NORTHERN MARIANAS COLLEGE
SHOW CAUSE REPORT

May 31, 2011
SUPPLEMENTAL REPORT

Submitted to:
Accrediting Commission for Community and Junior Colleges
and the
Accrediting Commission for Senior Colleges and Universities
Western Association of Schools and Colleges

Northern Marianas College
P. O. Box 501250
Saipan, MP 96950
Tel. (670) 234-5498
www.nmcnet.edu

TABLE OF CONTENTS

I. Statement of Preparation of Report……………………………………………………………3

II. Executive Summary…………………………………………………………………………………5

III. Responses to ACCJC January 31, 2011 Show Cause Recommendations……………………6

Recommendation #1……………………………………………………………………………6

Recommendation #2……………………………………………………………………………6

Recommendation #3……………………………………………………………………………6

Recommendation #4……………………………………………………………………………7

Recommendation #5……………………………………………………………………………7

Recommendation #6……………………………………………………………………………8

Recommendation #7……………………………………………………………………………8

Recommendation #8……………………………………………………………………………9

Recommendation #9……………………………………………………………………………9

Recommendation #10…………………………………………………………………………10

III. Appendices…………………………………………………………………………………...11

A. Linking Program Review, Planning, Budgeting, and Resource Allocation—Form 3

B. Linking Program Review, Planning, Budgeting, and Resource Allocation—Timeline

C. March 31, 2011 Letter from the U. S. Department of Agriculture

D. April 8, 2011 Letter from the U. S. Department of Education

E. End of Course Instructor Evaluation Form

I. Statement on the Preparation of Report

After receiving the January 31, 2008 Show Cause letter from the Accrediting Commission for Community and Junior Colleges (the "Commission"), the Northern Marianas College submitted multiple reports that addressed the deficiencies noted in the letter, including the October 15, 2008 Show Cause Report and the April 1, 2009 Show Cause Report. At its meeting June 9—11, 2009, the ACCJC reviewed the April 1, 2009 Show Cause Report, the report of the April 20—23, 2009 Show Cause Visit Report, and information presented by college representatives. The Commission took action at the meeting to accept the report, remove Show Cause, and reaffirm accreditation. The Commission also acted to require a visit by Commission representatives following the submission of the October 15, 2009 Midterm Report.

At its January 2010 meeting, the Commission reviewed the College's October 15, 2009 Mid-Term Report and the report of the evaluation team that visited the college in October 2009. The commission took action to accept the mid-term report. Due to receipt of information from Northern Marianas College and from Saipan, the Commission also took action to require a Special Visit to determine whether the institution was still in compliance with the following Eligibility Requirements and Standards: ER 3 - Governing Board, ER 4 - Chief Executive Officer, ER 5 - Administrative Capacity, ER 21 -Relations with the Accrediting Commission, and Standards I.A, III.A and IV.A and B.

An evaluation team visit was conducted on April 13—14, 2010. Based on the findings and report of the Special Visit, at its June 2010 meeting, the Commission took action to issue an order of Show Cause against the College for being out of compliance with Eligibility Requirements 3, 4, 5, 17, 18, and 21 and significant parts of Standards I.A, I.B, II.A, II.B, III.A, III.D, and IV.B. The Commission required the College to submit a Show Cause Report by October 15, 2010, to be followed by a visit of Commission representatives. The College submitted its October 15, 2010 Show Cause Report to the Commission, which was followed by an evaluation team visit on October 20—22, 2010. Based on the findings and report of the Special Visit, at its January 2011 meeting, the Commission took action to continue the College on Show Cause for being out of compliance with Eligibility Requirements 3, 4, 5, 17, 18, and 21 and significant parts of Standards I.A, I.B, II.A, II.B, III.A, III.D, and IV.B. This action was conveyed to the College by the Commission's President, Dr. Barbara Beno, in her January 31, 2011 Letter to the College. The Commission required the College to submit a Show Cause Report by March 15, 2011, to be followed by a visit of Commission representatives. The College submitted its March 15, 2011 Show Cause Report to the Commission, which was followed by an evaluation team visit on April 13—14, 2011.

This supplemental report provides updates to the College's March 15, 2011 Show Cause Report by describing and providing evidence of important developments that have transpired since the submission of the March 15, 2011. In particular, this report presents further actions taken that directly address all ten recommendations from the January 31, 2011 action letter from the Commission.

I certify that the contents of this report were prepared with considerable input and participation from the College community, including students, faculty, and staff members, as well as representatives of the Associated Students of Northern Marianas College, the Faculty Senate, and the Staff Senate.

Lorraine T. Cabrera,
Interim President

II. Executive Summary

Following submission of the March 15, 2011 Show Cause Report the April 13-14 Show Cause visit, Northern Marianas College (NMC) has continued its progress in seeking reaffirmation of its accreditation from the Accrediting Commission on Community and Junior Colleges (ACCJC). Since that visit, the College can report a number of major developments, including the hiring of a qualified chief executive officer. These developments reinforce the conclusion that NMC has experienced significant changes in its culture and performance with regard to accreditation. The nature of these changes suggests that they will persist.

- The NMC Board of Regents has successfully completed this lengthy process with the announcement on May 26, 2011 that Dr. Sharon Hart has accepted an offer to become NMC's president, effective July 5, 2011. As Dr. Hart was one of the original finalists recommended to the Board by the Presidential Search Committee, the successful conclusion of this search in trying circumstances is a testament to the dedication of Board members in sustaining the process for hiring a qualified chief executive.
- In addition, the NMC recently appointed Rogelio Madriaga as the Chief Financial and Administrative Officer (CFAO). As a former CFAO who meets the qualifications for the CFAO position, Mr. Madriaga has sustained the work of his office by working with programs and the College's leadership to plan for future reductions in government appropriations.
- As part of its efforts to sustain financial integrity and responsible management of its financial resources, the College has worked with the U. S. Department of Education (ED) and the U. S. Department of Agriculture (USDA) to resolve audit findings. As a result of these efforts, the College recently received a program determination letter (PDL) from the ED that states that 20 audit findings from FY 2005 to FY 2009 are determined resolved with no liability for questioned costs. NMC also recently received a letter from the USDA that states "that the College has implemented appropriate corrective actions to resolve the 2009 audit findings." The letter also notes that the USDA expects "to issue our Management Decision Letter by April 15, 2011, which will serve as our Final determination on the status and resolution of the 2009 audit findings."
- On May 2, 2011 the College held the first of what will be regularly scheduled quarterly meetings between its representatives and members of the CNMI legislature, in this case with the Senate Committee on Education. These meetings will inform legislators about the College's accreditation status, financial needs, programmatic updates, and the impact of pending legislation. Such meetings will promote the kind of healthy dialogue that will sustain the College's constitutional autonomy.
- The Board of Regents continues its own program of Board development and has created a full-year calendar of training activities, including a planned summer retreat to coincide with the arrival of the new president.
- The new template and timeline established for program review will strengthen the link between planning, performance and NMC budget decisions.
- In other important developments, NMC held a Strategic Planning Summit on May 17, 2011. The faculty-initiated additions to the course evaluation form were institutionalized. The work of the Accreditation Reaffirmation Team has continued and reflects widespread and improved understanding of accreditation processes and requirements.

III. Responses to ACCJC January 31, 2011 Show Cause Recommendations

Recommendation #1: To meet the Eligibility Requirement and Standards the governing board should exercise its authority to govern the college and protect the college from undue influence by the Commonwealth government including the government's ability to line-item dictate the college budget. The governing board should act autonomously to govern the college free from indirect interference by Commonwealth governor or members of the legislature; this will defend the college from the vagaries of changes in political power. (ER 3, Standard IV.B.1.a, IV.B.1.c)

In the period since that visit, the College has sustained its effort to maintain productive and appropriate relations with the CNMI government. NMC has engaged with the members of the legislature by scheduling quarterly meetings to inform legislators about the College's accreditation status, financial needs, programmatic updates, and the impact of pending legislation. These meetings will keep the legislature abreast of developments at the College and promote the kind of healthy dialogue that will sustain the College's constitutional autonomy. The first meeting between the College leadership and the Senate Committee on Education took place on May 2, 2011.

Recommendation #2: To meet the Eligibility Requirement, the team recommends that the college ensure that Commission policies are followed at all times and that the institution respond to Commission requests truthfully and accurately. (ER 21)

The College has maintained consistent and frequent communication with the Commission, particularly on matters that are reported in the local media and need clarification and/or corrections. The most recent example of this is a May 23, 2011 email message from Interim President Lorraine T. Cabrera to the Commission's president, Dr. Barbara Beno, regarding local media reports about public statements made at the May 20, 2011 meeting of the Board of Regents.

The deeper understanding of accreditation requirements and broad-based participation in accreditation processes were noted in the report of the April 2011 visiting team. The work of the Accreditation Reaffirmation Team (ART) has continued beyond the date of the April 13-14 Show Cause visit and typifies the changed culture on campus regarding its relations with ACCJC.

Recommendation #3: To meet the Eligibility Requirement and Standard, the team recommends that the college integrate financial planning with institutional planning and ensure that fiscal resources are adequate to support student learning programs and institutional effectiveness so that financial stability is maintained. (ER 17, Standard III.D.1.a)

The College continues its commitment to link planning, program review, budgeting, and resource allocation. The College's Budget and Finance Committee (BAFC) and the Planning, Program Review Outcomes and Assessment Committee (PROAC) recently adopted a timeline and program review (Form 3) template. The timeline and the program review template define how program review will inform budgeting and resource allocation decisions to be made in August this year. As the timeline reflects, this process will empower the College to use the results of program review to make strategic budget and resource allocation decisions that directly link to the College's current strategic plan. PROAC also adopted procedures to guide its work in reviewing Form 3 submissions. These steps will not only improve the College's program review and planning processes, but will also help the College prepare for anticipated budget cuts for FY 2012 as well as the expiration of funding from the American Recovery and Reinvestment Act (ARRA) and the State Fiscal Stabilization Fund (SFSF).

Recommendation #4: To meet the Eligibility Requirement and Standards, the team recommends that the college assure the financial integrity and responsible use of its financial resources and ensure that the financial management system has appropriate control mechanisms and widely disseminates dependable and timely information for sound financial decision-making. The College must also correct noted audit findings. (ER 18, Standard III.D.2, III.D.2.a, III.D.2.d, III.D.2.e)

As part of the College's ongoing efforts to sustain financial integrity and responsible management of its financial resources, the College has worked with the U. S. Department of Education (ED) and the U. S. Department of Agriculture (USDA) to resolve audit findings. As a result of these efforts, the College recently received a program determination letter (PDL) from the ED that states that 20 audit findings from FY 2005 to FY 2009 are determined resolved with no liability for questioned costs. The resolution of these findings is based, in part, on NMC's implementation of certain corrective actions.

NMC also recently received a letter from the USDA that states "that the College has implemented appropriate corrective actions to resolve the 2009 audit findings." The letter also notes that the USDA expects "to issue our Management Decision Letter by April 15, 2011, which will serve as our Final determination on the status and resolution of the 2009 audit findings."

These communications from the ED and the USDA demonstrate that the College has resolved 2009 and outstanding findings from previous fiscal years.

Recommendation #5: To meet the Eligibility Requirement and Standard, the team recommends that the governing board immediately initiate a search and hire a qualified chief executive officer (CEO) and ensure that the CEO has full-time responsibility to the institution and possesses the requisite authority to administer board policies. (ER 4, Standard IV.B.1.j)

At the time of the April 13-14 visit, the ongoing search process for a new chief executive officer had not run its course. The NMC Board of Regents has successfully completed this lengthy process with the announcement on May 26, 2011 that Dr. Sharon Hart has accepted an offer to become NMC's president, effective July 5, 2011. As Dr. Hart was one of the original finalists recommended to the Board by the Presidential Search Committee, the successful conclusion of this search in trying circumstances is a testament to the dedication of Board members in sustaining the effort to hire a qualified chief executive.

Recommendation #6: To meet the Eligibility Requirement and Standards, the team recommends that the college ensure that the administrative staff of the college has the appropriate preparation and experience to provide administrative services; this includes the college chief executive. The governing board should delegate the authority to college administration to operate the college and hold the administration accountable for institutional effectiveness and for adhering to adopted policies and governance processes. (ER 5, Standards III.A.3.a, IV.B.1.j, IV.B.2.a, IV.B.2.b, IV.B.2.c, IV.B.2.d, IV.B.2.e)

The College recently appointed Rogelio Madriaga as the Chief Financial and Administrative Officer (CFAO). As a former CFAO who meets the qualifications for the CFAO position, Mr. Madriaga has sustained the work of his office by working with programs and the College's leadership to plan for future reductions in government appropriations.

With the appointment of Mr. Madriaga as the CFAO, the College now has only one administrative position vacant, the Director of Information and Technology, for which interviews are currently underway.

Recommendation #7: To fully meet the Standards, the team recommends that the college restore ongoing, collegial, self-reflecting dialogue about the continuous improvement of institutional processes. The college should provide evidence that planning is broad based and offers opportunities for input by appropriate constituencies. (Standards I.B.4, I.B.6)

The College is moving forward with its commitment to link planning, program review, budgeting, and resource allocation. The College's Budget and Finance Committee (BAFC) and the Planning, Program Review Outcomes and Assessment Committee (PROAC) recently adopted a timeline and program review (Form 3) template. The timeline and the program review template will facilitate the process by which program review will inform budgeting and resource allocation decisions. As the timeline reflects, this process will empower the College to use the results of program review to make strategic budget and resource allocation decisions that directly link to the College's current strategic plan. PROAC also adopted procedures to guide its work in reviewing Form 3 submissions. These steps will not only improve the College's program review and planning processes, but will also help the College prepare for anticipated budget cuts for FY 2012 as well as the expiration of funding from the American Recovery and Reinvestment Act (ARRA) and the State Fiscal Stabilization Fund (SFSF).

On May 17, 2011, the College also convened a Strategic Planning Summit, in which the College's Strategic Planning Task Force launched a year-long collaborative process to develop the next five-year strategic plan for the College.

Another example of ongoing, collegial, self-reflecting dialogue is taking place with the Learning in Communities (LinC) initiative, which is bringing faculty, staff, and administrators from multiple academic and student support services programs together to discuss and plan a concerted, coherent approach to student learning. The College completed its first cohort learning community consisting of developmental English and Drama in the Spring 2011 term. Post assessment and results from the Online Survey of Learning Communities tool substantiate that learning communities at the College have been extremely successful. The students reported improved learning in the linked courses, and strongly recommended that more courses be offered through this mode of instruction. LinC has thus scheduled eight courses in the Fall 2011 term for participation in the program: Basic Nursing Concepts and Skills and Acting; Developmental English and Acting; Pre-Algebra and College Success; Beginning Algebra and Introduction to Computers.

Recommendation # 8: To meet the Standard, the team recommends that the college ensure that faculty distinguish between personal conviction and professional views and that information is presented fairly and objectively. (Standard II.A.7.a)

At its March 18, 2011 meeting, the Academic Council took action to add three new questions to the end of term course/instructor evaluation form:

- The instructor presented information fairly and objectively.
- The instructor spent class time on issues or topics related to the course.
- The instructor promoted thoughtful discussion based on course material and not personal opinion.

These new questions, which will be posed to every student in every course, will help the College meet ACCJC Standard II.A.7.a by providing clearer data on the extent to which instructors distinguish between personal conviction and professional opinion. The data can be used at the instructor level for professional growth plans or progressive discipline, at the program level for professional development planning, and at the institutional level for continuous quality improvement.

Recommendation #9: To meet the Standard, the team recommends that the college maintain student records securely, and confidentially and that it publish and follows established policies for release of student records. (Standard II.B.3.f)

The Office of Admissions & Records continues to lead training on FERPA and NMC policies concerning student records. OAR staff facilitated a training session on April 1st for new employees and adjunct faculty and again on April 11th for NMC work-study students.

The Records Management Work Group continues to meet regularly to articulate policies for record maintenance, disclosure, storage, retention, and disposition. The RM Work Group has indicated the need for the establishment of a compliance committee to monitor adherence to established policies once implemented and quarterly thereafter.

Recommendation # 10: To meet the Standard the team recommends that the governing board engage training on the proper role and conduct of regents, general governing board relations and practice, college policy and Accreditation Standards and Commission Policy and adhere to its role in establishing policy and strategic-level decision-making; in accordance with its own policy. (Standards IV.B.1, IV.B.1.b, IV.B.1.e, IV.B.1.j, IV.B.1.h)

The NMC Board of Regents' new Board Training and Development Committee chair is currently working on finalizing the training calendar for the next year. This will include the retreat planned for the summer, to coincide with the hiring of a new president.

The orientation of the Board's newest member, William Torres, was conducted on May 4, 2011. He was also provided a copy of the Board manual that includes Board operations policies, organizational chart, financial audit, and other important College documents.

Appendix A

Linking Program Review, Planning, Budgeting, and Resource Allocation—Form 3

LINKING PROGRAM REVIEW TO PLANNING, BUDGETING, AND RESOURCE ALLOCATION

FORM 3

Program:___________________________________ Primary Author:______________________________

I. Mission and Strategic Planning

A. Mission

1. State your program's expanded statement of institutional purpose (ESIP).
2. How does your program's ESIP support the College's mission? (200 words)

B. Strategic Planning: Explain how your program supports and plans to support priority initiatives from the PROA 2008—2012 Strategic Plan. (25 words for each priority initiative)

Goal 1: Promote student learning and success.

1. Improve the literacy and analytical problem-solving skills of students.
2. Strengthen student services and assess their effectiveness in meeting defined outcomes.
3. Implement a comprehensive institutional assessment system that facilitates overall improvement of institutional effectiveness and features a formal Program Review process that measures student learning, assesses how well student learning is occurring, and guides the institution in making changes to improve student learning.
4. Develop and implement a comprehensive recruitment and retention program.
5. Assist students in establishing and realizing their education goals.
6. Serve as the bridge to higher educational opportunities.
7. Articulate with U.S.-accredited institutions to ensure successful transferability of credits.
8. Achieve program level accreditation for education, nursing, business, and other programs.
9. Promote multiculturalism throughout the College and foster global education.

Goal 2: Respond to the professional development, continuing education, and personal enrichment needs of the Commonwealth.

1. Build basic skills for personal enrichment and prepare individuals for rewarding careers.
2. Enrich workforce skills by providing quality training and learning opportunities.
3. Strengthen and expand collaborative partnerships with local businesses and organizations to provide training/education.
4. Provide broad access to NMC programs through various community outreach services.

Goal 3: Optimize financial and human resources.

1. Encourage shared decision making and effective communication programs throughout the College.
2. Implement campus-wide customer service principles.
3. Implement an Employee Recognition System.
4. Develop a Fund Development Plan in collaboration with the NMC Foundation.
5. Assess College processes and operations to ensure efficient use of resources.
6. Develop a comprehensive system that offers quality professional development opportunities for all employees.
7. Promote a structured and competitive compensation system.

Goal 4: Accelerate the upgrade of physical and technology infrastructure.

1. Renovate existing and construct new teaching and learning facilities at the current Saipan campus that are compliant with energy efficient standards and educational facilities best practices.
2. Assess existing facilities and implement corrective actions to ensure compliance with local and federal regulations.
3. Develop and implement a preventive maintenance plan.
4. Implement a comprehensive information technology system.
5. Improve information technology infrastructure.
6. Enhance technology support of teaching and student learning.
7. Establish organizational technology policies, procedures, and budget.
8. Develop a distance education plan.

II. Performance

A. What are your program's strengths? (100 words)

B. What are your program's weaknesses? (100 words)

C. Summarize quantitative and qualitative data on your program's performance. Include attachments of data such as completed Form 1s from previous program review cycles, evidence used in Form 2s from previous program review cycles, student achievement data, and student learning data. (100 words)

III. Demand

A. Summarize the internal demand for your program over the past five years. Include attachments of data such as enrollment numbers, clients served, and frequency of use of program services. (100 words)

B. Summarize the external demand for your program over the past five years. Include attachments of data such as community needs assessments, market studies, and client surveys. (100 words)

C. How do you anticipate the demand for your program will change in the near future? (100 words)

D. List other departments on campus that provide services similar to those provided by your program. (100 words)

IV. Cost Effectiveness

A. What has your program done over the past two years to generate additional resources? Consider grants, revenue, and/or partnerships with other programs and agencies at the College and in the community. Assign an estimated dollar amount. (100 words)

B. What has your program done over the past two years to maximize the efficient use of its resources? (100 words)

C. What has your program done over the past two years to cut costs? Assign an estimated dollar amount. (100 words)

D. Use the template provided to itemize all direct costs associated with your program.

V. Opportunity

A. What can your program do over the next two years to generate additional resources? Consider grants, revenue, and/or partnerships with other programs and agencies at the College and in the community. Assign an estimated dollar amount. (100 words)

B. What can your program do over the next two years to maximize the efficient use of its resources? (100 words)

C. What can your program do over the next two years to cut costs? Assign an estimated dollar amount. (100 words)

D. In what specific ways can your program improve? How much would it cost? (100 words)

E. If you could start from scratch, how would you restructure your program? (200 words)

VI. Overall Essentiality

A. What impact has your program had or does it promise to have? (100 words)

B. How does your program affect the success of other programs at NMC? (100 words)

C. How essential is your program to NMC? (100 words)

Appendix B

Linking Program Review, Planning, Budgeting, and Resource Allocation—Timeline

LINKING PROGRAM REVIEW TO PLANNING, BUDGETING, AND RESOURCE ALLOCATION

TIMELINE

March 31, 2011	Draft Form 3 submitted to BAFC and PROAC for review.
April 7—8, 2011	BAFC and PROAC approve Form 3.
April 15, 2011	PROAC transmits Form 3 template to programs.
April 15—May 31, 2011	Programs complete Form 3s.
May 31, 2011	**Form 3 due to PROAC.**
June 1—30, 2011	PROAC reviews and rates Form 3 submissions.
June 30, 2011	**PROAC submits "increase, maintain, decrease" (IMD) recommendations to BAFC.**
July 1—31, 2011	BAFC reviews PROAC IMD recommendations and quantifies recommendations.
July 31, 2011	**BAFC submits quantified IMD recommendations to College Council.**
August 1—12, 2011	College Council reviews IMD recommendations and submits final recommendations to the Office of the President.
August 12, 2011	**College Council submits IMD recommendations to the Office of the President.**
August 12—19, 2011	The President and the Board of Regents review and reach final decisions on IMD recommendations.
August 19, 2011	**The President announces the final IMD decisions to the College community.**
August 20—October 1, 2011	Affected programs develop and execute plans to implement final IMD decisions.

Appendix C

March 31, 2011 Letter from the U. S. Department of Agriculture

USDA

United States Department of Agriculture

Research, Education, and Economics

National Institute of Food and Agriculture

1400 Independence Avenue SW
Washington, DC 20250

MAR 3 1 2011

Dr. Lorraine T. Cabrera
NMC Interim President
Northern Marianas College

Subject: Northern Marianas College FY 2009 Single Audit Report

Dear Dr. Cabrera:

The National Institute of Food and Agriculture (NIFA) has been working with Northern Marianas College (the College) on resolution of its 2009 audit findings (Audit Finding Nos. 2009-01, 2009-02, 2009-03, 2009-04, 2009-05, 2009-06, 2009-07, 2009-08, 2009-09, and 2009-15) since November 2010. We have met with representatives of the College in our offices in Washington DC on three occasions to review documents provided by the College in support of its position on the findings and corrective actions taken to address the findings.

We have reviewed supplemental reconciliations and documentation requested by our office which were prepared and submitted to us by the College. We believe at this point that the College has provided all the information necessary to make a final determination on the 2009 audit findings. Our initial review indicates that the College has implemented appropriate corrective actions to resolve the 2009 audit findings. We expect to issue our Management Decision Letter by April 15, 2011 which will serve as our Final determination on the status and resolution of the 2009 audit findings. We wish to commend the College for their efforts to proactively work to bring resolution to the 2009 audit findings. We look forward to continuing to work with the College and the constituency it serves as a Land Grant Institution.

Sincerely,

Edward L Nwaba

Edward Nwaba, CPA
Branch Chief
OGFM/POD/Oversight Branch

Cc: Raaj Kurapati

Appendix D

April 8, 2011 Letter from the U. S. Department of Education

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE CHIEF FINANCIAL OFFICER

APR 8 2011

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Ms. Lorraine T. Cabrera
Interim President
Northern Marianas College
P.O. Box 501250
Saipan, Marianas Protectorate 96950-1250

Re:	Audit Control Numbers:	09-05-68597, 09-06-79649, 09-07-89702, 09-08-910497 and 09-09-010711
	Grant Award Numbers:	H315C050012, P002A050055, P002A060059, P031A020233, P042A051370, P044A020234, P044A060919, P047A007120, P047A071200, P047A030695, P378A080051, V002A040055, V002A050055 and V002A060059

Dear Ms. Cabrera:

The U.S. Department of Education (ED) is responsible for the resolution of 20 findings reported in the single audit reports on the Northern Marianas College (College)[1] for fiscal years (FY) 2005, 2006, 2007, 2008 and 2009. Deloitte & Touche LLC (Auditors) issued the audit report for FY 2005 on June 28, 2006; FY 2006 on June 21, 2007; FY 2007 on June 28, 2008; FY 2008 on June 25, 2009; and FY 2009 on June 30, 2010. The audit reports were prepared in compliance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Please refer to Audit Control Nos. 09-05-68597, 09-06-79649, 09-07-89702, 09-08-910497 and 09-09-010711 in any future correspondence with the ED concerning the findings resolved in this program determination letter.

This letter contains a discussion of the determinations for the audit findings resolved herein, which determinations were prepared after reviewing the audit reports, the College's comments therein, and other information submitted by the program offices, Auditors and the College. These finding determinations concern funds awarded to the College under the following grant programs: a) Capacity Building For Traditionally Underserved Populations program, CFDA number 84.315; b) Higher Education-Institutional Aid program, CFDA number 84.031; c) TRIO - Student Support Services (SSS) program, CFDA number 84.042; d) TRIO - Talent Search (TS) program, CFDA number 84.044; e) TRIO - Upward Bound (UB) program, CFDA number 84.047; f) Adult Education - Basic Grants to States program, CFDA number 84.002; and g) College Access Challenge Grant, CFDA number 84.378.

---

[1] The College and Auditors sometimes use NMC to refer to the College.

The College is a) managing Federal grants and b) drawing down, disbursing and accounting for Federal grant funds for and on behalf of the College and the Commonwealth of the Northern Mariana Islands (CNMI). Therefore, the College is required to comply with the following Federal grant regulations: a) the *Education Department General Administrative Regulations* (EDGAR) at 34 CFR Parts 74, 75, 76 and 80; b) OMB Circular A-21, *Cost Principles for Educational Institutions*, at 2 CFR Part 220; c) OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, at 2 CFR Part 225; d) OMB Circular A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations,* at 2 CFR Part 215; e) Title 31-- Money and Finance: *Treasury Rules and Procedures for Efficient Federal-State Funds Transfers*, at 31 CFR Part 205 (Cash Management Improvement Act (CMIA) regulations); and f) the applicable program regulations. The College is also required to comply with the grant terms and conditions specified in the Grant Award Notifications.

It is the grantee's responsibility to voluntarily know, understand, and comply with Federal grant regulations prior to, during, and after a grant's performance period. ED's responsibility is to issue grants to grantees who have demonstrated compliance with Federal grant regulations and to hold grantees accountable who have demonstrated non-compliance. (34 CFR § 74.14, *Special award conditions*; § 74.62, *Enforcement*; and § 80.43, *Remedies for noncompliance*.)

EDGAR and the applicable OMB Circulars and CMIA and program regulations require: a) grantees to comply with the regulations' internal control requirements; b) expenditures charged to a Federal grant to be allowable, allocable, and reasonable under the applicable grant terms and cost principles; c) grantees to minimize the time elapsing between drawdown and disbursement of Federal funds (ED's guidance is for the grantee to disburse Federal funds within one day of the grantees' receipt for funds received by FedWire and within three days of the grantees' receipt for funds received by ACH); and d) grantees to maintain program and expenditure documentation sufficient for the auditor to verify that the grantee is in compliance with and is carrying out the program's objectives.

The College's multi-year long-term failure to comply with the Federal grant requirements and regulations applicable to colleges and state governments is a very serious program matter, as it affects ED's ability to administer the Federal funds Congress has authorized ED to administer and has the potential to affect future program funding levels approved for the College. The College's full compliance with Federal grant regulations is not optional, but mandatorily required for the College to continue to receive Federal grants and/or to continue to draw down and disburse Federal funds without restrictions. 34 CFR § 74.14, § 74.62, and § 80.43. The College is therefore advised that in subsequent audits a review may be made of the issue(s) resolved in the finding(s) discussed herein to ensure the College's compliance and continued compliance with the applicable requirements and regulations, and a review of the implementation of corrective action on any findings, including less significant findings, may result in future determinations requiring repayment of Federal funds and may adversely affect the College's future Federal funding.

Audit Finding Nos. 2005-8, Page 20; 2006-10, Page 23; 2007-19, Page 48; and 2008-12, Page 29; Cash Management

These audit findings are resolved as one audit finding because they involve cash management and the College's drawdown of cash prior to the clearance of the vendors' checks.

The Auditors stated that: a) the College appears to have overestimated its check clearing pattern and is drawing cash prior to the actual clearance of the vendors' checks at the bank, b) the College's noncompliance with Federal cash management requirements results in possible questioned costs of zero because the estimated interest liability to the grantor agency is less than $10,000, and c) the *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (the Common Rule) states:

> Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed wherever advance payment procedures are used. When advances are made by letter-of-credit of electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making the disbursements.

Auditors' Recommendation

The Auditors recommended the College update its check clearing study and draw Federal funds in accordance with that study and Federal regulations.

College's Response

The College stated that a) it strongly disagreed with these findings and b) Federal cash had been drawn and disbursed in accordance with the Federal cash management guidelines.

The College explained that the cashier promptly calls the vendor upon the cashier's receipt of a vendor's check from accounts payable and that a cut-off test of the checks on hand will clearly evidence that the College has disbursed checks to the vendors in a timely manner. The College asserted that it cannot be held responsible if the vendor does not timely pick up or deposit a payment because the College has no control over when a vendor's check will be deposited or when it will clear the bank. Many of its vendors are off-island and it is practically impossible for the College to determine accurately the time it would take for a vendor to receive and process a payment. When an expenditure charged to a Federal grant has to be reversed and the Federal funds have been drawn, the College does not draw down further Federal funds for that grant until the Federal funds have been used.

The College agreed to draw down funds for a program one week after the date of the vendor's payment to allow for a greater time lapse prior to submitting a Payment Management System (PMS) drawdown request for the related cash because of the repeat findings. The College also agreed to review the effect of this revised process on its Federal cash balances and to make further adjustments, if needed, to minimize the time between its receipt of the Federal cash requested and the bank's clearance of vendors' payments. The College believes that it has taken reasonable measures to address the drawdown and clearance issue causing these findings.

The College stated that it will work with the Federal grantor agencies to obtain resolution of this issue and also to resolve the issue of the estimated interest earned on such funds and act as directed by the grantor agencies.

PAG Determination

We sustain Finding Nos. 2005-8, 2006-10, 2007-19 and 2008-12 and concur with the Auditors' recommendations because the College was not in compliance with Federal grant regulations concerning the maintenance, drawdown, disbursement and internal controls applicable to Federal grants for colleges and state governments.

The College's multi-year long-term failure to comply with the Federal grant regulations and requirements applicable to colleges and state governments: a) results in the grantee's non-compliance with 1) EDGAR, 2) applicable OMB Circular(s), 3) the CMIA and 4) program regulations; and b) can and has resulted in unallowable expenditures and the grantee's repayment of Federal grant funds.

Dr. Carmen Fernandez, former President, Northern Marianas College, stated in the College's January 11, 2010, response to the program determination issued by ED's Vocational and Adult Education program office on November 10, 2009, for Finding No. 2006-10 that the College has voluntarily taken the following actions to ensure no additional cash management findings are reported: a) a dedicated checking account for processing Federal grant funds has been established, b) the Federal grant checking account was funded by transferring $100,000 of the College's money into it, c) this $100,000 balance will be used to pay Federal grant expenditures with subsequent reimbursement of cleared expenditures by drawdown of Federal funds, d) Federal grant funds will be requested and drawn after the vendor's payment has cleared the bank, and e) new reimbursement drawdown procedures will be implemented to allow for drawdown every two weeks after expenditure. The response further indicated that the College takes compliance with applicable Federal regulations very seriously and is continuously monitoring internal controls, processes and procedures to ensure that it is in full compliance with the same.

The Auditors stated in the Summary of Schedule of Prior Audit Findings section of the College's A-133 audit report for FY 2009 for Finding No. 2008-12 that "Corrective action was taken."

With all these facts and circumstances, it is ED's determination that Audit Finding Nos. 2005-8, 2006-10, 2007-19 and 2008-12 are resolved.

The Auditors will perform audit follow-up procedures in subsequent OMB Circular A-133 audits to verify that corrective actions have been taken and these findings do not recur.

Audit Finding Nos. 2005-10, Page 22; 2006-11, Page 24; 2007-20, Page 50; 2008-13, Page 31; and 2009-15, Page 36; Equipment and Real Property Management

These audit findings are resolved as one audit finding because they involve the College's failure to take a physical inventory of equipment and promptly reconcile the inventory to the College's property records.

The Auditors stated that: a) the College's Property Management and Accountability Manual required the College to take an annual physical inventory of fixed assets; b) the College's property records did not include the required information as to source of the property, whether title vests to the recipient or the Federal Government, information from which one can calculate the percentage of Federal participation in the cost of the property, and condition of the property; c) a physical inventory was taken in 2008; however, 1) a physical inventory was not performed annually as required by the College's Property Management and Accountability Manual, and 2) the required reconciliation of the physical inventory to the property records was not completed; d) the College acquired property and equipment from Federal funds for 1) fiscal year 2009 in the amount of $149,211, 2) fiscal year 2008 in the amount of $294,833, and 3) fiscal year 2007 in the amount of $690,259; e) the cause of these findings is the lack of information required by Federal regulations and the lack of adherence to established policies and procedures regarding physical inventory counts of property and equipment; f) the effect of these findings is that the College is not in compliance with Federal property standards and the College's Property Management and Accountability Manual; and g) no questioned costs were calculated due to the Auditors' inability to assess the dollar amount of property and equipment acquired with Federal funds over the years.

The Auditors further stated that according to Title 34 CFR Part 74.34 of the Code of Federal Regulations, *The Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*,

- Equipment records shall be maintained accurately and shall include a description of the property, manufacturer's serial number or other identification number, the source of property including the award number, whether the title vests in the recipient of the Federal Government, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

- A physical inventory of the property must be taken and the results reconciled with the property records at least every two years.

Auditors' Recommendation

The Auditors recommended the College take those actions necessary for the College to comply with the applicable Federal property rules and regulations and the College's Property Management and Accountability Manual.

College's Response

The College stated that requiring the College to conduct an annual inventory of fixed assets was both unreasonable and impractical considering the College's limited human and financial resources, and that the College's Property Management and Accountability Manual would be changed to coincide with the Federal requirement. The College concurred that Federal regulations require the College to take and reconcile a physical inventory every two years.

The College stated that it commenced a physical inventory of the fixed assets in FY 2004, which continued into FY 2005; however, the lack of adequate financial resources precluded the College from procuring the services of a professional appraiser to appraise its real properties and complete the inventory. The College requested funding to take the inventory and purchase a fixed assets module from the College's Planning, Budget and Evaluation Council (Council) but funding constraints prevented the Council from making the funds available in FY 2004 and FY 2005. Funding was set aside for this purpose in FY 2006 but a budget shortfall caused the Council to cut the funding. Funding for this purpose was requested from the College Foundation in FY 2007, which was approved. The College expended significant effort to address the longstanding accounting and inventory issues of its real properties in FY 2007. As a result, a) material adjustments were made to the financial statements, and b) the related audit finding and report qualification were removed.

The College disagreed with the Auditors' assertion that no physical inventory of assets was conducted in FY 2009 because the required physical inventory was taken in FY 2008. The College stated that: a) its Policies and Procedures had been amended to mirror the Federal fixed asset and inventory regulations, b) a comprehensive inventory of fixed assets was completed in December 2008, c) the results of this physical inventory will be reflected in the financial statements for fiscal year 2009 (September 30, 2009), and d) the proposed completion date was September 30, 2009.

The College stated in the audit report for FY 2009 that the College had procured fixed asset accounting software but was still in the process of updating the information. The revised proposed completion date was September 30, 2010.

PAG Determination

We sustain Audit Finding Nos. 2005-10, 2006-11, 2007-20, 2008-13 and 2009-15, and concur with the Auditors' recommendations because the College has failed to: a) hire sufficient employees and/or contract with a vendor knowledgeable and capable of 1) performing the required inventory and 2) maintaining the required Federal property records, b) take the required physical inventory and promptly reconcile the results of the physical inventory to the College's property records at least every two years, c) maintain the required Federal property records, and d) comply with Federal grant regulations.

The College stated that it concurred with this finding, and a physical inventory of the fixed assets commenced in FY 2004 and continued into FY 2005, but the lack of funding precluded the College from procuring the services of a professional appraiser to appraise its real properties. However, the Federal inventory requirement does not require and the Auditors did not require the College to procure the services of a professional appraiser. Mr. Michael S. Johnson, Managing Partner, Deloitte & Touche LLC, Saipan, stated in his May 26, 2009, letter to John Gard, Data Analyst and Audit Resolution Specialist, PAG, that "I am unaware of any regulations, either Federal or local, requiring the appraisal and reevaluation of the College's property values."

Dr. Fernandez stated in her May 26, 2009, letter to John Gard, Data Analyst and Audit Resolution Specialist, PAG, that,

> The challenge the institution has faced in completing an inventory has been the lack of adequate financial and human resources during a period of budget reductions beginning in FY2005 and continuing through FY2007. A physical inventory of all fixed assets began in FY2007 and two of the three sites (Tinian and Rota) were completed in FY2007 with the final site being completed in 2008. Additionally, an appraisal of the properties was completed in FY2007 and adjustments were made to the fixed assets in FY2007 which led to the long standing qualification on the fixed assets in the College audit opinion on the financial statements being removed. The College also invested in a fixed assets inventory software (FASGOV) in FY2008 and once the physical inventory information is uploaded on such (currently in the process) it is expected that this finding will be fully resolved. This effort is expected to be completed in FY2009.
>
> The FY2008 audit is currently underway and it is anticipated that the audit report will be issued by June 30, 2009. It is noted however given the status of the physical inventory of the fixed assets above and the fact that the input of the inventory information into the fixed assets software was not completed until December 2008 (FY2009) the finding relative to the completion of the physical inventory will not be removed in the FY2008 audit report. It is expected that such will be considered fully resolved in FY2009.

The College submitted similar reasons (inadequate funding and staff levels) to the Office of Vocational and Adult Education (OVAE), ED, as justification for failing to comply with the inventory requirements of Federal grant regulations. OVAE determined that the College's reasons were unsatisfactory, and this office also determines the College's reasons to be unsatisfactory. The program determination issued by the Assistant Secretary, OVAE, on November 10, 2009, for Finding No. 2006-11 a) sustained the Auditors' finding and recommendation that the College establish policies and procedures to ensure compliance with Federal property management standards, and b) required the College to provide written evidence that a physical inventory of equipment has been conducted within the last two years and provide written assurance that appropriate property management records are being maintained.

Dr. Fernandez stated in the College's January 11, 2010, response to the program determination issued by the Assistant Secretary, OVAE, that the required physical inventory and reconciliation of the College's Federal assets was completed in December 2009 and assured the program office that appropriate property management records were being maintained beginning with financial year 2007 (October 1, 2006 to September 30, 2007). This statement of fact is supported and confirmed in the College's FY 2007 audit report issued by the Auditors. The Auditors' financial statement opinion stated that the required inventory and reconciliation of property, plant and equipment records was completed.

Mr. Michael S. Johnson, Managing Partner, Deloitte & Touche LLC, Saipan, stated in his May 26, 2009, letter to John Gard, Data Analyst and Audit Resolution Specialist, PAG, that, "I would point out that the 2007 auditors' opinion on the College's financial statements for 2007 and 2006 was unqualified. Previous auditors' opinions had been qualified due to property, plant and equipment issues."

The Auditors stated in the Summary of Schedule of Prior Audit Findings section of the College's A-133 audit report for FY 2009 for Finding No. 2008-13 that the corrective action status was: "Not corrected. See corrective action plan to Finding No. 2009-15."

Since fiscal year 2005, the College has consistently failed to comply with Federal grant regulations and the College's internal procedures and regulations concerning Federal property records while alleging the failure to comply was due to the lack of money. However, "lack of money" is not a valid reason for not complying with Federal grant regulations and the College's internal procedures and regulations concerning Federal property records.

The College is directed to implement all corrective actions needed to bring the College into full and complete compliance with the Federal grant regulations applicable to the Federal grants the College receives within 90 days. Said corrective action, at a minimum, will include the College: a) taking a physical inventory every two years as required by Federal grant regulations, b) promptly reconciling the physical inventory to the property records every two years, and c) accurately maintaining the required property records. The College is further directed to report the implementation status of the foregoing corrective actions to ED's program office(s) issuing grants to the College until the Auditors agree corrective actions have been implemented.

With all these facts and circumstances, it is ED's determination that Audit Finding Nos. 2005-10, 2006-11, 2007-20, 2008-13 and 2009-15 are resolved.

The Auditors will perform audit follow-up procedures in subsequent OMB Circular A-133 audits to verify that corrective actions have been taken and these findings do not recur.

Audit Finding Nos. 2005-11, Page 23; 2006-8, Page 21, Questioned Costs of $29,582; 2007-13, Page 36, Questioned Costs of $20,184; 2007-15, Page 40, Questioned Costs of $6,776; and 2008-9, Page 25, Questioned Costs of $10,951; Procurement and Suspension and Debarment

These audit findings and questioned costs are resolved as one audit finding because they involve the College's failure to comply with Federal procurement regulations for the procurement of airfare and a cumulative questioned cost amount of $67,493.

The Auditors stated that: a) Federal regulations state that small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies or other property that do not cost more than the simplified threshold fixed at 41 U.S.C. 403(11) (currently set at $100,000); b) cost quotations shall be obtained from an adequate number of qualified sources when small purchase procedures are used; c) an adequate number of qualified sources is defined as three or more vendors; d) the purchasing official with expenditure authority shall document in the purchase file the reason(s) for not obtaining the required three cost quotations when fewer than three quotations are obtained; e) a sole source purchase must be documented with the reason(s) why the purchase has to be made with the selected vendor when fewer than three quotations are obtained; f) the lease or purchase of vehicles, machinery, and equipment should be procured pursuant to competitive sealed bidding; g) the expenditure of Federal grant monies requires the College to maintain expenditure documentation sufficient for the auditor to verify that the expenditure of the Federal grant monies was allowable, allocable, and reasonable under the applicable grant terms and cost principles; h) the College is not maintaining the required expenditure documentation; i) the College is not in compliance with Federal procurement regulations; j) the cause of the College's procurement noncompliance is inadequate documentation, weak controls, and personnel failure to comply with the College's procurement policies and procedures; and k) the College's failure to comply with Federal procurement regulations for the procurement of airfare resulted in possible questioned costs of $67,493.

Auditors' Recommendation

The Auditors recommended a) the College strengthen its internal controls over procurement to maximize competition while maintaining the best interests of the College; b) if purchase exceptions are required and allowed by procurement regulations, they should be reviewed, approved and documented in the procurement files; c) the College comply with Federal procurement regulations; and d) quotes for airfare be obtained or travel agents be procured through a request for proposal (RFP).

College's Response

The College strongly disagreed with this finding stating that: a) only two carriers provide service between the island and the mainland, b) the cost of airfare is the same for both carriers, c) there are a limited number of travel agents available on the island, d) the cost of airfare is the same between travel agents, e) the College makes every effort to ensure that all travel is distributed among the available carriers and travel agents to ensure they stay in business and that the College receives the lowest "fully refundable" fare available,

f) the College procures goods and services based on what it determines as being the best value and benefit for the program, g) the auditors' conclusions relative to certain justifications were subjective, h) the expenditure documentation for certain items noted in the audit report was not provided to the auditors during the audit because they did not timely request the documentation, i) the College elected to finalize the report as presented to avoid not meeting the deadline for the completion of the audit and will provide the auditors with the missing documentation, j) adequate documentation supporting the costs is available, k) the auditors' quoted language from the CFR is not applicable to the College, l) certain expectations of the auditors are incorrect, m) the Auditors are misapplying the College's internal procurement policies and procedures in raising these findings and related questioned costs, n) the College ensures all travel is made on fully refundable economy tickets, and o) the College implemented procedures requiring all travel to be alternated between the carriers and the reputable travel agencies available in the islands in an effort to further systematically distribute such expenditures among available carriers and travel agents.

The College further stated: a) it has implemented additional procedures to ensure that quotes will be obtained from 1) the two US flag carriers and 2) travel agencies serving the islands, b) the additional procedures were implemented in late FY 2008 and should be reflected in the audit for FY 2010; and c) the proposed completion date was September 30, 2009.

The College agreed additional grant expenditure documentation was required for the College to be in compliance with the Federal procurement requirements.

PAG Determination

We sustain Audit Finding Nos. 2005-11, 2006-8, 2007-13, 2007-15 and 2008-9, do not sustain the questioned costs, and concur with the Auditors' recommendations as summarized herein.

Federal grant regulations require a grantee to a) identify the reputable suppliers of the goods and services being purchased; b) limit the solicitation and purchase of goods and services to reputable suppliers; and c) purchase goods and services from reliable vendors through a fair, open and auditable procurement process, guarding against corruption, and seeking to ensure that the best value for money spent is obtained, which means securing the best mix of quality and effectiveness for the least outlay over the lifetime of the goods and services being purchased. 34 CFR § 74.43 and § 74.44. Federal grant regulations also authorize a grantee to purchase goods and services from a sole-source and through the use of sole-source purchase procedures when justified, e.g., when the grantee has documented that there will be no difference between the bid amounts based on prior purchase history, telephone inquiry and common knowledge. However, the justification for making a sole-source purchase must be thoroughly documented in the purchase file at the time of purchase, and that documentation must be auditable.

The College stated it objects to the Auditors' determination that the College's reputable supplier determination was invalid and alleges the Auditors' conclusions are subjective and not justified. However, the College agreed that additional purchase documentation was needed to justify the

College's reputable supplier determinations and use of a sole-source supplier to purchase goods and services. Therefore, the College's failure to maintain the required purchase documentation supports the Auditors' findings and conclusions that the College's purchase of goods and services from a sole-source supplier was not justified.

The Auditors also determined that the College's stated use of the Total Cost of Ownership (TCO) principles was suspect because there was inadequate documentation available for the Auditors to audit. The College's failure to maintain the required purchase documentation therefore supports the Auditors' determinations that the College's use of the TCO principles was suspect and not justified.

The College submitted similar TCO reasons to the Office of Vocational and Adult Education (OVAE), ED, as justification for purchasing airline tickets through a non-competed sole source purchase. The program determination issued by the Assistant Secretary, OVAE, on November 10, 2009, for Finding No. 2006-8, a) sustained the Auditors' finding and recommendation, b) directed the College to 1) comply with Federal procurement regulations for small purchases, including the requirements in 34 CFR § 80.36(d), 2) maintain the records required to show its compliance with program requirements, and 3) obtain price or rate quotes from more than one qualified vendor when possible; and c) determined the questioned costs were allowable and reasonable costs, and the expenditure did not harm the Federal interest. OVAE therefore considered the finding resolved and closed.

The College submitted documentation and justification supporting the other like and similar questioned costs charged to the Federal program: a) 2006-8, Page 21, Questioned Costs of \$29,582; 2007-13, Page 36, Questioned Costs of \$20,184; 2007-15, Page 40, Questioned Costs of \$6,776; and 2008-9, Page 25, Questioned Costs of \$10,951. These questioned costs were also spent for allowable and reasonable costs and the expenditures did not harm the Federal interest. Therefore, the questioned costs are not sustained and do not need to be refunded to ED.

The Auditors stated in the Summary of Schedule of Prior Audit Findings section of the College's A-133 audit report for FY 2008 and for FY 2009 that the College had implemented the corrective action required to resolve the purchasing issues of findings 2007-15 and 2008-9.

With all these facts and circumstances, it is ED's determinations that Finding Nos. 2005-11, 2006-8, 2007-13, 2007-15 and 2008-9 are resolved.

The Auditors will perform audit follow-up procedures in subsequent OMB Circular A-133 audits to verify that corrective actions have been taken and these findings do not recur.

Audit Finding No. 2007-9, Allowable Costs/Cost Principles, Page 27, Questioned Costs of \$14,019

The Auditors stated that: a) expenditures should be authorized, supported and approved prior to incurrence, b) the College is not maintaining the expenditure documentation required for audit review to justify the expenditure of Federal grant monies, c) the College is not in compliance with Federal grant regulations, and d) the College's failure to comply with Federal grant regulations results in possible questioned costs of $14,019.

Auditors' Recommendation

The Auditors recommended the College strengthen its procedures to ensure that appropriate approvals are obtained for program expenditures prior to incurrence and payment, and pertinent documents supporting program expenditures are properly maintained and filed.

College's Response

The College disagreed with this finding and stated some of the items were not provided to the auditors before their deadline for issuance of the audit report, the documents are available and the College will provide the auditors with the expenditure documentation to resolve the finding. To avoid not meeting the audit's completion due date, the College elected to finalize the report as presented.

PAG Determination

We do not sustain this finding, the questioned costs and the Auditors' recommendations.

Mr. Raaj Kurapati, former Chief Financial and Administrative Officer at the College from 2002 through 2008, stated on behalf of the College in his June 10, 2009, email to John Gard, Data Analyst and Audit Resolution Specialist, PAG, that the auditors were requesting purchase orders and receiving reports for the renewal of software licenses for which there would be no receiving report as software licenses allow for the continued use of software when renewed. College officials suggested the auditors visit their IT department and determine that the software was in fact on their computers and was being used, which the auditors did not do. The College pays for the renewal of software through check requests. Check requests are an acceptable means of procurement and payment for the College. These were properly approved prior to purchase and check requests as evidenced by the signature of the requestor (the departmental head), the certification of funds availability by the Funds Certification Officer and approval by the Chief Financial and Administrative Officer.

The OVAE Program Office, ED, reported that the items purchased as evidenced by the invoices and payments were allowable per the grant terms. Therefore, the questioned costs are not sustained.

The Auditors stated in the Summary of Schedule of Prior Audit Findings section of the College's A-133 audit report for FY 2008 for Finding No. 2007-9 that "Corrective action has been taken."

With all these facts and circumstances, it is ED's determination that the resolution status of this finding is resolved and the questioned costs of $14,019 do not need to be refunded to ED.

Audit Finding No. 2007-10, Eligibility, Page 29, Questioned Costs of $201

The Auditors stated that: a) it is the College's responsibility to ensure that student awards are made only to eligible participants, b) the College is not maintaining the expenditure documentation required for audit review to justify the expenditure of Federal grant monies, c) the College is not in compliance with Federal grant regulations, and d) the College's noncompliance with the eligibility documentation requirements results in possible questioned costs of $201.

Auditors' Recommendation

The Auditors recommended the College establish procedures to ensure student files contain documentation supporting the grant's eligibility requirements.

College's Response

The College agreed with this finding and explained that a) files were misplaced due to the relocation of offices and b) some files may not have contained the eligibility documentation due to a transition in directors during FY 2007. The College stated that it would conduct a detailed review of all student files and provide the missing documentation to the Auditors or the grantor agency to address this finding.

PAG Determination

We sustain Finding No. 2007-10, do not sustain the questioned costs, and concur with the Auditors' recommendation.

The Auditors stated in the Summary of Schedule of Prior Audit Findings section of the College's A-133 audit report for FY 2008 for finding 2007-10 that "Corrective action has been taken." Therefore, we do not require the College to refund the $201 in questioned costs to ED.

With all these facts and circumstances, it is ED's determination that Finding No. 2007-10 is resolved.

The Auditors will perform audit follow-up procedures in subsequent OMB Circular A-133 audits to verify that corrective actions have been taken and this finding does not recur.

Audit Finding Nos. 2007-17, Page 44; and 2008-14, Page 33; Allowable Costs/Cost Principles

These audit findings are resolved as one audit finding because they involve the College's failure to disclose the Federal and non-Federal dollar amount and percentage of a project's cost financed by Federal and non-Federal funds when issuing statements, press releases, requests for proposals, bid solicitations, and other documents describing a project funded in whole or in part with Federal money.

The Auditors stated that: a) the grant terms and conditions required the College to state the Federal and non-Federal dollar amount and percentage of a project's cost financed by Federal and non-Federal funds when issuing statements, press releases, requests for proposals, bid solicitations, and other documents describing a project funded in whole or in part with Federal money; b) audit testing reflected the College's requests for proposals were not in compliance with Federal grant regulations, and c) the College's noncompliance with the grant's terms and conditions results in possible questioned costs of zero.

Auditors' Recommendation

The Auditors recommended the College comply with Federal regulations and grant terms and conditions.

College's Response

The College stated that it was not aware of this requirement and would ensure that this requirement is met for all future procurement of services or goods utilizing Federal funds.

PAG Determination

We sustain Finding Nos. 2007-17 and 2008-14 and concur with the Auditors' recommendation.

Mr. Raaj Kurapati, former Chief Financial and Administrative Officer at the College from 2002 through 2008, stated on behalf of the College in his June 10, 2009, email to John Gard, Data Analyst and Audit Resolution Specialist, PAG, that procedures to ensure compliance with Federal regulations had been implemented.

The Auditors stated in the Summary of Schedule of Prior Audit Findings section of the College's A-133 audit report for FY 2009 for Finding No. 2008-14 that "Corrective action was taken."

With all these facts and circumstances, it is ED's determinations that Finding Nos. 2007-17 and 2008-14 are resolved.

The Auditors will perform audit follow-up procedures in subsequent OMB Circular A-133 audits to verify that corrective actions have been taken and these findings do not recur.

Audit Finding No. 2008-10, Period of Availability of Funds, Page 27, Questioned Costs of $15,826

The Auditors stated that: a) Federal grant expenditures should be obligated within the period of availability, b) two disbursements were not obligated within the period of availability, c) the College was not in compliance with the Federal grant regulations concerning the obligation of grant funds during the period of availability for a Federal grant, and d) there were questioned costs of $15,826.

Auditors' Recommendation

The Auditors recommended the College's internal control procedures be strengthened to ensure that expenditures are obligated within the grant's period of availability.

College's Response

The College stated that: a) it incurred the questioned costs during the period available for the obligation of the grant funds, b) the date of the invoices and the receipt of the goods were prior to the grant's termination date, and c) signatures on the documents authorizing the payment for goods received were dated otherwise.

PAG Determination

We do not sustain Finding No. 2008-10, the questioned costs and the Auditors' recommendation.

The questioned costs were obligated and incurred during the project period. The grantee's receipt of goods after the time period available for obligating Federal grant funds and payment of goods received is authorized by 34 CFR § 74.28 and § 74.71(b). The questioned costs are not sustained because the expenditures were obligated a) during the time period available for obligating this grant's funds and b) in accordance with Federal regulations.

The Auditors stated in the Summary of Schedule of Prior Audit Findings section of the College's A-133 audit report for FY 2009 for Finding No. 2008-10 that "Corrective action was taken."

With all these facts and circumstances, it is ED's determination that the resolution status of Finding No. 2008-10 is resolved and the questioned costs do not need to be returned to ED.

The Auditors will perform audit follow-up procedures in subsequent OMB Circular A-133 audits to verify that corrective actions have been taken and these findings do not recur.

Audit Finding No. 2009-13, Allowable Costs/Cost Principles, Page 33

Auditors stated that the College does not have a separate accounting code to identify expenditures for administrative purposes. Grant recipients under the College Access Challenge Grant (CACG) Program are not allowed to charge more than 6% of administrative costs to the grant. The auditors could not verify if the College exceeded the 6% ceiling in administrative costs.

Auditors' Recommendation

The Auditors recommended that the College assign a separate accounting code to monitor charges to administrative costs.

College's Response

The College partially agrees with this finding. While the Auditors are correct in that there is no specific accounting code set up for charging of administrative costs, the College elected not to charge any costs directly to the program during fiscal year 2009. As such, there are no administrative costs incurred against this grant. If the College elects to charge administrative costs to the grant in subsequent years, the College will ensure that the administrative costs are under a specific accounting code to ensure compliance with the 6% ceiling.

PAG Determination

We sustain Audit Finding No. 2009-13 and concur with the Auditors' recommendation.

The College has a responsibility as a CACG grant recipient to account for all expenditures that are incurred. The 6% cap on administrative costs is a statutory requirement under the CACG program. While there were no administrative costs charged to the CACG project in fiscal year 2009, the College must set up an accounting code to adequately monitor administrative costs in subsequent years to ensure that such costs are verifiable and do not exceed the 6% cap in accordance with the statute.

With these facts and circumstances, it is ED's determination that Finding No. 2009-13 is resolved.

The Auditors will perform audit follow-up procedures in subsequent OMB Circular A-133 audits to verify if the College is charging administrative costs to the program and if an accounting code has been established to track such costs.

This program determination letter was jointly issued by the a) Office of Vocational and Adult Education (OVAE), Division on Adult Education and Literacy (DAEL); b) Office of Postsecondary Education (OPE); and c) Post Audit Group, Financial Improvement and Post Audit Operations, Office of the Chief Financial Officer.

If you have any questions concerning these program determinations, please contact the agency's program officer listed on the grant award notification document(s) and/or:

Melody Myles, OVAE, DAEL, Tel: (202) 245-7797, Email Address: Melody.Myles@ed.gov

Janie E. Funkhouser, Director, Strategic Planning Group, OPE, Tel: (202) 502-7517, Email Address: Janie.Funkhouser@ed.gov

John Gard, Data Analyst and Audit Resolution Specialist, PAG, FIPAO, OCFO, Tel: (202) 245-8031, Email Address john.gard@ed.gov.

Sincerely,

Eduardo M. Ochoa
Assistant Secretary for Postsecondary Education

Brenda Dann-Messier
Assistant Secretary
Office of Vocational and Adult Education

Farrand C. Prindle
Senior Audit Resolution Specialist
Post Audit Group
Financial Improvement and
Post Audit Operations

cc: Deloitte & Touche LLC

Appendix E

End of Course Instructor Evaluation Form

NORTHERN MARIANAS COLLEGE COURSE EVALUATION

Alpha		Course			Sec	
A	A	0	0	0	0	0
B	B	1	1	1	1	1
C	C	2	2	2	2	2
D	D	3	3	3	3	3
E	E	4	4	4		5
F	F	5	5	5		6
G	G	6	6	6		7
H	H	7	7	7		8
I	I	8	8	8		9
J	J	9	9	9		
K	K					
L	L					
M	M					
O	O					
P	P					
Q	Q					
R	R					
S	S					
T	T					
U	U					
V	V					
W	W					
X	X					
Y	Y					
Z	Z					

Term

O Fall
O Spring
O Summer

Gender

O Male
O Female

Ethnicity

O Carolinian
O Chamorro
O Micronesian
O Other Pacific Islander
O Asian

	Strongly Disagree	Disagree	Undecided No Opinion	Agree	Strongly Agree	N/A
1. The Instructor provided a clear description of the course.	1	2	3	4	5	6
2. The Instructor clearly explained the course requirements.	1	2	3	4	5	6
3. The requirements for this course were reasonable.	1	2	3	4	5	6
4. The Instructor was well-prepared and organized for class.	1	2	3	4	5	6
5. The instructor showed interest in the course	1	2	3	4	5	6
6. The instructor showed interest in my progress.	1	2	3	4	5	6
7. The instructor provided me with help when I needed it.	1	2	3	4	5	6
8. The instructor kept his/her office hours and appointments.	1	2	3	4	5	6
9. The instructor started the class on time.	1	2	3	4	5	6
10. The instructor taught the class for the entire class period.	1	2	3	4	5	6
11. The instructor was regularly present for the class.	1	2	3	4	5	6
12. The instructor communicated clearly with me.	1	2	3	4	5	6
13. It was easy for me to talk with the instructor.	1	2	3	4	5	6
14. The instructor encouraged me to freely express my ideas and opinions.	1	2	3	4	5	6
15. The instructor asked me for reasons, examples, and evidence to support my ideas in classroom discussion or on assignments.	1	2	3	4	5	6
16. The instructor encouraged me to look at issues from many viewpoints.	1	2	3	4	5	6
17. The instructor presented information fairly and objectively.	1	2	3	4	5	6
18. The instructor spent class time on issues or topics related to the course.	1	2	3	4	5	6
19. The instructor promoted thoughtful discussion based on course material and not personal opinion.	1	2	3	4	5	6
20. The instructor helped me understand difficult ideas.	1	2	3	4	5	6
21. I found the class interesting.	1	2	3	4	5	6
22. The course will be useful to me.	1	2	3	4	5	6
23. The lab work required for this course was helpful to me.	1	2	3	4	5	6
24. The textbook should be used again for this course.	1	2	3	4	5	6
25. Overall, the course met my expectations.		2	3	4	5	6
26. The quality of teaching of the course met my expectations.	1	2	3	4	5	6
27. I would recommend the course to other students.	1	2	3	4	5	6
28. I would recommend the instructor to other students	1	2	3	4	5	6
29. The instructor was prompt in returning my assignments and examinations.	1	2	3	4	5	6
30. The grades the instructor gave me were fair.	1	2	3	4	5	6