

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

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2015

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

The Board of Regents
College of Micronesia-FSM:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of College of Micronesia-FSM, which comprise the statement of net position as of September 30, 2015, and the related statements of revenues, expenses and changes in net position, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered College of Micronesia-FSM's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of College of Micronesia-FSM's internal control. Accordingly, we do not express an opinion on the effectiveness of College of Micronesia-FSM's internal control.

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

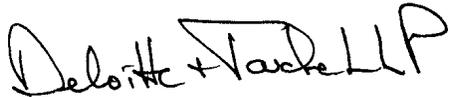
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

June 20, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

The Board of Regents
College of Micronesia-FSM:

Report on Compliance for Each Major Federal Program

We have audited College of Micronesia-FSM's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of College of Micronesia-FSM's major federal programs for the year ended September 30, 2015. College of Micronesia-FSM's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of College of Micronesia-FSM'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 College of Micronesia-FSM's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, College of Micronesia-FSM complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of College of Micronesia-FSM 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 College of Micronesia-FSM'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 OMB Circular A-133, 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 College of Micronesia-FSM's internal control over compliance.

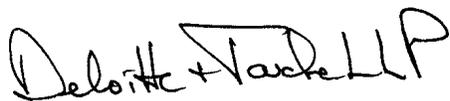
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB A-133

We have audited the financial statements of College of Micronesia-FSM as of and for the year ended September 30, 2015, and have issued our report thereon dated June 20, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.



June 20, 2016

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

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture:</u>		
Direct Program:		
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers	10.443	\$ 73,162
Pass-Through University of Puerto Rico:		
Resident Instruction Grants for Insular Area Activities	10.308	107,012
Pass-Through University of Virgin Islands:		
Distance Education Grants for Institutions of Higher Education in Insular Areas	10.322	<u>58,700</u>
Subtotal Pass-Through University of Puerto Rico and University of Virgin Islands		<u>165,712</u>
Total U.S. Department of Agriculture		<u>238,874</u>
<u>U.S. Department of the Interior:</u>		
Pass-Through FSM National Government:		
Economic, Social and Political Development of the Territories:	15.875	
Compact of Free Association II, Amended		1,700,000
Compact of Free Association II, Amended (SEG)		<u>649,036</u>
Total U.S. Department of the Interior		<u>2,349,036</u>
<u>U.S. National Science Foundation:</u>		
Pass-Through University of Hawaii:		
Education and Human Resources	47.076	<u>15,821</u>
<u>U.S. Department of Education:</u>		
Direct Programs:		
TRIO Cluster:		
TRIO-Talent Search	84.044	272,449
TRIO-Upward Bound	84.047	<u>499,472</u>
Subtotal TRIO Cluster		771,921
Student Financial Assistance Cluster:		
Federal Pell Grant Program	84.063	<u>9,991,860</u>
Subtotal Student Financial Assistance Cluster		9,991,860
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	<u>259,877</u>
Total U.S. Department of Education		<u>11,023,658</u>

**COLLEGE OF MICRONESIA-FSM
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Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2015

Grantor/Program Title	CFDA Number	Expenditures
<u>U.S. Department of Health and Human Services:</u>		
Pass-Through University of Guam:		
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	197,652
Pass-Through FSM National Government:		
Family Planning-Services Operation and Maintenance Technical Assistance - Peer Counseling	93.217	<u>66,109</u>
Total U.S. Department of Health and Human Services		<u>263,761</u>
<u>U.S. Agency for International Development:</u>		
Direct Program:		
PACAM CREAM Project	98.Unknown	<u>4,218</u>
Total Federal Awards		<u>\$ 13,895,368</u>
Reconciliation to financial statements:		
Total federal awards expenditures		\$ 13,895,368
Depreciation		776,497
Non-federal awards		<u>3,692,851</u>
Total expenses per financial statements		<u>\$ 18,364,716</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

COLLEGE OF MICRONESIA-FSM
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Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

(1) Scope of Audit

College of Micronesia-FSM is a component unit of the FSM National Government established by Public Law 7-79 on September 25, 1992. Only the activities of College of Micronesia-FSM are included within the scope of the OMB Circular A-133 audit (the "Single Audit").

Programs Subject to Single Audit

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

- U.S. Department of Agriculture
- U.S. Department of the Interior
- U.S. National Science Foundation
- U.S. Department of Education
- U.S. Department of Health and Human Services
- U.S. Agency for International Development

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of College of Micronesia-FSM and is presented on the accrual basis of accounting, consistent with the manner in which College of Micronesia-FSM maintains its accounting records. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. All expenses and capital outlays are reported as expenditures when incurred.

**COLLEGE OF MICRONESIA-FSM
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | No |
| 3. Significant deficiency(ies) identified? | None reported |
| 4. Noncompliance material to financial statements noted? | No |

Federal Awards

Internal control over major federal programs:

- | | |
|---|---------------|
| 5. Material weakness(es) identified? | No |
| 6. Significant deficiency(ies) identified? | None reported |
| 7. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 8. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | No |
| 9. Identification of major federal programs: | |

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.308	Resident Instruction Grants for Insular Area Activities
84.063	Federal Pell Grant Program
93.107	Area Health Education Centers Point of Service Maintenance and Enhancement Awards

- | | |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs: | \$416,861 |
| 11. Auditee qualified as low-risk auditee? | Yes |

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

**COLLEGE OF MICRONESIA-FSM
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Summary Schedule of Prior Audit Findings
Year Ended September 30, 2015

Findings relating to the financial statements, which are required to be reported in accordance with GAGAS:

None noted.

Findings and questioned costs – Major Federal Award Programs Audit

Finding Number	CFDA Number	Questioned Costs Reported	Status as of September 30, 2015
2012-03	84.063	-	Resolved as per OMB A-133 Section .315 (b)(4).
2012-04	84.063	-	Resolved as per OMB A-133 Section .315 (b)(4).
2014-001	N/A	-	Corrective action plan is currently in progress since the College's Procurement Director came on-board on February 29, 2016.
2014-002	84.063	-	Resolved as per U.S. Department of Education determination letter.