

Report on Compliance

College of Micronesia-FSM

(A Component Unit of the Federated States of Micronesia
National Government)

Year ended September 30, 2022



College of Micronesia-FSM
(A Component Unit of the Federated States of Micronesia National Government)

Report on Compliance

Year ended September 30, 2022

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	3
Schedule of Expenditures of Federal Awards	7
Notes to the Schedule of Expenditures of Federal Awards.....	8
Schedule of Findings and Questioned Costs	9
Corrective Action Plan.....	19
Summary Schedule of Prior Audit Findings	21



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Report of Independent Auditors 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*

The Board of Regents
College of Micronesia-FSM:

We have audited, in accordance with 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 (*Government Auditing Standards*), the financial statements of College of Micronesia-FSM (the College), which comprise the statement of net position as of September 30, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements (collectively referred to as the “financial statements”), and have issued our report thereon dated May 10, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 through 2022-005 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

The College's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Ernst + Young LLP

May 10, 2024



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Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Regents
College of Micronesia-FSM:

Report of Independent Auditors on Compliance for Each Major Federal Program

We have audited College of Micronesia-FSM's (the College) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (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, 2022. The College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the College complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-007 under ALN 15.875 Economic, Social, and Political Development of the Territories for Procurement, Suspension and Debarment. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-006 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-007 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

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

We have audited the financial statements of the College as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated May 10, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinion 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. 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.

Ernst + Young LLP

May 10, 2024

College of Micronesia-FSM
(A Component Unit of the Federated States of Micronesia National Government)

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Direct:			
Grants to States for Supplemental and Basic Funding of Titles I, II, III, IV and IX Activities	10.308		\$ <u>95,935</u>
Total U.S. Department of Agriculture			\$ <u><u>95,935</u></u>
U.S. DEPARTMENT OF THE INTERIOR:			
Pass-Through FSM National Government:			
Economic, Social, and Political Development of the Territories:			
Compact of Free Association II	15.875	D16AF00012-00010	\$ 1,000,000
Compact of Free Association II (SEG)	15.875	D15AF00049-00020	689,948
IMF Fund	15.875	D21AF10032	<u>144,500</u>
Total U.S. Department of the Interior			\$ <u><u>1,834,448</u></u>
DEPARTMENT OF COMMERCE			
Direct:			
Economic Development Cluster			
Economic Adjustment Assistance	11.307		\$ <u>561,846</u>
Subtotal Economic Development Cluster			<u>561,846</u>
Total Department of Commerce			\$ <u><u>561,846</u></u>
NATIONAL SCIENCE FOUNDATION:			
Pass-Through University of Hawaii:			
Research and Development Cluster:			
STEM Education (formerly Education and Human Resources)	47.076	1954994/MA1165	\$ 4,364
STEM Education (formerly Education and Human Resources)	47.076	1826864/HI1457	<u>20,937</u>
Subtotal Research and Development Cluster			<u>25,301</u>
Total National Science Foundation			\$ <u><u>25,301</u></u>
U.S. DEPARTMENT OF EDUCATION:			
Direct:			
TRIO Cluster:			
TRIO Talent Search	84.044		\$ 536,049
TRIO Upward Bound	84.047		<u>344,462</u>
Subtotal TRIO Cluster			<u>880,511</u>
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063		<u>10,168,263</u>
Subtotal Student Financial Assistance Cluster			<u>10,168,263</u>
Education Stabilization Fund:			
Higher Education Emergency Relief Fund (HEERF):			
COVID-19 HEERF Student Aid Portion	84.425E		5,240,157
COVID-19 HEERF Institutional Portion	84.425F		<u>5,113,055</u>
Subtotal Education Stabilization Fund			<u>10,353,212</u>
Total U.S. Department of Education			\$ <u><u>21,401,986</u></u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct:			
Grants to States to Support Oral Health Workforce Activities	93.236		\$ 308,993
Pass-Through University of Guam:			
Area Health Education Centers	93.107	U77HP26848-05-03	<u>106,670</u>
Total U.S. Department of Health and Human Services			\$ <u><u>415,663</u></u>
Total Federal Awards Expended			\$ <u><u>24,335,179</u></u>

See notes to Schedule of Expenditures of Federal Awards.

College of Micronesia-FSM

(A Component Unit of the Federated States of Micronesia National Government)

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

1. Scope of Audit

College of Micronesia-FSM is a component unit of the FSM National Government established by Public Law 7-79 on September 25, 1992. Only the activities of College of Micronesia-FSM are included within the scope of the Single Audit.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of College of Micronesia-FSM under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College of Micronesia-FSM, it is not intended to and does not present the net position, changes in net position or cash flows of the College of Micronesia-FSM.

3. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, consistent with the manner in which the College maintains its accounting records. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. All expenses and capital outlays are reported as expenditures when incurred. Pass-through entity identifying numbers are presented where available. The College of Micronesia-FSM does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance.

College of Micronesia-FSM

(A Component Unit of the Federated States of Micronesia National Government)

Schedule of Findings and Questioned Costs

Year Ended September 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

	<u>Unmodified</u>			
Internal control over financial reporting:				
Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u>	None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified?	<u> X </u>	Yes	<u> </u>	None reported

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

	<u>Unmodified</u>			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> X </u>	Yes	<u> </u>	No

College of Micronesia-FSM

(A Component Unit of the Federated States of Micronesia National Government)

Schedule of Findings and Questioned Costs, continued

Section I - Summary of Auditor's Results, continued

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.307	Economic Development Cluster: Economic Adjustment Assistance
15.875	Economic, Social, and Political Development of the Territories
84.044	Trio Cluster: TRIO Talent Search
84.047	TRIO Upward Bound
84.425	Education Stabilization Fund:
84.425E	HEERF Student Aid Portion
84.425F	HEERF Institutional Portion

Dollar threshold used to distinguish between
Type A and Type B programs:

_____ \$750,000 _____

Auditee qualified as low risk auditee?

_____ **Yes** X **No**

Section II—Financial Statement Findings

<u>Reference Number</u>	<u>Findings</u>
2022-001	Application of GASB Cod. N50, <i>Nonexchange Transactions</i> and GASB Cod. 2200, <i>Annual Comprehensive Financial Report</i>
2022-002	Interfund payables/receivables
2022-003	Implementation of GASB Cod. L20, <i>Leases</i>
2022-004	Review of Journal Entries
2022-005	Presentation of Restricted Net Position

Section III - Federal Award Findings and Questioned Costs

<u>Reference Number</u>	<u>ALN</u>	<u>Finding</u>	<u>Questioned Costs</u>
2022-006	15.875	Allowable Costs/Cost Principles	\$---
2022-007	15.875	Procurement, Suspension and Debarment	\$24,320

College of Micronesia-FSM

(A Component Unit of the Federated States of Micronesia National Government)

Schedule of Findings and Questioned Costs, continued

Finding No. 2022-001

Area: Application of Government Auditing Standards Codification (GASB Cod.) N50, *Nonexchange Transactions* and GASB Cod. 2200, *Annual Comprehensive Financial Report*

Criteria:

GASB Cod. N50 and 2200 requires that non-exchange and exchange receivables be recorded net of estimated uncollectible amounts.

Condition:

As of September 30, 2022, the College has recorded gross receivable of \$1.5 million from the FSM-National Government (FSM-NG) with an allowance of \$787 thousand. The FSM-NG confirmed a balance of \$1.1 million as outstanding. Gross receivable from FSM-NG is overstated by approximately \$451 thousand. Receivables from FSM-NG that are more than 2 years outstanding totaled approximately \$436 thousand. The College has provided a total allowance on its financial statements of \$787 thousand. The total amount that is doubtful of collection totaled approximately \$887 thousand causing a potential deficiency of \$100 thousand.

As of September 30, 2022, the College has recorded allowance for doubtful accounts related to tuition receivables amounting to approximately \$5.5 million. Receivables outstanding greater than one year amounted to approximately \$6.3 million. A deficiency in the allowance of approximately \$729 thousand was identified during the audit which the client has corrected.

Cause:

The College did not assess the level of its allowance for amount for tuition receivables and amounts due from FSM-NG prior to preparing its financial statements.

Effect or potential effect:

Tuition receivable and amounts due from FSM-NG were overstated.

Recommendation:

The College should reconcile amounts due from FSM-NG before closing of the fiscal yearend. The College should assess the collectability of amounts recorded as receivable based on historical experience and record those adjustments in preparing its financial statements.

College of Micronesia-FSM
(A Component Unit of the Federated States of Micronesia National Government)

Schedule of Findings and Questioned Costs, continued

Finding No. 2022-002

Area: Interfund payables/receivables

Criteria:

GASB Cod. 2200 requires that interfund balances should be eliminated or reclassified in the statement of net position and statement of activities.

Condition:

Unadjusted net balance of interfund payable/receivables as of September 30, 2022 were \$524 thousand.

Cause:

The College did not ensure that interfund balances are reviewed to ensure elimination when presented in the statement of net position.

Effect or potential effect:

Errors may exist and not be identified and corrected in a timely manner resulting in the preparation of misstated financial statements.

Recommendation:

We recommend that interfund balances be monitored to ensure proper elimination of balances in preparing financial statements.

College of Micronesia-FSM
(A Component Unit of the Federated States of Micronesia National Government)

Schedule of Findings and Questioned Costs, continued

Finding No. 2022-003

Area: Implementation of GASB Cod. L20, *Leases*

Criteria:

GASB Cod. L20, *Leases*, requires the lessee to recognize an intangible right-to-use lease asset and related lease liability. Such should be recognized and measured using the facts and circumstances that exist at the beginning period of implementation.

Condition:

The College did not ensure that impact of the adoption of GASB Cod. L20 was reflected when it prepared its financial statements.

Cause:

The College did not identify a responsible individual and did not provide adequate training to adopt GASB Cod. L20.

Effect or potential effect:

The financial statements did not reflect the impact of adopting GASB Cod. L20.

Recommendation:

The College should consider designating personnel and provide training to develop the necessary skill set and knowledge to implement new and upcoming GASB Statements.

College of Micronesia-FSM

(A Component Unit of the Federated States of Micronesia National Government)

Schedule of Findings and Questioned Costs, continued

Finding No. 2022-004

Area: Review of Journal Entries

Criteria:

Prepayments are payments for goods or services not yet received. GASB Cod. 1800 *Classification and Terminology* defines prepayments as current assets that will not be converted into cash but that if not paid in advance, would require the use of current assets within a year.

GASB Cod. 1800 defines a liability as an obligation to pay for the acquisition of materials and supplies and services received.

Condition:

The College did not recognize prepayments in the amount of \$1.7 million representing deposits made on the purchase of computers as prepayments and overstated operating expense - institutional support by that amount.

The College recorded an invoice amounting to approximately \$452 thousand twice.

The College did not record disbursements made to students under the Higher Education Emergency Relief Fund as an expense with a corresponding liability amounting to approximately \$5.3 million.

The College subsequently corrected the balances in preparing its financial statements.

Cause:

There is a lack of review of such transactions.

Effect or potential effect:

The College may misstate current period operating expenses and corresponding asset and liability accounts.

Recommendation:

Management should ensure there is proper review and approval in place to ensure transactions are properly recorded.

College of Micronesia-FSM

(A Component Unit of the Federated States of Micronesia National Government)

Schedule of Findings and Questioned Costs, continued

Finding No. 2022-005

Area: Presentation of Restricted Net Position

Criteria:

GASB Cod. 1800 *Classification and Terminology* requires the presentation of restricted net position when constraints placed on net position use are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

34 United States Code 628.44(b) states that at the end of the period of Endowment Challenge Grant Program (ECGP), the institution may use the endowment fund corpus for any educational purpose.

Condition:

The College presents and disclosed an amount of \$750 thousand related to funds received in its participation in the ECGP as restricted net position. The grant restrictions has expired as of 2017.

Cause:

There is a lack of review of such transactions.

Effect or potential effect:

The College may not properly disclose which net position has restrictions as defined under GASB Cod. 1800.

Recommendation:

Management should ensure there is proper review and approval in place so that restrictions are properly identified and disclosed in the financial statements.

College of Micronesia-FSM

(A Component Unit of the Federated States of Micronesia National Government)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-006
Federal Agency: U.S. Department of Interior
AL Program: 15.875 Economic, Social and Political Development of the Territories
Federal Award No.: Supplemental Education Grant (SEG) and Education Sector Grant (ESG)
Area: Allowable Costs/Cost Principles
Questioned Costs: \$---

Criteria:

In accordance with applicable allowable costs/cost principles requirements, written approval of Federal awarding agency or pass-through entity must be obtained prior to incurring the capital expenditures, and costs must represent valid expenditures of the program.

Condition:

- A. For 2 (or 6%) of 32 non-payroll transactions tested, aggregating \$56K of \$409K in total nonpayroll program costs, no written prior approval obtained prior to incurring capital expenditures.

Program Details							
Effective Date	Campus Code	Division Code	Transaction Description	Session ID	Amount	Funding Source	
1	5/31/2022	10	104	po22-01531	apn22-013	\$ 1,670	SEG
2	6/27/2022	10	104	po22-02805;8931	api22-1083	22,650	SEG
					Total	\$ 24,320	

- B. In 1 (or 3%) of 32 non-payroll transactions tested, aggregating \$56K of \$409K in total nonpayroll program costs, stipend was paid to an individual who no longer participated in the program.

Program Details						
Effective Date	Campus Code	Division Code	Transaction Description	Session ID	Amount	Funding Source
2/1/2022	10	104	Employee: 290786 Stipend	api22-0429	\$ 100	SEG

No questioned cost was identified for this finding as the College subsequently obtained approval for the aforementioned capital expenditures.

College of Micronesia-FSM

(A Component Unit of the Federated States of Micronesia National Government)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-006, continued
Federal Agency: U.S. Department of Interior
AL Program: 15.875 Economic, Social and Political Development of the Territories
Federal Award No.: Supplemental Education Grant (SEG) and Education Sector Grant (ESG)
Area: Allowable Costs/Cost Principles
Questioned Costs: \$---

Cause:

COM-FSM did not effectively monitor compliance with applicable allowable costs/cost principles requirements.

Effect:

COM-FSM is in noncompliance with applicable allowable costs/cost principles requirements.

Recommendation:

COM-FSM should effectively monitor program costs for compliance with allowable costs/cost principles requirements.

College of Micronesia-FSM

(A Component Unit of the Federated States of Micronesia National Government)

Schedule of Findings and Questioned Costs, continued

Finding No.: 2022-007
Federal Agency: U.S. Department of Interior
AL Program: 15.875 Economic, Social and Political Development of the Territories
Federal Award No.: Supplemental Education Grant (SEG)
Area: Procurement, Suspension and Debarment
Questioned Costs: \$24,320

Criteria:

In accordance with 2 CFR 200.319, all procurement transactions for the acquisition of property or services required under a Federal award must be conducted in a manner providing full and open competition. A situation considered to be restrictive of competition includes specifying only a “brand name” product instead of allowing an equal product to be offered and describing the performance or other relevant requirements of the procurement.

Condition:

For 2 (or 40%) of 5 procurement transactions tested, aggregating \$24K of \$63K in total procurement costs, procurement records specified brand name in solicitations and bid, therefore limiting open competition as required by Federal requirements.

Per Program Details							
	Effective Date	Campus Code	Division Code	Transaction Description	Session ID	Amount	Funding Source
1	5/31/2022	10	104	po22-01531	apn22-013	\$1,670	SEG
2	6/27/2022	10	104	po22-02805;8931	api22-1083	22,650	SEG
				Total		\$24,320	

Cause:

COM-FSM did not effectively monitor compliance with applicable procurement requirements.

Effect:

COM-FSM is in noncompliance with applicable procurement requirements.

Recommendation:

COM-FSM should effectively monitor procurement procedures to ensure that full and open competition is performed.

Corrective Action Plan



COLLEGE OF MICRONESIA-FSM

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Corrective Action Plan

Year Ended September 30, 2022

Finding 2022-01 - Application of GASB Cod. N50, *Nonexchange Transactions* and GASB Cod. 2200, *Annual Comprehensive Financial Report*

The college will strengthen its monitoring of accounts receivable and preparation of financial statements by:

- 1) Reviewing the responsibility of accounts receivable.
- 2) Preparing the monthly schedule and reconciliation of Account Receivable
- 3) Reviewing and improving policies and procedures related to internal control of account receivable.

Finding 2022-02 - Interfund payables/receivables

The college will strengthen its monitoring of interfund transactions by:

- 1) Reviewing responsibility of interfund transactions.
- 2) Preparing the monthly schedule of interfund transactions
- 3) Reviewing and improving policies and procedures related to internal control of interfund transactions.

Finding 2022-03 - Implementation of GASB Cod. L20, *Leases*

The college will improve the monitoring of leases and its impact by:

- 1) Reviewing responsibility of lease agreement and transactions.
- 2) Seek training for new accounting standards issued by Federal Government.
- 3) Review and improving financial statements presentation.

Finding 2022-04 - Review of Journal Entries

The college will strengthen its financial reporting by implementing the following:

Corrective Action Plan, continued

- 1) Preparation and monitoring of Prepaid Schedules.
- 2) Preparation and monitoring of monthly journal vouchers
- 3) Review and improve policies and procedures related to internal control of purchases and prepayments.

Finding 2022-05 - Presentation of Restricted Net Position

The college will strengthen its financial reporting by implementing the following:

- 1) Preparation and monitoring of Financial Statement Disclosure.
- 2) Review and improve recording of transactions and financial statements presentation

Finding 2022-06 - Allowable Costs/Cost Principle

The college will strengthen its financial reporting by implementing the following:

- 1) Preparation and monitoring of allowable cost
- 2) Coordination with grantor regarding grant requirements
- 2) Review and improve recording of transactions and financial statements presentation.

Contact Person : Roselle B. Togonon

Completion Date: June 30, 2024

Finding 2022-07 - Procurement, Suspension and Debarment

The college will strengthen its financial reporting by implementing the following:

- 1) Review and improve procedure related to procurement
- 2) Coordination with grantor regarding grant requirements
- 2) Review and improve recording of transactions and financial statements presentation.

Contact Person : Roselle B. Togonon

Completion Date: June 30, 2024

Summary Schedule of Prior Audit Findings



COLLEGE OF MICRONESIA-FSM

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COLLEGE OF MICRONESIA-FSM (A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)

Summary Schedule of Audit Findings

Year Ended September 30, 2022

Findings Reference #	Description of Finding	Status of September 30, 2022
2016-002 and 2020-002	Prepayment	Cleaning of old pre-payment is still on-going. The FY2016 findings were already addressed.
2020-001	Non-moving Liabilities	Resolved.