low-risk auditee		<u> X </u> yes <u>   </u> no



**NORTHERN MARIANAS COLLEGE**  
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Schedule of Findings and Questioned Costs  
Year Ended September 30, 2016

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

There were no financial statements audit findings for the year ended September 30, 2016.

**SECTION III – FEDERAL AWARDS FINDINGS**

There were no federal awards audit findings for the year ended September 30, 2016.

**NORTHERN MARIANAS COLLEGE**  
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Schedule of Prior Year Findings and Questioned Costs  
Year Ended September 30, 2016

There were no unresolved audit findings and questioned costs from the prior year audits of the College.