

*Reports on Compliance and Internal Control*

**Commonwealth Healthcare Corporation**

(A Component Unit of the Commonwealth of the Northern Mariana Islands)

*Year ended September 30, 2020*



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Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Reports on Compliance and Internal Control

Year ended September 30, 2020

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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*

Ms. Esther L. Muna  
Chief Executive Officer  
Commonwealth Healthcare Corporation

We were engaged to audit, 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, the financial statements of the Commonwealth Healthcare Corporation (CHCC), a component unit of the Commonwealth of the Northern Mariana Islands, which comprise the statements of net position as of September 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2026. Our report disclaims our opinion on the financial statements because of our inability to obtain sufficient appropriate audit evidence to support significant account balances and of CHCC's inability to record pension expense and related net pension asset or liability, deferred inflows of resources and deferred outflows of resources as of and for the years ended September 30, 2020 and 2019 as required by Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

### **Internal Control Over Financial Reporting**

In connection with our engagement to audit the financial statements of CHCC, we considered CHCC'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CHCC's internal control. Accordingly, we do not express an opinion on the effectiveness of CHCC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, as items 2020-001 through 2020-004 that we consider to be material weaknesses.

### **Compliance and Other Matters**

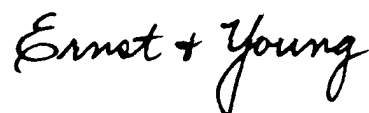
In connection with our engagement to audit the financial statements of CHCC, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-003 and 2020-004. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

### **CHCC's Response to Findings**

CHCC's response to the findings identified in our engagement is described in the accompanying Schedule of Findings and Questioned Costs. CHCC'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 engagement to perform an audit 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.

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March 6, 2026



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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

Ms. Esther L. Muna  
Chief Executive Officer  
Commonwealth Healthcare Corporation

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

We have audited Commonwealth Healthcare Corporation's (CHCC) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of CHCC's major federal programs for the year ended September 30, 2020. CHCC's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of CHCC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CHCC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unqualified and qualified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of CHCC's compliance.

***Basis for Qualified Opinion on Four Major Federal Programs***

As described in Findings 2020-004 through 2020-008 and 2020-010 through 2020-013 in the accompanying Schedule of Findings and Questioned Costs, CHCC did not comply with requirements regarding the following:

<b>Finding Number</b>	<b>CFDA Number</b>	<b>Federal Program or Cluster Name</b>	<b>Compliance Requirement</b>
2020-004	15.875	Economic, Social, and Political Development of Territories	Equipment and Real Property Management
2020-005	15.875	Economic, Social, and Political Development of Territories	Procurement and Suspension and Debarment
2020-006	15.875	Economic, Social, and Political Development of Territories	Reporting
2020-007	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Equipment and Real Property Management
2020-008	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Procurement and Suspension and Debarment
2020-010	93.268	Immunization Cooperative Agreements	Special Tests and Provisions – Control, Accountability, and Safeguarding of Vaccine
2020-011	93.268	Immunization Cooperative Agreements	Special Tests and Provisions – Record of Immunization
2020-012	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Equipment and Real Property Management
2020-013	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Reporting

Compliance with such requirements is necessary, in our opinion, for CHCC to comply with requirements applicable to those programs.

***Qualified Opinion on Four Major Federal Programs***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, CHCC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the following major federal programs for the year ended September 30, 2020.

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
15.875	Economic, Social, and Political Development of the Territories
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance
93.268	Immunization Cooperative Agreements
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

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

In our opinion, CHCC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the other major federal programs that are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2020.

CHCC's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. CHCC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-009 and 2020-014. Our opinion on each major federal program is not modified with respect to these matters.

### **Report on Internal Control Over Compliance**

Management of CHCC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CHCC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CHCC's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-004, 2020-006, 2020-007 and 2020-010 through 2020-013 to be material weaknesses.

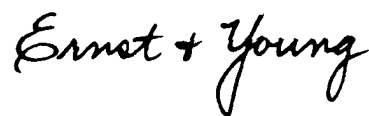
*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-005, 2020-008, 2020-009 and 2020-014 to be significant deficiencies.

CHCC's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. CHCC's response was not subjected to the audit procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 were engaged to audit the financial statements of CHCC as of and for the years ended September 30, 2020 and 2019, and have issued our report thereon dated March 6, 2026, which disclaims our opinion on the financial statements due to inability to obtain sufficient appropriate evidence for significant account balances as of and for the years ended September 30, 2020 and 2019, our inability to determine the effects of the lack of adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, on CHCC's 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 financial statements. Because of the significance of the matters discussed above, it is inappropriate to, and we do not, express an opinion on the Schedule of Expenditures of Federal Awards.

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March 6, 2026

**Commonwealth Healthcare Corporation**  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

**Schedule of Expenditures of Federal Awards**

Year ended September 30, 2020

CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Passed through to Subrecipient	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE DIRECT PROGRAM</b>				
10.557	Special Supplemental Nutrition Program for Women, Infants and Children		\$ -	\$ 3,541,767
	<b>U.S. DDEPARTMENT OF AGRICULTURE DIRECT PROGRAM</b>		-	3,541,767
<b>U.S. DEPARTMENT OF INTERIOR DIRECT PROGRAM</b>				
15.875	Economic, Social, and Political Development of the Territories		-	456,520
	Pass-through from the Commonwealth of the Northern Mariana Islands Government			
15.875	COVID 19 -Economic, Social, and Political Development of the Territories	D20AP00049 TAP CNMI-2020-5 V#01, V#02 and V#03	-	1,279,445
	<b>TOTAL U.S. DEPARTMENT OF INTERIOR DIRECT PROGRAM</b>		-	1,735,965
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES DIRECT PROGRAMS</b>				
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		-	400,861
93.323	COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		-	429,965
	Total Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			830,826
93.069	Public Health Emergency Preparedness		-	386,129
93.103	Food and Drug Administration Research		-	20,000
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		-	527,553
93.110	Maternal and Child Health Federal Consolidated Programs		-	54,367
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		-	511,398
93.136	Injury Prevention and Control Research and State and Community Based Programs		-	575,366
93.150	Projects for Assistance in Transition from Homelessness (PATH)		-	48,878
93.165	Grants to States for Loan Repayment		-	125,000
93.217	Family Planning Services		-	307,887
93.236	Grants to States to Support Oral Health Workforce Activities		-	394,060
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance		46,010	1,087,372
93.251	Universal Newborn Hearing Screening		-	131,198
93.268	Immunization Cooperative Agreements		-	2,734,087
93.314	Early Hearing Detection and Intervention Information System (EHDl-IS) Surveillance Program		-	21,160
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response		-	523,298
93.377	Prevention and Control of Chronic Disease and Associated Risk Factors in the U.S. Affiliated Pacific Islands, U.S. Virgin Islands, and P. R.		-	162,175
93.504	Family to Family Health Information Centers		-	81,866
93.644	Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP		-	33,438
93.665	COVID 19 -Emergency Grants to Address Mental and Substance Use Disorders During COVID-19		-	9,691
93.788	Opioid State Targeted Response		-	285,432
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities		-	3,573
93.870	Maternal, Infant and Early Childhood Home Visiting Grant		-	867,903
93.889	National Bioterrorism Hospital Preparedness Program		-	224,726
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations		-	440,199
93.917	HIV Care Formula Grants		-	56,747
93.958	Block Grants for Community Mental Health Services		-	131,753
93.959	Block Grants for Prevention and Treatment of Substance Abuse		-	311,866
93.982	Mental Health Disaster Assistance and Emergency Mental Health		-	616,525
93.991	Preventive Health and Health Services Block Grant		-	44,182
93.994	Maternal and Child Health Services Block Grant to the States		-	406,798
	<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES DIRECT PROGRAMS</b>		46,010	11,955,453
<b>U.S. DEPARTMENT OF HOMELAND SECURITY - PASS THROUGH FROM CNMI HOMELAND SECURITY AND EMERGENCY MANAGEMENT</b>				
97.088	Disaster Assistance Projects	FEMA-4235-DR	-	383,157
	<b>U.S. DEPARTMENT OF HOMELAND SECURITY - PASS THROUGH FROM CNMI HOMELAND SECURITY AND EMERGENCY MANAGEMENT</b>		-	383,157
<b>U.S. DEPARTMENT OF JUSTICE - PASS THROUGH FROM CNMI CRIMINAL JUSTICE PLANNING AGENCY</b>				
16.575	Crime Victim Assistance	2019-V2-GX-0038	-	5,730
	<b>U.S. DEPARTMENT OF JUSTICE - PASS THROUGH FROM CNMI CRIMINAL JUSTICE PLANNING AGENCY</b>		-	5,730
	<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		\$ 46,010	\$ 17,622,072

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

**1. Scope of Audit**

Commonwealth Healthcare Corporation (CHCC) was created through CNMI Public Law 16-51, effective October 1, 2011. All significant operations of CHCC are included in the scope of the Uniform Guidance audit (the “Single Audit”).

**2. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of CHCC under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CHCC, it is not intended to and does not present the financial position or changes in financial position of CHCC.

**3. Summary of Significant Accounting Policies**

*Basis of Accounting*

For purposes of this report, certain accounting procedures were followed which illustrate the expenditures of the individual programs. The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. All expenses and capital outlays are reported as expenditures. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Any federal funds expended in excess of federal funds received are recorded as receivable from the grantor agency and any federal funds received in excess of federal funds expended are recorded as due to grantor agency and/or restricted net position.

*Subgrantees*

Certain program funds are passed through CHCC to subgrantee organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subgrantees outside of CHCC’s control utilized the funds.

*Indirect Costs*

CHCC does not have an indirect cost negotiation agreement and elected to use the de minimis indirect cost rate allowed under the Uniform Guidance.

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs

Year ended September 30, 2020

**Section I - Summary of Auditors' Results**

*Financial Statements*

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

Disclaimer

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

  X   **Yes**             **No**

*Federal Awards*

Internal control over major federal programs:

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

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

CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	Unmodified
CFDA 93.870 Maternal, Infant and Early Childhood Home Visiting Grant Program	Unmodified
All other major federal programs	Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

  X   **Yes**             **No**

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Identification of major federal programs:**

CFDA Number	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
15.875	Economic, Social, and Political Development of the Territories
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance
93.268	Immunization Cooperative Agreements
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? No

**Section II - Financial Statement Findings**

Reference Number	Findings
2020-001	General Ledger and Financial Statement Close Process
2020-002	Inventories
2020-003	Capital Assets
2020-004	Equipment and Real Property Management

**Section III - Federal Award Findings and Questioned Costs**

Reference Number	CFDA Number	Findings	Questioned Costs
2020-004	15.875	Equipment and Real Property Management	\$ ---***
2020-005	15.875	Procurement and Suspension and Debarment	551,917
2020-006	15.875	Reporting	-0-
2020-007	93.243	Equipment and Real Property Management	---***
2020-008	93.243	Procurement and Suspension and Debarment	107,645
2020-009	93.268	Period of Performance	4,343
2020-010	93.268	Special Tests and Provisions – Control, Accountability, and Safeguarding of Vaccine	-0-
2020-011	93.268	Special Tests and Provisions – Record of Immunization	-0-

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Section III - Federal Award Findings and Questioned Costs, continued**

Reference Number	CFDA Number	Findings	Questioned Costs
2020-012	93.323	Equipment and Real Property Management	---***
2020-013	93.323	Reporting	-0-
2020-014	93.870	Procurement and Suspension and Debarment	<u>37,473</u>
			<u>\$701,378</u>

\*\*\* Questioned costs are undeterminable. See related finding for more information.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-001**

Area: General Ledger and Financial Statement Close Process

Criteria:

GASB Codification 1200 states that adherence to generally accepted accounting principles (GAAP) is essential to assuring a reasonable degree of comparability among the financial reports of state and local governmental units. Governmental accounting systems thus must provide data that permit reporting on the financial status and operations of a government in conformity with GAAP.

Condition:

The subsidiary ledger schedules of the following general ledger accounts were not provided; accordingly, no audit procedures were performed to substantiate the account balances at year end.

- Patient accounts receivable, net of allowance
- Advances and other receivables
- Inventories
- Depreciable capital assets, net of accumulated depreciation
- Accounts payable, accrued taxes and other liabilities
- Due to related parties
- Compensated absences
- Operating revenues
- Operating expenses
- Federal grant contributions (nonoperating income)
- CNMI appropriations (nonoperating income)

Cause:

There appears to have been a combination of (1) lack of timely reconciliations of subsidiary ledgers to the general ledger, (2) improper performance of cut-off procedures, (3) ineffective communication with related parties, and (4) insufficient supervision and review relating to significant classes of transactions.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-001, continued:**

Area: General Ledger and Financial Statement Close Process

Effect:

Material errors in the financial statements may occur, resulting in a disclaimer of opinion because audit procedures could not be performed for the following accounts:

- Patient accounts receivable, net of allowance
- Advances and other receivables
- Inventories
- Depreciable capital assets, net of accumulated depreciation
- Accounts payable, accrued taxes and other liabilities
- Due to related parties
- Compensated absences
- Operating revenues
- Operating expenses
- Federal grant contributions (nonoperating income)
- CNMI appropriations (nonoperating income)

Identification as a Repeat Finding: Finding No. 2019-001.

Recommendation:

CHCC should improve controls to ensure all transactions are reconciled in a timely manner and recorded in the proper accounting period.

Views of Responsible Officials:

CHCC agreed to the modification of the audit opinion due to scope limitations, wherein the scope limitation is related to the “nature and timing of the audit”. Due to delays in completion of prior years’ audits, CHCC had to prioritize the deadline to complete the report. This does not mean the lack of auditable documentation or absence of effective internal controls.

Once all past due audits are completed, CHCC will engage the auditor to do a full scope audit to remove this qualification.

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-002**

Area: Inventories

Criteria:

An effective system of control includes procedures to: (1) reconcile inventory to the general ledger on a periodic basis and (2) monitor the movement and recording of inventory.

Condition:

1. The pharmacy inventory system is not linked to the general ledger.
2. Changes to the inventory master file/database are not documented.
3. An assessment of inventory obsolescence was not provided.

Cause:

CHCC lacks controls over reconciliations to the general ledger, over policies and procedures to value inventories at net realizable value, and over management reviews of the inventory valuation report.

Effect:

Inventories and related expenses could be materially misstated, and the potential for fraud exists.

Identification as a Repeat Finding: Finding No. 2019-002.

Recommendation:

CHCC should establish policies and procedures to monitor, record and reconcile inventory to the general ledger and adopt a perpetual inventory system. Also, CHCC should determine and record inventory at net realizable value.

Views of Responsible Officials:

Condition 1 - CHCC disagrees with the finding. CHCC believes that having a stand-alone inventory monitoring for inpatient pharmacy is not a hindrance to proper accounting of inventory on hand and recording of actual expenditures.

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-002, continued**

Area: Inventories

Views of Responsible Officials, continued:

Condition 2 and 3 - CHCC agrees with the finding. The cost of time and effort to address recurring findings for inventory and material management identified in these conditions and the financial statement qualification due to Inventory outweighs the benefit as Financial Information has errors from CHCC inception. To address this issue, CHCC acquired a new inventory management system that integrates to the Electronic Health Information System and will also be integrated with the Financial Information System. The new inventory system was implemented on October 1, 2024.

Auditor Response:

Condition 1 - Integrating the inventory system with the general ledger would minimize errors associated with manual entries, thereby enhancing the accuracy and completeness of inventory transactions in the general ledger.

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-003**

Area: Capital Assets

Criteria:

In accordance with CHCC's Operating Policy: Fixed Asset/Property Changes, CHCC is required to perform an annual physical inventory count of all capital asset items and upon receipt of newly acquired/purchased equipment.

Condition:

CHCC did not provide any supporting documentation that a physical inventory count was performed for all capital assets for fiscal year 2020. No physical inventory was performed in fiscal years 2019, 2018 and 2017.

Cause:

CHCC did not adhere to the policies and procedures over the accounting, physical inventory, and maintenance of capital assets and over adequate file maintenance.

Effect:

Capital assets could be materially misstated.

Identification as a Repeat Finding: Finding No. 2019-003.

Recommendation:

CHCC should complete the physical inventory of capital assets and should reflect the results in CHCC's financial statements.

Views of Responsible Officials:

CHCC partially concurs with the finding. CHCC did conduct a physical count of capital assets in FY 2020 and 2019. However, such count has not been reconciled with the recorded capital assets. CHCC hired a Fixed Assets Specialist to ensure that the required reconciliations are prepared properly and in a timely manner.

Auditor Response:

No documentation was provided that the procedures for physical inventory count were performed. Finding remains.

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-004**

Federal Agency: U.S. Department of Interior  
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories  
Award Number: D18AP00138 and D20AP00049  
Area: Equipment and Real Property Management  
Questioned Costs: Undeterminable

Criteria:

In accordance with 2 CFR 200.313(b), a state must use, manage, and dispose of equipment acquired under a federal award in accordance with state laws and regulations.

The CHCC Operating Policy: Fixed Asset/Property Changes requires the CHCC Property Management Branch to perform an annual physical inventory of all fixed assets/property and to document and control all changes in fixed assets/property.

Further, in accordance with 2 CFR 200.313(d)(1), property records must include a description of the property, a serial number or another identification number, the source of funding for the property (including the FAIN), the title holder, the acquisition date, the cost of the property, the percentage of the Federal agency contribution towards the original purchase, the location, use and condition of the property, and any disposition data including the date of disposal and sale price of the property. The recipient and subrecipient are responsible for maintaining and updating property records when there is a change in the status of the property.

Lastly, 2 CFR 200.313(d)(3) requires that adequate maintenance procedures must be developed to keep the property in good condition.

Condition:

For 11 (or 100%) of 11 capital assets selected for testing, the following were noted:

1. CHCC did not provide any supporting documentation that a physical inventory count was performed in FY2020. No questioned costs are presented as we are not able to quantify the extent of noncompliance.
2. CHCC's capital assets listing does not include all the required information for equipment and real property that is in accordance with 2 CFR 200.313(d)(1). No questioned costs are presented as we are not able to quantify the extent of noncompliance.

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-004, continued**

Federal Agency: U.S. Department of Interior  
 CFDA Program: 15.875 Economic, Social, and Political Development of the Territories  
 Award Number: D18AP00138 and D20AP00049  
 Area: Equipment and Real Property Management  
 Questioned Costs: Undeterminable

Condition, continued:

3. Capital asset items could not be traced to the results of the periodic maintenance procedures performed. No questioned costs are presented as we are not able to quantify the extent of noncompliance.

<u>Grant Award No.</u>	<u>Description</u>	<u>Net Book Value</u>
D20AP00049	Carestream Drx Revolution	\$ 195,399
D20AP00049	Trailer Mounted Mogs-100 02 System	180,456
D20AP00049	Steris V-Pro Max 2h202 Low	169,700
D20AP00049	Ogsi Oxygen Generator System	165,608
D18AP00138	Fetal And Maternal Monitor	109,274
D20AP00049	Applied Systems Series K Reverse	117,975
D20AP00049	Steam Sterilization System	103,630
D18AP00138	Coro 259cx Series	48,464
D20AP00049	Rix Model 2ps 02 Compressor	20,239
D20AP00049	Mobile Uvc Disinfection Unit (1)	14,475
D20AP00049	Mobile Uvc Disinfection Unit (2)	<u>14,475</u>
		<u>\$1,139,695</u>

Cause:

1. CHCC's current policy and procedure for capital asset listing management and maintenance are not in accordance with the federal requirements stated in 2 CFR 200.313(d)(1).
2. CHCC's document maintenance and retention controls did not operate as designed to ensure that the recorded results of the physical inventory and maintenance procedures are stored properly and that documents are easily retrieved.
3. The results of CHCC's periodic maintenance procedures lack unique identifiers necessary to trace the selected samples between the capital assets listing and the maintenance results.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-004, continued**

Federal Agency:	U.S. Department of Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories
Award Number:	D18AP00138 and D20AP00049
Area:	Equipment and Real Property Management
Questioned Costs:	Undeterminable

Effect:

CHCC is in noncompliance with applicable Equipment and Real Property Management requirements. Questioned costs are undetermined as we are unable to quantify the extent of noncompliance.

Recommendation:

1. CHCC should update the structure and contents of their current capital asset listing to include all the information required by 2 CFR 200.313(d)(1). Additionally, CHCC should improve their policies and procedures on management and maintenance of their capital asset listing.
2. CHCC should implement more stringent policies and procedures in relation to their document maintenance and retention to ensure that documents are easily retrieved and provided in a timely manner.
3. CHCC should ensure that the results of the periodic maintenance procedures include all information, including unique identifiers for capital assets, necessary to properly and timely trace capital assets between the capital assets listing and the maintenance results listing.

Views of Responsible Officials:

CHCC concurs with the findings. CHCC will update its Capital Assets policy to comply with the requirements of 2 CFR 200.313. Furthermore, CHCC will ensure that there is a clear crosswalk between the Preventive Maintenance Record with our Facilities Department and the Capital Assets listing that is revised pursuant to the requirements of 2 CFR 200.313.

CHCC would like to clarify that although the documentation fell short of the Uniform Guidance documentation, all the physical existence and working conditions were verifiable during the audit.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-005**

Federal Agency: U.S. Department of Interior  
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories  
Award Number: D18AP00137 and D20AP00049  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$551,917

Criteria:

In accordance with 2 CFR 180.300, entities that enter into covered transactions must verify that the person with whom they intend to do business is not excluded or disqualified by:

- (a) Checking SAM.gov Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

Additionally, according to 2 CFR 180.220(b)(1), a procurement transaction is considered a covered transaction if the contract amount is expected or to equal or exceed \$25,000.

Condition:

CHCC did not verify whether a person or a vendor is excluded or disqualified pursuant to the requirements of 2 CFR 180.300 prior to entering into the following covered transactions that exceeded the \$25,000 threshold.

<u>Grant Award No.</u>	<u>PO/Contract Number</u>	<u>PO/Contract Amount and Questioned Costs</u>
D18AP00137	00684829	\$250,000
D20AP00049	00699508	84,850
D20AP00049	00698998	83,500
D20AP00049	00699129	41,987
D20AP00049	00699133	53,065
D20AP00049	00698812	<u>38,515</u>
		<u>\$551,917</u>

Cause:

CHCC's current policy or procedure for suspension and debarment monitoring only applies to newly contracted persons or vendors under a covered transaction, thus not pursuant to the requirements or provisions of 2 CFR 180.300.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-005, continued**

Federal Agency:	U.S. Department of Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories
Award Number:	D18AP00137 and D20AP00049
Area:	Procurement and Suspension and Debarment
Questioned Costs:	\$551,917

Effect:

CHCC is in noncompliance with applicable suspension and debarment regulations and questioned costs of \$551,917 result.

Recommendation:

CHCC should revise or update their policies and procedures for monitoring suspension and debarment status of each vendor of covered transactions. These should be reflective of the requirements set by 2 CFR 180.300.

Views of Responsible Officials:

CHCC concurs with the findings but not the questioned costs.

CHCC Division Grants and Financial Integrity (DGFI), updated our Suspension and Debarment procedure to comply with 2 CFR 180.300.

To address the question cost of \$551,917, CHCC imported from SAM.gov the Exclusion reports dated April 2020 and October 2020 and confirmed that none of the vendors cited in this finding are in the list of excluded vendors.

Auditor Response:

In accordance with 2 CFR 2900.3(a), a questioned cost is defined as a possible violation of statute, regulation, or the terms and conditions of a Federal award. The current process of CHCC monitoring suspension and debarment status of each vendor or supplier under a covered transaction is not designed to be in accordance with the provisions stated in 2 CFR 180.300 which is the statute to be followed as identified in the terms and conditions of the federal awards. As such, we retain the questioned costs.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-006**

Federal Agency: U.S. Department of Interior  
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories  
Award Number: D18AP00137 and D19AP00132  
Area: Reporting  
Questioned Costs: \$-0-

Criteria:

In accordance with the applicable reporting requirements, an SF-425 report is required to be submitted on a semi-annual basis for non-expired or non-terminated grants.

Condition:

For two (or 40%) of five reports tested, CHCC did not submit the required semi-annual SF-425 reports during the year.

<u>Grant Award No.</u>	<u>Project Title</u>	<u>Report Type</u>	<u>Reporting Period</u>
D18AP00137	TAP-CNMI-2018-5	Semi-Annual	12/31/2019
D19AP00132	CHC-Achieving Health Equity Through Workforce Development	Semi-Annual	06/30/2020

Cause:

CHCC failed to properly implement their current policies and procedures for SF-425 reporting submission monitoring.

Effect:

CHCC is in noncompliance with applicable reporting requirements but no questioned cost results as the finding is non-monetary in nature.

Recommendation:

CHCC should implement more stringent actions to properly enforce their current controls and procedures in monitoring the submission of all required SF-425 reports.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-006, continued**

Federal Agency:	U.S. Department of Interior
CFDA Program:	15.875 Economic, Social, and Political Development of the Territories
Award Number:	D18AP00137 and D19AP00132
Area:	Reporting
Questioned Costs:	\$-0-

Views of Responsible Officials:

CHCC partially concurs with the findings as the Director of DGFI provided the SF-425 for Grant D19AP00132 to the auditor during fieldwork.

CHCC will strictly enforce our established policies and procedures to ensure timely submissions of the SF-425 and other post award reports required for our Federal Grants.

Auditor Response:

Based on terms and conditions of grant D19AP00132, the SF-425 reports are required to be submitted on a semi-annual basis. Only one report, the first semi-annual report, was provided during fieldwork. Further, we received confirmation from CHCC that the reports provided, which did not include the SF-425 reports for grant D19AP00132, were the only submissions during FY 2020. Finding remains.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-007**

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.243 Substance Abuse and Mental Health Services Administration  
Award Number: 1H79SM081982-01 and 5H79SM081982-02  
Area: Equipment and Real Property Management  
Questioned Costs: Undeterminable

Criteria:

In accordance with 2 CFR 200.313(b), a state must use, manage, and dispose of equipment acquired under a federal award in accordance with state laws and regulations.

The CHCC Operating Policy: Fixed Asset/Property Changes requires the CHCC Property Management Branch to perform an annual physical inventory of all fixed assets/property and to document and control all changes in fixed assets/property.

Further, in accordance with 2 CFR 200.313(d)(1), property records must include a description of the property, a serial number or another identification number, the source of funding for the property (including the FAIN), the title holder, the acquisition date, the cost of the property, the percentage of the Federal agency contribution towards the original purchase, the location, use and condition of the property, and any disposition data including the date of disposal and sale price of the property. The recipient and subrecipient are responsible for maintaining and updating property records when there is a change in the status of the property.

Lastly, 2 CFR 200.313 (d)(3) requires that adequate maintenance procedures must be developed to keep the property in good condition.

Condition:

For five (or 100%) of five capital assets selected for testing, the following were noted:

1. CHCC did not provide any supporting documentation that a physical inventory count was performed in FY2020. No questioned costs are presented as we are not able to quantify the extent of noncompliance.
2. CHCC's capital assets listing does not include all the required information for equipment and real property that is in accordance with 2 CFR 200.313(d)(1). No questioned costs are presented as we are not able to quantify the extent of noncompliance.

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-007, continued**

Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.243 Substance Abuse and Mental Health Services Administration  
 Award Number: 1H79SM081982-01 and 5H79SM081982-02  
 Area: Equipment and Real Property Management  
 Questioned Costs: Undeterminable

Condition, continued:

3. Capital asset items could not be traced to the results of the periodic maintenance procedures performed. No questioned costs are presented as we are not able to quantify the extent of noncompliance.

<u>Grant Award No.</u>	<u>Description</u>	<u>Net Book Value</u>
5H79SM081982-02	2019 Honda Cr-V Silver	\$25,921
1H79SM081982-01	Dx C 3725i Color Digital	9,055
Not Identified	Renovation Of CGC Main Office	38,220
Not Identified	Procurement Of 1 P/Up	1,734
Not Identified	Canon Image Runner Advance	<u>1,472</u>
		<u>\$76,402</u>

Cause:

1. CHCC's current policy and procedure for capital asset listing management and maintenance is not in accordance with the federal requirements stated in 2 CFR 200.313(d)(1).
2. CHCC's document maintenance and retention controls did not operate as designed to ensure that the recorded results of the physical inventory and maintenance procedures are stored properly and that documents are easily retrieved.
3. The results of CHCC's periodic maintenance procedures lack unique identifiers necessary to trace the selected samples between the capital assets listing and the maintenance results.

Effect:

CHCC is in noncompliance with applicable Equipment and Real Property Management requirements. Questioned costs are undetermined as we are unable to quantify the extent of noncompliance.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-007, continued**

Federal Agency:	U.S. Department of Health and Human Services
CFDA Program:	93.243 Substance Abuse and Mental Health Services Administration
Award Number:	1H79SM081982-01 and 5H79SM081982-02
Area:	Equipment and Real Property Management
Questioned Costs:	Undeterminable

Recommendation:

1. CHCC should update the structure and contents of their current capital asset listing to include all the information required by 2 CFR 200.313(d)(1). Additionally, CHCC should improve their policies and procedures on management and maintenance of their capital asset listing.
2. CHCC should implement more stringent policies and procedures in relation to their document maintenance and retention to ensure that documents are easily retrieved and provided in a timely manner.
3. CHCC should ensure that the results of the periodic maintenance procedures include all information, including unique identifiers for capital assets, necessary to properly and timely trace capital assets between the capital assets listing and the maintenance results listing.

Views of Responsible Officials:

CHCC concurs with the findings. CHCC will update its Capital Assets policy to comply with the requirements of 2 CFR 200.313. Furthermore, CHCC will ensure that there is a clear crosswalk between the Preventive Maintenance Record with our Facilities Department and the Capital Assets listing that is revised pursuant to the requirements of 2 CFR 200.313.

CHCC would like to clarify that although the documentation fell short of the Uniform Guidance documentation, all the physical existence and working conditions were verifiable during the audit.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-008**

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.243 Substance Abuse and Mental Health Services Projects of  
Regional and National Significance  
Award Number: 1H79SM081982-01  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$107,645

Criteria:

In accordance with 2 CFR 180.300, entities that enter into covered transactions must verify that the person with whom they intend to do business is not excluded or disqualified by:

- (a) Checking SAM.gov Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

Additionally, according to 2 CFR 180.220(b)(1), a procurement transaction is considered a covered transaction if the contract amount is expected or to equal or exceed \$25,000.

Condition:

CHCC did not verify whether a person or a vendor is excluded or disqualified pursuant to the requirements of 2 CFR 180.300 prior to entering into the following covered transactions that exceeded the \$25,000 threshold.

<u>Grant Award No.</u>	<u>PO/Contract Number</u>	<u>PO/Contract Amount and Questioned Cost</u>
1H79SM081982-01	00694156	\$ 33,000
1H79SM081982-01	00693578	44,150
1H79SM081982-01	00693576	<u>30,495</u>
		<u>\$107,645</u>

Cause:

CHCC's current policy or procedure for suspension and debarment monitoring only applies to newly contracted persons or vendors under a covered transaction, thus not pursuant to the requirements or provisions of 2 CFR 180.300.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-008, continued**

Federal Agency:	U.S. Department of Health and Human Services
CFDA Program:	93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance
Award Number:	1H79SM081982-01
Area:	Procurement and Suspension and Debarment
Questioned Costs:	\$107,645

Effect:

CHCC is in noncompliance with applicable suspension and debarment regulations and questioned costs of \$107,645 result.

Recommendation:

CHCC should revise or update their policies and procedures for monitoring suspension and debarment status of each vendor of covered transactions. These should be reflective of the requirements set by 2 CFR 180.300.

Views of Responsible Officials:

CHCC concurs with the findings but not the questioned costs.

CHCC Division Grants and Financial Integrity (DGFI), updated our Suspension and Debarment procedure to comply with 2 CFR 180.300.

To address the question cost of \$107,645, CHCC imported from SAM.gov the Exclusion reports dated April 2020 and October 2020 and confirmed that none of the vendors cited in this finding are in the list of excluded vendors.

Auditor Response:

In accordance with 2 CFR 2900.3(a), a questioned cost is defined as a possible violation of statute, regulation, or the terms and conditions of a Federal award. The current process of CHCC monitoring suspension and debarment status of each vendor or supplier under a covered transaction is not designed to be in accordance with the provisions stated in 2 CFR 180.300 which is the statute to be followed as identified in the terms and conditions of the federal awards. As such, we retain the questioned costs.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-009**

Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.268 Immunization Cooperative Agreement  
 Award Number: 1NH23IP922587-01  
 Area: Period of Performance  
 Questioned Costs: \$4,343

Criteria:

In accordance with 45 CFR 75.309, a non-federal entity may charge to the federal award only allowable costs incurred during the period of performance and any costs incurred before the U.S. Department of Health and Human Services (HHS) awarding agency or pass-through entity made the federal award that were authorized by the federal awarding agency or pass-through entity. Funds available to pay allowable costs during the period of performance include both federal funds awarded and the carryover balances.

Condition:

For two (or 8%) of twenty-five expenditures tested, aggregating \$13,462, of total population of \$132,807, expenditures were obligated after the end of period of performance of the related grant awards.

<u>Grant Award</u>	<u>End of Period of Performance</u>	<u>PO Number</u>	<u>PO Date</u>	<u>Amount and Questioned Costs</u>
1NH23IP922587-01	06/30/2020	708404-OM	09/22/2020	\$2,990
1NH23IP922587-01	06/30/2020	708404-OM	09/22/2020	<u>1,353</u>
				<u>\$4,343</u>

Cause:

CHCC incurred these expenditures prior to an approved PO. CHCC failed to follow the correct sequence of their PO approval process, resulting in obligating transactions after the end of the period of performance of the grant as an approved PO is required to process the payments.

Effect:

CHCC is in noncompliance with applicable period of performance requirements and questioned costs of \$4,343 result.

Identification as a Repeat Finding: Finding No. 2019-014

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-009, continued**

Federal Agency:	U.S. Department of Health and Human Services
CFDA Program:	93.268 Immunization Cooperative Agreement
Award Number:	1NH23IP922587-01
Area:	Period of Performance
Questioned Costs:	\$4,343

Recommendation:

1. CHCC should strictly follow their established policies and procedures related to PO approval, which includes checking the grant status to ensure that obligations are incurred prior to the end of the POP of the related grant.
2. CHCC should establish more stringent monitoring procedures to ensure that no expenditures are incurred prior to receiving an approval of the PO.

Views of Responsible Officials:

CHCC does not concur with the findings and the cost questioned. The transactions cited were for emergency repairs of Vaccine Refrigerators. The repairs were done within the period of performance ending June 30, 2020 (\$2,990 was for Service date of December 20, 2019; and \$1,353 was for service date February 28, 2020)

No purchase order was prepared for the emergency service. A ratification memo was approved for payment processing by the Chief Financial Officer and the Chief Executive Officer.

CHCC believes that the repairs on the Refrigerators that are used to store vaccines are reasonable and necessary, especially during the period wherein we are responding to the COVID-19.

Auditor Response:

The purchase order date, which signifies when a transaction is obligated, was beyond the period of performance. Additionally, the ratification memo was approved by the CEO on September 25, 2020, which was also beyond the period of performance. Finding remains.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-010**

Federal Agency: Department of Health and Human Services  
 CFDA Program: 93.268 Immunization Cooperative Agreement  
 Award Number: 1NH23IP922587-01-00, 6NH23IP922587-01-01,  
 6NH23IP922587-01-02, 5NH23IP922587-02-00,  
 6 NH23IP922587-02-01 and 6NH23IP000736  
 Area: Special Tests and Provision – Control, Accountability and Safeguarding  
 of Vaccine  
 Questioned Costs: \$ -0-

Criteria:

In accordance with the Vaccine for Children Program (VFC) Policies and Procedures at the State/Local Immunization Program section 5.2.7, CHCC is required to conduct monthly reconciliation of the vaccination records which includes the vaccine inventory, patient screening forms, vaccine administered log sheet and the temperature log sheet.

Additionally, in accordance with the VFC Policies and Procedures at the State/Local Immunization Program section 4.1, visits must be conducted on an annual or as per need basis which evaluates the program’s adherence to VFC program requirements, including appropriate vaccine handling, storage, and ordering procedures. CHCC is required to perform sampling of patient records to verify eligibility screening and the administration of VFC vaccine only to eligible children.

Condition:

1. For 12 (or 100%) of 12 monthly provider inventory reconciliations selected for testing, no supporting documentation was provided to evidence that reviews and approvals were conducted by CHCC over the reconciliations.

<u>VFC PIN No.</u>	<u>Selected Month</u>
003	March 2020
KCHC01	March 2020
003	April 2020
007.	April 2020
007	June 2020
KCHC01	June 2020
002	July 2020
003	July 2020
KCHC01	August 2020
006	September 2020
KCHC01	September 2020
006	October 2019

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-010, continued**

Federal Agency: Department of Health and Human Services  
CFDA Program: 93.268 Immunization Cooperative Agreement  
Award Number: 1NH23IP922587-01-00, 6NH23IP922587-01-01,  
6NH23IP922587-01-02, 5NH23IP922587-02-00,  
6 NH23IP922587-02-01 and 6NH23IP000736  
Area: Special Tests and Provision – Control, Accountability and Safeguarding  
of Vaccine  
Questioned Costs: \$ -0-

Condition, continued:

2. For five (or 83%) of six providers selected for testing, CHCC was unable to provide the annual Site Visit Reports.

VFC PIN No.

002  
003  
006  
007  
KCHC01

Cause:

CHCC was unable to provide the supporting documents as it was lost during the transition to the new management and their current control and procedures are not suitably designed to properly maintain and retain all the documents.

Effect:

The CHCC is in noncompliance with the applicable Special Tests and Provisions – Control, Accountability and Safeguarding of Vaccine.

Recommendation:

CHCC should improve their record-keeping policies and controls, such as duplication of documents into a soft copy, to ensure that a seamless transition is achieved whenever changes to management take into effect.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-010, continued**

Federal Agency: Department of Health and Human Services  
CFDA Program: 93.268 Immunization Cooperative Agreement  
Award Number: 1NH23IP922587-01-00, 6NH23IP922587-01-01,  
6NH23IP922587-01-02, 5NH23IP922587-02-00,  
6 NH23IP922587-02-01 and 6NH23IP000736  
Area: Special Tests and Provision – Control, Accountability and Safeguarding  
of Vaccine  
Questioned Costs: \$ -0-

Views of Responsible Officials:

CHCC concurs with the findings. To address this finding, the Immunization Program conducts the following reconciliation of vaccination records as follows:

Vaccination records: daily entries of vaccination records are captured through the patient encounter form for all providers administering vaccinations. Data Entry Assistants and Program Assistants are responsible for entering the vaccinations based on the form. The Immunization Information Systems (IIS) team are responsible for ensuring data quality elements are complete on the form and reflected on the WebIZ system.

Patient screening forms: also known as the patient encounter form is the paper-based document in which patient demographics and vaccination data elements are recorded upon visit for all providers. Data Entry Assistant and Program Assistant capture demographic and input vaccines an individual is to receive for the visit. The vaccinator then inputs vaccination data elements (lot number, manufacturer, site, route, etc.) to be inputted into the registry, WebIZ.

Temperature log: utilized to document the vaccine storage unit temperature based on the thermometer reading and logged at the start and end of each workday, as well as after hours and weekends/holidays. The VFC Coordinator and Security team logs the temperatures on a daily, routine basis.

Vaccine inventory: monitored weekly by the Logistics Technician via spreadsheet and tracked using the registry WebIZ for overall vaccine inventory management. Inventory is reported to CDC by the Program Manager every 14 days. Vaccine wastage from all providers is submitted to the program at the first week of each month for the previous month reporting period. Overall wastage reporting is done monthly to CDC.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-010, continued**

Federal Agency: Department of Health and Human Services  
CFDA Program: 93.268 Immunization Cooperative Agreement  
Award Number: 1NH23IP922587-01-00, 6NH23IP922587-01-01,  
6NH23IP922587-01-02, 5NH23IP922587-02-00,  
6 NH23IP922587-02-01 and 6NH23IP000736  
Area: Special Tests and Provision – Control, Accountability and Safeguarding  
of Vaccine  
Questioned Costs: \$ -0-

Views of Responsible Officials, continued:

In addition, since 2020, CHCC has conducted the following steps to ensure that annual site visits for VFC providers are completed and documented appropriately to evaluate adherence to the VFC program requirements:

- Provided training to the staff member assigned/responsible (VFC Coordinator) for conducting site visits
- Worked with CDC Subject Matter Experts to ensure that data systems for site visit findings/reporting were accessible to the VFC Coordinator. Training on the system was also provided to the VFC Coordinator. This system is cloud based and accessible to anyone provided access. Therefore, should staff turnover occur, access to prior reports and the system for submitting new site visit reports will continue to be accessible to the organization and to team members who will take on the responsibility.
- Ensure that Position Description for the VFC Coordinator clearly specify responsibilities for implementing the VFC Program in accordance with the Immunization Program Operating Manual (IPOM), which outlines the requirements for annual provider compliance site visits, including the sampling of patient records to verify eligibility screening and administration of VFC vaccine only to eligible children.
- Entries of vaccine reconciliation documentation such as vaccine inventory (orders, transfers, and wastages) are accessible on the registry, CNMI WebIZ, as well as routine reporting to CDC VtrckS

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-011**

Federal Agency: Department of Health and Human Services  
CFDA Program: 93.268 Immunization Cooperative Agreement  
Award Number: 1NH23IP922587-01-00, 6NH23IP922587-01-01,  
6NH23IP922587-01-02, 5NH23IP922587-02-00,  
6 NH23IP922587-02-01 and 6NH23IP000736  
Area: Special Tests and Provision – Record of Immunization  
Questioned Costs: \$ -0-

Criteria:

In accordance with the Vaccine for Children Program (VFC) Policies and Procedures at the State/Local Immunization Program section 4.1, visits must be conducted on an annual or as per need basis which evaluates the program's adherence to VFC program requirements including sampling patient records to verify eligibility screening and the administration of VFC vaccine only to eligible children.

Condition

For five (or 83%) of six providers selected for testing, CHCC was unable to provide the Site Visit Reports to verify that the required information of vaccination records was maintained by each service provider.

VFC PIN No.

002  
003  
006  
007  
KCHC01

Cause:

CHCC was unable to provide the supporting documents as it was lost during the transition to the new management and their current control and procedures are not suitably designed to properly maintain and retain all the documents.

Effect:

The CHCC is in noncompliance with the applicable Special Tests and Provisions – Record of Immunization.

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-011, continued**

Federal Agency: Department of Health and Human Services  
CFDA Program: 93.268 Immunization Cooperative Agreement  
Award Number: 1NH23IP922587-01-00, 6NH23IP922587-01-01,  
6NH23IP922587-01-02, 5NH23IP922587-02-00,  
6 NH23IP922587-02-01 and 6NH23IP000736  
Area: Special Tests and Provision – Record of Immunization  
Questioned Costs: \$ -0-

Recommendation:

CHCC should improve their record-keeping policies and controls, such as duplication of documents into a soft copy, to ensure that a seamless transition is achieved whenever changes to management take into effect.

Views of Responsible Officials:

CHCC partially concurs with the finding. Since 2020, the CHCC has conducted the following steps to ensure that annual site visits for VFC providers are completed and documented appropriately to evaluate adherence to the VFC program requirements:

- Worked with CDC Subject Matter Experts to ensure that data systems for site visit findings/reporting were accessible to the VFC Coordinator. Training on the system was also provided to the VFC Coordinator. This system is cloud based and accessible to anyone provided access. Therefore, should staff turnover occur, access to prior reports and the system for submitting new site visit reports will continue to be accessible to the organization and to team members who will take on the responsibility.
- Ensure that Position Descriptions for the VFC Coordinator clearly specify responsibilities for implementing the VFC Program in accordance with the Immunization Program Operating Manual (IPOM), which outlines the requirements for annual provider compliance site visits, including the sampling of patient records to verify eligibility screening and administration of VFC vaccine only to eligible children.
- Provided training/refresher to the staff member assigned/responsible (VFC Coordinator) for conducting site visits
- Timeliness and completeness of site visit entries have been incorporated as part of the program's activity workplan.

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-012**

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases  
Award Number: 1NU50CK0004990100 and 6NU50CK0004990104  
Area: Equipment and Real Property Management  
Questioned Costs: Undeterminable

Criteria:

In accordance with 2 CFR 200.313(b), a state must use, manage, and dispose of equipment acquired under a federal award in accordance with state laws and regulations.

The CHCC Operating Policy: Fixed Asset/Property Changes requires the CHCC Property Management Branch to perform an annual physical inventory of all fixed assets/property and to document and control all changes in fixed assets/property.

Further, in accordance with 2 CFR 200.313(d)(1), property records must include a description of the property, a serial number or another identification number, the source of funding for the property (including the FAIN), the title holder, the acquisition date, the cost of the property, the percentage of the Federal agency contribution towards the original purchase, the location, use and condition of the property, and any disposition data including the date of disposal and sale price of the property. The recipient and subrecipient are responsible for maintaining and updating property records when there is a change in the status of the property.

Lastly, 2 CFR 200.313(d)(3) requires that adequate maintenance procedures must be developed to keep the property in good condition.

Condition:

For eight (or 100%) of eight capital assets selected for testing, the following were noted:

1. CHCC did not provide any supporting documentation that a physical inventory count was performed in FY2020. No questioned costs are presented as we are not able to quantify the extent of noncompliance.
2. CHCC's capital assets listing does include all the required information for equipment and real property that is in accordance with 2 CFR 200.313(d)(1). No questioned costs are presented as we are not able to quantify the extent of noncompliance.

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-012, continued**

Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases  
 Award Number: 1NU50CK0004990100 and 6NU50CK0004990104  
 Area: Equipment and Real Property Management  
 Questioned Costs: Undeterminable

Condition, continued:

- Capital asset items could not be traced to the results of the periodic maintenance procedures performed. No questioned costs are presented as we are not able to quantify the extent of noncompliance.

<u>Grant Award No.</u>	<u>Description</u>	<u>Net Book Value</u>
6NU50CK0004990104	Filmarray Torch Module	\$ 26,317
6NU50CK0004990104	Filmarray Torch Module	26,317
6NU50CK0004990104	Filmarray Torch Module	26,317
1NU50CK0004990100	Canon Image Runner Advance Dx	11,891
Not identified	Biomerieux Vitek 2 Compact 30	5,591
Not identified	Biomerieux Biofire Film Array	5,159
Not identified	Biomerieux Biofire Film Array	5,159
Not identified	Biomerieux Biofire Film Array	<u>5,159</u>
		<u>\$ 111,910</u>

Cause:

- CHCC's current policy and procedure for capital asset listing management and maintenance are not in accordance with the federal requirements stated in 2 CFR 200.313(d)(1).
- CHCC's document maintenance and retention controls did not operate as designed to ensure that the recorded results of the physical inventory and maintenance procedures are stored properly and that documents are easily retrieved.
- The results of CHCC's periodic maintenance procedures lack unique identifiers necessary to trace the selected samples between the capital assets listing and the maintenance results.

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-012, continued**

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases  
Award Number: 1NU50CK0004990100 and 6NU50CK0004990104  
Area: Equipment and Real Property Management  
Questioned Costs: Undeterminable

Effect:

CHCC is in noncompliance with applicable Equipment and Real Property Management requirements. Questioned costs are undetermined as we are unable to quantify the extent of noncompliance.

Recommendation:

1. CHCC should update the structure and contents of their current capital asset listing to include all the information required by 2 CFR 200.313(d)(1). Additionally, CHCC should improve their policies and procedures on management and maintenance of their capital asset listing.
2. CHCC should implement more stringent policies and procedures in relation to their document maintenance and retention to ensure that documents are easily retrieved and provided in a timely manner.

Views of Responsible Officials:

CHCC concurs with the findings. CHCC will update its Capital Assets policy to comply with the requirements of 2 CFR 200.313. Furthermore, CHCC will ensure that there is a clear crosswalk between the Preventive Maintenance Record with our Facilities Department and the Capital Assets listing that is revised pursuant to the requirements of 2 CFR 200.313.

CHCC would like to clarify that although the documentation fell short of the Uniform Guidance documentation, all the physical existence and working conditions were verifiable during the audit.

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-013**

Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases  
 Award Number: 6-NU50CK000499-01-04, 6-NU50CK000499-01-05 and  
 5-NU50CK000499-02-00  
 Area: Reporting  
 Questioned Costs: \$ -0-

Criteria:

In accordance with the applicable reporting requirements stated in the grant agreements, monthly fiscal reports are required to be submitted for non-expired or non-terminated grants.

Condition:

For eight (or 100%) of eight monthly fiscal reports selected for testing, CHCC did not provide copies of the fiscal reports for inspection by the audit team.

<u>Grant Award No.</u>	<u>Project Title</u>	<u>Reporting Period</u>
6-NU50CK000499-01-04	Epidemiology and Laboratory Capacity	April 2020
6-NU50CK000499-01-04	Epidemiology and Laboratory Capacity	June 2020
6-NU50CK000499-01-04	Epidemiology and Laboratory Capacity	December 2019
6-NU50CK000499-01-05	Epidemiology and Laboratory Capacity	February 2020
6-NU50CK000499-01-06	Epidemiology and Laboratory Capacity	November 2019
5-NU50CK000499-02-00	Epidemiology and Laboratory Capacity	January 2020
5-NU50CK000499-02-00	Epidemiology and Laboratory Capacity	June 2020
5-NU50CK000499-02-00	Epidemiology and Laboratory Capacity	November 2020

Cause:

CHCC lacks controls or procedures that allows them to properly maintain submitted reports and extract copies on a timely manner.

Effect:

CHCC is in noncompliance with applicable reporting requirements but no questioned cost result as the finding is non-monetary in nature.

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-013, continued**

Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases  
Award Number: 6-NU50CK000499-01-04, 6-NU50CK000499-01-05 and  
5-NU50CK000499-02-00  
Area: Reporting  
Questioned Costs: \$ -0-

Recommendation:

CHCC should establish a more stringent document retention policies and procedures, such as creating backup copies or maintaining a server that contains all the submitted reports to allow them to retrieve documents on a timely manner.

Views of Responsible Officials:

CHCC agrees with the findings and will establish a stringent records retention policy, even for reports that were electronically completed and submitted using Grantor portals.

These fiscal reports were done on the RedCap before 2023 and were readily accessible, hence ELC Program Staff did not maintain separate offline copies of the reports. When ELC transitioned to ELC CAMP, CHCC lost access to the submitted and saved reports. Hence, CHCC cannot provide supporting documents to its assertion that all reports were submitted.

Commonwealth Healthcare Corporation  
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Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-014**

Federal Agency: U.S. Department of Health and Human Resources  
CFDA Program: 93.870 Maternal, Infant and Early Childhood Home Visting Grant Program  
Award Number: X10MC32212  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$37,473

Criteria:

In accordance with 2 CFR 180.300, entities that enter into covered transactions must verify that the person with whom they intend to do business is not excluded or disqualified by:

- (a) Checking SAM.gov Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

Additionally, according to 2 CFR 180.220(b)(1), a procurement transaction is considered a covered transaction if the contract amount is expected or to equal or exceed \$25,000.

Condition:

CHCC did not verify whether a person or a vendor is excluded or disqualified pursuant to the requirements of 2 CFR 180.300 prior to entering into the following covered transactions that exceeded the \$25,000 threshold.

<u>Grant Award No.</u>	<u>PO/Contract Number</u>	<u>PO/Contract Amount and Questioned Cost</u>
X10MC32212	00700704	\$37,473

Cause:

CHCC's current policy or procedure for suspension and debarment monitoring only applies to newly contracted persons or vendors under a covered transaction, thus not pursuant to the requirements or provisions of 2 CFR 180.300.

Effect:

CHCC is in noncompliance with applicable Suspension and Debarment regulations and questioned cost of \$37,473 result.

Commonwealth Healthcare Corporation  
(A Component Unit of the Commonwealth of the Northern Mariana Islands)

Schedule of Findings and Questioned Costs, continued

**Finding No. 2020-014, continued**

Federal Agency: U.S. Department of Health and Human Resources  
CFDA Program: 93.870 Maternal, Infant and Early Childhood Home Visting Grant  
Program  
Award Number: X10MC32212  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$37,473

Recommendation:

CHCC should revise or update their policies and procedures for monitoring suspension and debarment status of each vendor of covered transactions. These should be reflective of the requirements set by 2 CFR 180.300.

Views of Responsible Officials:

CHCC concurs with the findings but not the questioned costs.

CHCC Division Grants and Financial Integrity (DGFI), updated our Suspension and Debarment procedure to comply with 2 CFR 180.300.

To address the question cost of \$37,473, CHCC imported from SAM.gov the Exclusion reports dated April 2020 and October 2020 and confirmed that none of the vendors cited in this finding are in the list of excluded vendors.

Auditor Response:

In accordance with 2 CFR 2900.3(a), a questioned cost is defined as a possible violation of statute, regulation, or the terms and conditions of a Federal award. The current process of CHCC monitoring suspension and debarment status of each vendor or supplier under a covered transaction is not designed to be in accordance with the provisions stated in 2 CFR 180.300 which is the statute to be followed as identified in the terms and conditions of the federal awards. As such, we retain the questioned costs.



**Commonwealth Healthcare Corporation**  
Commonwealth of the Northern Mariana Islands  
1 Lower Navy Hill Road Navy Hill, Saipan, MP 96950



**CORRECTIVE ACTION PLAN**  
Year ended September 30, 2020

**Finding No. 2020-001 - General Ledger and Financial Statement Close Process**

CHCC agreed to the modification of the audit opinion due to scope limitations, wherein the scope limitation is related to the “nature and timing of the audit”. Due to delays in completion of prior years’ audits, CHCC had to prioritize the deadline to complete the report. This does not mean the lack of auditable documentation or absence of effective internal controls.

Once all past due audits are completed, CHCC will engage the auditor to do a full scope audit to remove this qualification.

Responsible Official: Comptroller and Chief Financial Officer

**Finding No. 2020-002 – Inventories**

Condition 1. CHCC does not concur with the finding. We believe that having a stand-alone inventory monitoring for inpatient pharmacy is not a hindrance to proper accounting of inventory on hand and recording of actual expenditures.

Condition 2 and 3. CHCC concurs with the finding, however, the cost of time and effort to address recurring findings for inventory and material management identified in these conditions and the financial statement qualification due to Inventory outweighs the benefit as Financial Information has errors from CHCC inception. To address this issue, CHCC acquired a new inventory management system that integrates to the Electronic Health Information System and will also be integrated with the Financial Information System. The new inventory system was implemented on October 1, 2024.

Responsible Official: Director of Procurement and Supply and Chief Financial Officer

**Finding No. 2020-003 – Capital Assets**

CHCC partially concurs with the findings. CHCC did conduct a physical count of capital assets in FY 2020 and 2019. However, such count has not been reconciled with the recorded capital assets. CHCC hired a Fixed Assets Specialist to ensure that the required reconciliations are prepared properly and in a timely manner.

Responsible Official: Director of Procurement and Supply and Chief Financial Officer

**Finding No.:** 2020-004  
**CFDA Program:** 15.875 Economic, Social, and Political Development of the Territories  
**Area:** Equipment and Real Property Management  
**Questioned Costs:** Undeterminable  
**Contact Person(s):** Director of Procurement and Supply and Chief Financial Officer

**Corrective Action Plan:**

CHCC concurs with the findings. CHCC will update its Capital Assets policy to comply with the requirements of 2 CFR 200.313. Furthermore, CHCC will ensure that there is a clear crosswalk between the Preventive Maintenance Record with our Facilities Department and the Capital Assets listing that is revised pursuant to the requirements of 2 CFR 200.313.

CHCC would like to clarify that although the documentation fell short of the Uniform Guidance documentation, all the physical existence and working conditions were verifiable during the audit.

**Proposed Completion Date:** 09/30/2026

**Finding No.:** 2020-005  
**CFDA Program:** 15.875 Economic, Social, and Political Development of the Territories  
**Area:** Procurement and Suspension and Debarment  
**Questioned Costs:** \$551,917  
**Contact Person(s):** Director of Procurement and Supply and Chief Financial Officer, Division of Grants and Financial Integrity

**Corrective Action Plan:**

CHCC concurs with the findings but not the questioned costs. The CHCC Division Grants and Financial Integrity (DGFI), updated the CHCC Suspension and Debarment procedure to comply with 2 CFR 180.300.

To address the question cost of \$551,917, CHCC imported from SAM.gov the Exclusion reports dated April 2020 and October 2020 and confirmed that none of the vendors cited in this finding are in the list of excluded vendors.

**Proposed Completion Date:** On-going

**Finding No.:** 2020-006  
**CFDA Program:** 15.875 Economic, Social, and Political Development of the Territories  
**Area:** Reporting  
**Questioned Costs:** \$-0-  
**Contact Person(s):** Chief Financial Officer, Division of Grants and Financial Integrity

**Corrective Action Plan:**

CHCC partially concurs with the findings as the Director of DGFI provided the SF-425 for Grant D19AP00132 to the auditor on during fieldwork. During this time, SF-425s were submitted via email to the grantor upon request, and online submissions were not practiced until the grantor transitioned to the grant solutions management system.

CHCC will strictly enforce our established policies and procedures to ensure timely submissions of the SF-425 and other post award reports required for our Federal Grants.

**Proposed Completion Date:** On-going

**Finding No.:** 2020-007  
**CFDA Program:** 93.243 Substance Abuse and Mental Health Services Administration  
**Area:** Equipment and Real Property Management  
**Questioned Costs:** Undeterminable  
**Contact Person(s):** Director of Procurement and Supply and Chief Financial Officer

**Corrective Action Plan:**

CHCC concurs with the findings. CHCC will update its Capital Assets policy to comply with the requirements of 2 CFR 200.313. Furthermore, CHCC will ensure that there is a clear crosswalk between the Preventive Maintenance Record with our Facilities Department and the Capital Assets listing that is revised pursuant to the requirements of 2 CFR 200.313.

CHCC would like to clarify that although the documentation fell short of the Uniform Guidance documentation, all the physical existence and working conditions were verifiable during the audit.

**Proposed Completion Date:** 09/30/2026

**Finding No.:** 2020-008  
**CFDA Program:** 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance  
**Area:** Procurement and Suspension and Debarment  
**Questioned Costs:** \$107,645  
**Contact Person(s):** Director of DGFI, Director of Procurement and Chief Financial Officer

**Corrective Action Plan:**

CHCC concurs with the findings but not the questioned costs. CHCC Division Grants and Financial Integrity (DGFI), updated our Suspension and Debarment procedure to comply with 2 CFR 180.300.

To address the question cost of \$107,645, CHCC imported from SAM.gov the Exclusion reports dated April 2020 and October 2020 and confirmed that none of the vendors cited in this finding are in the list of excluded vendors.

Responsible Official: Director of DGFI, Director of Procurement, and Chief Financial Officer

**Proposed Completion Date:** On-going

**Finding No.:** 2020-009  
**CFDA Program:** 93.268 Immunization Cooperative Agreement  
**Area:** Period of Performance  
**Questioned Costs:** \$4,343  
**Contact Person(s):** Program Administrator, Director of DGFI, and Chief Financial Officer

**Corrective Action Plan:**

CHCC does not concur the findings and the questioned cost. The transaction cited were for emergency repairs of Vaccine Refrigerators. The repairs were done within the period of performance ending June 30, 2020 (\$2,990 was for Service date of December 20, 2019; and \$1,353 was for service date February 28, 2020).

No purchase order was prepared for the emergency service. A ratification memo was approved for payment processing by the Chief Financial Officer and the Chief Executive Officer. CHCC believes that the repairs on the Refrigerators that are used to store vaccines are reasonable and necessary, especially during the period wherein CHCC was responding to the COVID-19

**Proposed Completion Date:** On-going

**Finding No.:** 2020-010  
**CFDA Program:** 93.268 Immunization Cooperative Agreement  
**Area:** Special Tests and Provision – Control, Accountability and Safeguarding of Vaccine  
**Questioned Costs:** \$-0-  
**Contact Person(s):** Program Manager, Program Administrator, and Director of Public Health Services

**Corrective Action Plan:**

CHCC concurs with the findings. To address this finding, the Immunization Program conducts the following reconciliation of vaccination records as follows:

Vaccination records: daily entries of vaccination records are captured through the patient encounter form for all providers administering vaccinations. Data Entry Assistants and Program Assistants are responsible for entering the vaccinations based on the form. The Immunization Information Systems (IIS) team are responsible for ensuring data quality elements are complete on the form and reflected on the WebIZ system.

Patient screening forms: also known as the patient encounter form is the paper-based document in which patient demographics and vaccination data elements are recorded upon visit for all providers. Data Entry Assistant and Program Assistant capture demographic and input vaccines an individual is to receive for the visit. The vaccinator then inputs vaccination data elements (lot number, manufacturer, site, route, etc.) to be inputted into the registry, WebIZ.

Temperature log: utilized to document the vaccine storage unit temperature based on the thermometer reading and logged at the start and end of each workday, as well as after hours and weekends/holidays. The VFC Coordinator and Security team logs the temperatures on a daily, routine basis.

Vaccine inventory: monitored weekly by the Logistics Technician via spreadsheet and tracked using the registry WebIZ for overall vaccine inventory management. Inventory is reported to CDC by the Program Manager every 14 days. Vaccine wastage from all providers is submitted to the program at the first week of each month for the previous month reporting period. Overall wastage reporting is done monthly to CDC.

In addition, since 2020, the CHCC has conducted the following steps to ensure that annual site visits for VFC providers are completed and documented appropriately to evaluate adherence to the VFC program requirements:

- Provided training to the staff member assigned/responsible (VFC Coordinator) for conducting site visits
- Worked with CDC Subject Matter Experts to ensure that data systems for site visit findings/reporting were accessible to the VFC Coordinator. Training on the system was also provided to the VFC Coordinator. This system is cloud based and accessible to anyone provided access. Therefore, should staff turnover occur, access to prior reports and the system for submitting new site visit reports will continue to be accessible to the organization and to team members who will take on the responsibility.

**Finding No.:** 2020-010, continued  
**CFDA Program:** 93.268 Immunization Cooperative Agreement  
**Area:** Special Tests and Provision – Control, Accountability and Safeguarding of Vaccine  
**Questioned Costs:** \$-0-  
**Contact Person(s):** Program Manager, Program Administrator, and Director of Public Health Services

**Corrective Action Plan, continued:**

- Ensure that Position Description for the VFC Coordinator clearly specify responsibilities for implementing the VFC Program in accordance with the Immunization Program Operating Manual (IPOM), which outlines the requirements for annual provider compliance site visits, including the sampling of patient records to verify eligibility screening and administration of VFC vaccine only to eligible children.
- Entries of vaccine reconciliation documentation such as vaccine inventory (orders, transfers, and wastages) are accessible on the registry, CNMI WebIZ, as well as routine reporting to CDC VtrckS

It's also important to note that during this time, the Immunization Program was responding to the National Health Emergency with the COVID-19 pandemic.

**Proposed Completion Date:** On-going

**Finding No.:** 2020-011  
**CFDA Program:** 93.268 Immunization Cooperative Agreement  
**Area:** Special Tests and Provision – Record of Immunization  
**Questioned Costs:** \$-0-  
**Contact Person(s):** Program Manager, Director of Public Health Services

**Corrective Action Plan:**

CHCC partially concurs with the finding. Since 2020, the CHCC has conducted the following steps to ensure that annual site visits for VFC providers are completed and documented appropriately to evaluate adherence to the VFC program requirements:

- Worked with CDC Subject Matter Experts to ensure that data systems for site visit findings/reporting were accessible to the VFC Coordinator. Training on the system was also provided to the VFC Coordinator. This system is cloud based and accessible to anyone provided access. Therefore, should staff turnover occur, access to prior reports and the system for submitting new site visit reports will continue to be accessible to the organization and to team members who will take on the responsibility.

**Finding No.:** 2020-011, continued  
**CFDA Program:** 93.268 Immunization Cooperative Agreement  
**Area:** Special Tests and Provision – Record of Immunization  
**Questioned Costs:** \$-0-  
**Contact Person(s):** Program Manager, Program Administrator, and Director of Public Health Services

**Corrective Action Plan, continued:**

- Ensure that Position Descriptions for the VFC Coordinator clearly specify responsibilities for implementing the VFC Program in accordance with the Immunization Program Operating Manual (IPOM), which outlines the requirements for annual provider compliance site visits, including the sampling of patient records to verify eligibility screening and administration of VFC vaccine only to eligible children.
- Provided training/refresher to the staff member assigned/responsible (VFC Coordinator) for conducting site visits
- Timeliness and completeness of site visit entries have been incorporated as part of the program’s activity workplan.

It’s also important to note that during this time, the Immunization Program was responding to the National Health Emergency with the COVID-19 pandemic.

**Proposed Completion Date:** On-going

**Finding No.:** 2020-012  
**CFDA Program:** 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases  
**Area:** Equipment and Real Property Management  
**Questioned Costs:** Undeterminable  
**Contact Person(s):** Director of Procurement and Supply and Chief Financial Officer

**Corrective Action Plan:**

CHCC concurs with the findings. CHCC will update its Capital Assets policy to comply with the requirements of 2 CFR 200.313. Furthermore, CHCC will ensure that there is a clear crosswalk between the Preventive Maintenance Record with our Facilities Department and the Capital Assets listing that is revised pursuant to the requirements of 2 CFR 200.313.

CHCC would like to clarify that although the documentation fell short of the Uniform Guidance documentation, all the physical existence and working conditions were verifiable during the audit.

**Proposed Completion Date:** 09/30/2026

**Finding No.:** 2020-013  
**CFDA Program:** 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases  
**Area:** Reporting  
**Questioned Costs:** \$-0-  
**Contact Person(s):** Program Administrator, Director of DGFI and Chief Financial Officer

**Corrective Action Plan:**

CHCC agrees with the Findings and will establish a stringent records retention policy, even for reports that were electronically completed and submitted using Grantor portals.

These fiscal reports were done on the RedCap before 2023 and were readily accessible, hence ELC Program Staff did not maintain separate offline copies of the reports. When ELC transitioned to ELC CAMP, we lost access to the submitted and saved reports. Hence, we cannot provide supporting documents to our assertion that all reports were submitted.

**Proposed Completion Date:** On-going

**Finding No.:** 2020-014  
**CFDA Program:** 93.870 Maternal, Infant and Early Childhood Home Visiting Grant Program  
**Area:** Procurement and Suspension and Debarment  
**Questioned Costs:** \$37,473  
**Contact Person(s):** Director of Procurement and Supply, Director of DGFI and Chief Financial Officer

**Corrective Action Plan:**

CHCC concurs with the findings but not the questioned costs. CHCC Division Grants and Financial Integrity (DGFI), updated our Suspension and Debarment procedure to comply with 2 CFR 180.300.

To address the question cost of \$37,473, CHCC imported from SAM.gov the Exclusion reports dated April 2020 and October 2020 and confirmed that none of the vendors cited in this finding are in the list of excluded vendors.

Responsible Official: Director of Procurement and Supply, Director of DGFI and Chief Financial Officer

**Proposed Completion Date:** On-going



**Commonwealth Healthcare Corporation**  
Commonwealth of the Northern Mariana Islands  
1 Lower Navy Hill Road Navy Hill, Saipan, MP 96950



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**2 CFR 200.511(b)**

**September 30, 2020**

Questioned Costs

The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs and comments that were unresolved at September 30, 2020 and subsequently resolved prior to the release of this single audit report:

Questioned costs as previously reported:

Fiscal year 2019	\$	1,930,718
Fiscal year 2018		<u>791,456</u>
		2,722,174

Less questioned costs resolved pursuant to 200.511

Fiscal year 2018	(641,683)
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Less questioned cost resolved by Grantor:

Fiscal year 2019	(60,104)
Fiscal year 2018	(40,977)

Less administrative offset

Fiscal year 2018	<u>(108,796)</u>
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\$ 1,870,614

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>	<b>Contact Person</b>
2019-001	General Ledger and Financial Statement Close Process	In Progress	CHCC agreed to the modification of the audit opinion due to scope limitations, wherein the scope limitation is related to the "nature and timing of the audit", the deadline to complete the report, and not due to the lack of auditable documentation.	Chief Financial Officer
2018-001 2017-001 2016-003 2015-004 2014-004	Local Procurement/Non-payroll Expenditures	Resolved, No similar findings noted in FY 2019 and 2020		Requesting Program Managers, Procurement Director, Comptroller and Chief Financial Officer
2018-002 2017-002 2016-004 2015-005 2014-005	Payroll/Employee Benefits	Resolved, No similar findings noted in FY 2019 and 2020		Human Resources Director, Comptroller and Chief Financial Officer
2019-002 2018-003 2017-003 2016-005 2015-009 2014-009	An effective system of control includes procedures to: (1) reconcile inventory to the general ledger on a periodic basis and (2) monitor the movement and recording of inventory.	In Progress	To address recurring findings for inventory and material management identified and the financial statement qualification due to Inventory, the Chief Financial Officer have tasked Procurement Director and Comptroller to review current policies and procedures, including inventory costing method applied.  On October 1, 2024, CHCC went live with an inventory management system.	Pharmacy Manager, Procurement Director, Comptroller and Chief Financial Officer
2019-003 2018-003 2017-004 2016-006 2015-010 2014-010	Recording and reconciliation of Capital Assets and Related depreciation.	In Progress	CHCC did conduct a physical count of capital assets in FY 2019. However, such count has not been reconciled with the recorded capital assets. With the new Procurement Director hired August 2019, CHCC aims to address this repeat finding.	Procurement Director, Comptroller and Chief Financial Officer.
2018-005 2017-005 2016-008 2015-012 2014-012	Related party transactions should be recorded in the financial statements and be timely reconciled.	Resolved, No similar findings noted in FY 2019 and 2020		Comptroller and Chief Financial Officer

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2018-008 CFDA 10.557	Equipment and Real Property Management	Resolved MDL Dated 4/19/2023		Grants Management Officer, Procurement Director and Chief Financial Officer
2019-004 CFDA 10.557	Equipment and Real Property Management	In Progress		Grants Management Officer, Procurement Director and Chief Financial Officer
2018-009 CFDA 10.557	Period of Performance	Resolved MDL Dated 4/19/2023		Comptroller, Grants Administrator and Chief Financial Officer
2018-010 CFDA 10.557	Procurement and Suspension and Debarment	Resolved MDL Dated 4/19/2023		WIC Administrator
2019-005 2018-011 CFDA 93.104	Allowable Costs/Cost Principles  Questioned Costs: \$16,190	We do not concur with the finding.  2018 - Resolved Pursuant to §200.511	With the implementation of the new Munis Financial Information System in January 2023, CHCC is now able to electronically attach electronic images of the checks issued. The Check is linked to the invoices paid through the Tyler Content Manager (TCM). This will allow for audit testing to be done by providing auditors view only access to CHCC Financial Information System.	Comptroller, Grants Administrator and Chief Financial Officer
2019-006 2018-012 CFDA 93.104	Matching, Level of Effort, Earmarking  Questioned Costs \$0	We do not concur with the finding  2018 - Resolved Pursuant to §200.511	CHCC does not concur with these findings. CHCC affirms that the Match used to support activities of H71040 and H81040 were from verifiable records, and not from other federal funds.  Costs were reasonable and necessary to accomplish the program's objectives and were provided to and approved by the awarding agency.	CGC Director, Program Manager, Grants Management Officer, Comptroller and Chief Financial Officer
2019-007 2018-013 CFDA 93.104	Procurement and Suspension and Debarment  Questioned Costs: \$23,500	We do not concur with the finding  2018 - Resolved Pursuant to §200.511	In fiscal year 2020, CHCC implemented the document routing repository for the procurement process using Laserfiche Forms. This will enable CHCC to warehouse all supporting documentation related to procurement activities and document the approval process.	Program Manager, Grants Management Officer, Procurement Director and Chief Financial Officer

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2019-008 2018-015  CFDA 93.243	Allowable Costs/Cost Principles  Questioned Cost: \$425,311	In Progress  No similar findings noted in 2020.  2018- Resolved Pursuant to §200.511	With the implementation of the new Munis Financial Information System in January 2023, CHCC is now able to electronically attach electronic images of the checks issued. The Check is linked to the invoices paid through the Tyler Content Manager (TCM). This will allow for audit testing to be done by providing auditors view only access to CHCC Financial Information System.  CHCC does not concur with the findings and the \$425,738 questioned costs. The auditor cited that CHCC expended more than the Grant award. Total expenditure reported and referenced by the auditor is correctly stated at \$1,144,077. This does not exceed the cumulative award for this grant that is \$1,304,330. The auditor may have erroneously referenced the additional funding for year 5, that is \$718,339 as the total grant award.  The Payment Management System, wherein drawdowns are made will not allow for drawdown to exceed the awarded amounts. This documentation was submitted to the auditors on 5/22/2024 (Reference XH1 93.243 - Additional grant award documents.)	Grants Management Officer, Comptroller and Chief Financial Officer
2019-009  CFDA 93.243	Cash Management  Questioned Costs: \$0	In progress.  No similar findings noted in 2020.	Per Department of Health and Human Services letter dated August 5, 2025, our corrective action for 2019 is subject to review in the subsequent Audit. The 2020 Audit did not note of similar findings. Therefore, we believe that this open finding is resolved.	Grants Management Officer, Comptroller and Chief Financial Officer
2018-016  CFDA 93.243	Matching, Level of Effort, Earmarking	Resolved, No similar findings noted in FY 2019 and 2020  2018- Resolved Pursuant to §200.511		Grants Management Officer, Comptroller and Chief Financial Officer

Finding Number	Finding Summary	Status	Additional Information	Contact Person
2019-010  CFDA 93.243	Period of Performance  Questioned Costs: \$97,710	In-Progress  No similar findings noted in 2020.	With the implementation of the new Munis Financial Information System in January 2023, CHCC is now able to electronically attach electronic images of the checks issued. The Check is linked to the invoices paid through the Tyler Content Manager (TCM). This will allow for audit testing to be done by providing auditors view only access to CHCC Financial Information System.	Grants Management Officer, Comptroller and Chief Financial Officer
2019-011 2018-017  CFDA 93.243	Procurement and Suspension and Debarment  Questioned Cost: \$183,926	In Progress  2018 Resolved Pursuant to \$200.511	To address procurement documentation repeat findings, CHCC started utilizing the Laserfiche software beginning Fiscal year 2021 to electronically route for approval and store all procurement documentation in a repository server that is maintained and backed up by CHCC Information Systems Division. Although physical file will still be maintained, the electronic file will provide secondary supporting documentation.	Grants Management Officer, Procurement Director and Chief Financial Officer
2019-012 2018-019 2017-018  CFDA 93.243	Subrecipient Monitoring  Questioned Cost: \$468,864	In Progress	<p>CHCC disagrees with this finding. Subgrantees are monitored through quarterly progress reports submitted and approved by the Program on a quarterly basis throughout the duration of the subgrant implementation.</p> <p>CHCC monitors by reviewing each quarterly report which includes all invoices and expenses from each subgrantee. Without the submission of each progress report, the subgrantee would not receive their subsequent disbursement of funds.</p> <p>Additionally, the program manager has initiated several improvements in subrecipient monitoring. The terms and conditions to Subrecipients agreement have been amended to include more specific reporting and monitoring activities. This also includes the use of monitoring tools and checklists.</p>	Program Manager, Grants Management Officer and Chief Financial Officer

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2019-013 2018-020  CFDA 93.268	Allowable Costs/Cost Principles  Questioned Costs: \$22,500	In-progress  No similar Findings noted in 2020.	Per Department of Health and Human Services letter dated May 1, 2025, our corrective action for 2019 is subject to review in the subsequent Audit. The 2020 Audit did not note of similar findings. Therefore, we believe that this open finding is resolved.  Questioned Cost remains open until final Determination Letter is received.	Program Manager, Grants Management Officer and Chief Financial Officer
2019-014  CFDA 93.268	Period of Performance  Questioned Costs: \$80,809	In-progress  Similar Findings noted in 2020.	We do not concur with the findings as we believe the obligations were incurred during the period of performance of the grants, however the financial transactions were recorded during the liquidation period.	Program Manager, Grants Management Officer and Chief Financial Officer
2018-021  CFDA 93.268	Program Income	Resolved through administrative offset.  No similar findings noted in 2019 and 2020		Program Manager, Grants Management Officer and Chief Financial Officer
2018-022  CFDA 93.268	Reporting	Resolved  No similar findings noted in 2019 and 2020		Director of MICAH, Grants Management Administrator and Chief Financial Officer
2018-023  CFDA 93.268	Special test and Provision	In-progress  Similar findings were noted in 2020.	CHCC acknowledge the weakness in document filing and retention. The Program administrator resigned while FY 2018 audit is in progress.  CHCC will develop electronic document achieving policies. In line with this goal, CHCC Health Information Division is hardening our server hardware, software and security.	Director of MICAH, Grants Management Administrator and Chief Financial Officer

Finding Number	Finding Summary	Status	Additional Information	Contact Person
2019-015  CFDA 93.870	Cash Management  \$524,804	In Progress.  No similar findings noted in 2020.	Per Department of Health and Human Services letter dated August 5, 2025, our corrective action for 2019 is subject to review in the subsequent Audit. The 2020 Audit did not note of similar findings. Therefore, we believe that this open finding is resolved.	Grants Management Officer, Comptroller and Chief Financial Officer
2018-024  CFDA 93.505/ 93.870	Period of Performance	Resolved Pursuant to §200.511.  No similar findings noted in 2019 and 2020.		Director of MICAH, Grants Management Administrator and Chief Financial Officer
2019-016 2018-025  CFDA 93.505/93.870	Procurement and Suspension and Debarment	Resolved through MDL dated May 14, 2025		Director of MICAH, Grants Management Administrator, Procurement Director and Chief Financial Officer
2018-026  CFDA 93.505/93.870	Reporting	Resolved Pursuant to §200.511.  No similar findings noted in 2019 and 2020		Director of MICAH, Grants Management Administrator, Procurement Director and Chief Financial Officer