

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, 2012

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 the financial statements of the College of Micronesia-FSM as of and for the year ended September 30, 2012, and have issued our report thereon dated June 12, 2013. We conducted our 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.

Internal Control Over Financial Reporting

Management of the College of Micronesia-FSM is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College of Micronesia-FSM's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College of Micronesia-FSM's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College of Micronesia-FSM's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs (pages 8 through 17) as item 2012-1, that we consider to be significant deficiencies in internal control over financial reporting. 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.

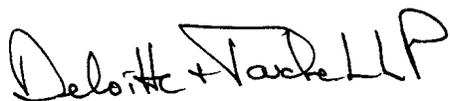
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College of Micronesia-FSM's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

We noted certain matters that we reported to management of the College of Micronesia-FSM in a separate letter dated June 12, 2013.

The College of Micronesia-FSM's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the College of Micronesia-FSM's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Regents, others within the entity, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

June 12, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board of Regents
College of Micronesia-FSM:

Compliance

We have audited the College of Micronesia-FSM's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College of Micronesia-FSM's major federal programs for the year ended September 30, 2012. The 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 (pages 8 through 17). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College of Micronesia-FSM's management. Our responsibility is to express an opinion on the College of Micronesia-FSM's compliance based on our audit.

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 the 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. Our audit does not provide a legal determination of the College of Micronesia-FSM's compliance with those requirements.

In our opinion, the College of Micronesia-FSM complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-2 through 2012-5.

Internal Control Over Compliance

Management of the College of Micronesia-FSM is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College of Micronesia-FSM's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 2012-2 through 2012-5. *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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the College of Micronesia-FSM as of and for the year ended September 30, 2012, and have issued our report thereon dated June 12, 2013, which contained an unqualified 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 (page 6) 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.

The College of Micronesia-FSM's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the College of Micronesia-FSM's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Regents, others within the entity, federal awarding agencies, pass-through entities, and the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Tatchell LLP

June 12, 2013

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

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2012

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture:</u>		
Pass-Through FSM National Government:		
Resident Instruction Grants for Insular Area Activities	10.308	\$ 146,352
Sun Grant Program	10.320	4,225
Cooperative Extension Service	10.500	12,415
Water quality	unknown	8,032
USDA-OASDFR	unknown	20,867
USDA-CRE Publications Projects	unknown	<u>14,779</u>
Total U.S. Department of Agriculture		<u>206,670</u>
 <u>U.S. Department of the Interior:</u>		
Pass-Through FSM National Government:		
Economic, Social and Political Development of the Territories:		
Compact of Free Association II, Amended	15.875	3,800,000
Compact of Free Association II, Amended (SEG)	15.875	628,380
Operation and Maintenance Technical Assistance	15.875	90,198
Infrastructure Maintenance Fund	15.875	<u>21,371</u>
Total U.S. Department of the Interior		<u>4,539,949</u>
 <u>U.S. Department of Education:</u>		
Direct Programs:		
TRIO: Talent Search	84.044	245,045
TRIO: Upward Bound	84.047	1,056,905
Federal Pell Grant Program	84.063	<u>12,058,844</u>
Total Direct Programs		13,360,794
 Pass-Through FSM National Government:		
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	<u>355,705</u>
Total U.S. Department of Education		<u>13,716,499</u>
 <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	<u>304,649</u>
Total U.S. Department of Health and Human Services		<u>304,649</u>
Total Federal Awards		\$ <u>18,767,767</u>
 Reconciliation to financial statements:		
Total federal awards expenditures:		\$ 18,767,767
Depreciation		988,117
Non-federal awards		<u>2,824,277</u>
Total expenses per financial statements		\$ <u>22,580,161</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, 2012

(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 federal expenditures 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. Department of Education
- U.S. Department of Health and Human Services

(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.

College of Micronesia-FSM recognizes contributions from the federal government when qualifying expenditures are incurred, and expenditures are recognized on the accrual basis of accounting.

**COLLEGE OF MICRONESIA-FSM
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2012

Part I - Summary of Auditors' Results Section

Financial Statements

- | | |
|--|-------------|
| 1. Type of auditors' report issued: | Unqualified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | No |
| 3. Significant deficiency(ies) identified? | Yes |
| 4. Noncompliance material to financial statements noted? | No |

Federal Awards

Internal control over major programs:

- | | |
|---|-------------|
| 5. Material weakness(es) identified? | No |
| 6. Significant deficiency(ies) identified? | Yes |
| 7. Type of auditors' report issued on compliance for major programs: | Unqualified |
| 8. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | Yes |
| 9. Identification of major programs: | |

<u>CFDA Number</u>	<u>Name of Federal Program</u>
15.875	Economic, Social and Political Development of the Territories: Compact of Free Association II, Amended
	TRIO Cluster:
84.044	TRIO: Talent Search
84.047	TRIO: Upward Bound
84.063	Federal Pell Grant Program

- | | |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs: | \$563,033 |
| 11. Auditee qualified as low-risk auditee? | Yes |

Part II – Financial Statement Findings Section

<u>Finding Number</u>	<u>Finding</u>
2012-1	Fixed Assets

**COLLEGE OF MICRONESIA-FSM
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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Part III – Federal Award Findings and Questioned Costs Section

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Finding</u>	<u>Questioned Cost</u>
2012-2	15.875	Allowable Costs/Cost Principles	\$ 12,000
2012-3	84.044/84.047	Equipment and Real Property Management	\$ -
2012-4	84.063	Eligibility	\$ -
2012-5	84.063	Special Tests and Provisions	\$ -

**COLLEGE OF MICRONESIA-FSM
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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Finding No.: 2012-1
Area: Fixed Assets

Criteria: An effective system of internal control includes policies and procedures over regular fixed asset inventory counts and controls, such as assigning unique item tags, completing transfer forms for asset transfers, and documenting approvals and descriptions of disposed of assets.

Condition: Tests of fixed assets indicated the following:

- a. Assets are not physically tagged with identification numbers that correspond to property records.
- b. The existence of twenty-seven assets could not be located or verified. Furthermore, survey documents were not provided to corroborate disposals.
- c. Three assets were located, but were not in working condition.
- d. One asset was located, but does not appear to have been used since the 2011 acquisition.

It does not appear that a complete physical count of assets was performed and that results were reconciled to the fixed asset register. Thus, the fixed asset register appears to include dated items that may no longer exist; items that exist but are no longer in use; or items that should be surveyed for disposal.

Cause: College of Micronesia-FSM lacks a centralized receiving and procurement office.

Effect: There is the potential for loss, damage, or theft of property to occur undetected and uncorrected.

Recommendation: We recommend that College of Micronesia-FSM strengthen control procedures over fixed assets which include (1) assigning unique asset tags to each unit, (2) conducting a complete biennial physical inventory and a reconciliation of count results to the asset register, and (3) enforcing asset survey policies and maintaining documentation of asset disposals.

Auditee Response and Corrective Action Plan: Business Office has started reconciling the physical count with the asset records on September, 2012. The reconciliation is in process and will be completed at the end of fiscal year 2013. For future procurement of assets, the college will provide the following improvements on the process of receiving and issuing assets to users:

1. Assets will be tagged first before releasing to user;
2. Receiving Reports will be revised to include the information on tag number(s), location of assets and name of user.
3. Copy of the duly filled – up Receiving Report will be the basis in recording the asset and the corresponding information of the tag number, location and user in the asset register.

Based on the physical count and actual survey on the condition of assets, the assets that are no longer in working condition will be recommended for disposal, and documents of disposal will be maintained on file.

The one asset that has not been used since acquisition was a computer intended to one faculty who resigned by the time that the item was received. The newly hired faculty did not use it due to inadequate knowledge in computer.

Name and job title of responsible personnel: Danilo V. Dumantay, Comptroller

COLLEGE OF MICRONESIA-FSM
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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Finding No.: 2012-2
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Grant Number: Compact Impact Grants
Area: Allowable Cost/Cost Principles
Questioned Costs: \$12,000

Criteria: Expenditures should be authorized, supported, approved prior to incurrence, and recorded in the proper period.

Condition: Of seventy-five items, totaling \$298,783, of a total population of \$4,539,949, the supporting documentation of service completion covering the period tested could not be provided for one \$12,000 disbursement (check no. 33615).

Cause: College of Micronesia-FSM requires improvements in file maintenance.

Effect: Potential exists for the use of federal funds for unauthorized and unsupported expenditures. Questioned costs of \$12,000 exist.

Recommendation: We recommend that the College of Micronesia-FSM strengthen recordkeeping control procedures over filing.

Auditee Response and Corrective Action Plan: We do not agree on this finding. The supporting documents (i.e contract, invoices and request for payment) for the payment of the expenditure were provided during the field audit. However, we did not provide the report on the completion of service because we do not agree that the payment should be tied – up with the completion of services. The terms of payment did not indicate any provision that payment is tied – up with the completion report. The terms stated that payment is due on first and second semesters for each volunteer that was requested, which the college complied with.

Name and job title of responsible personnel: Danilo V. Dumantay, Comptroller

Auditor Response: A documentation of completion of services should be maintained to evidence that such services had benefited the program.

**COLLEGE OF MICRONESIA-FSM
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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Finding No.: 2012-3
Federal Agency: U.S. Department of Education
CFDA Program: 84.044/84.047 TRIO Cluster
Grant Number: P044A110419/P047A070393/P047A071061/P047A070437
Area: Equipment and Real Property Management
Questioned Costs: \$0

Criteria: In accordance with applicable equipment management requirements, procedures for managing equipment, whether acquired in whole or in part with grant funds, until disposition takes place will, at a minimum, meet the following requirements:

- Equipment records shall be maintained accurately and shall include a description of the property, manufacturer's serial number or other identification number, the source of the equipment, including the award number, whether title vests in the recipient or the Federal Government, the acquisition date and cost of the property, percentage of Federal participation in the cost of the equipment, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- A physical inventory of equipment must be taken and the results reconciled with the equipment records at least once every two years.
- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- Adequate maintenance procedures must be developed to keep the property in good condition.

Condition: College of Micronesia-FSM represented that a physical inventory of fixed assets was conducted in September 2012 (and in FY2010 prior to this); however, such was not completed, and a reconciliation was not performed. We were informed that it was difficult to physically identify the assets from the listing to the item since the listing does not include tag numbers or other identification number (e.g. serial #, etc.). The asset code in the listing was only an internal reference assigned and could not be specifically traced to the asset. Further, a listing of equipment with minimum information required by federal regulations was not provided by the TRIO program offices. A listing of equipment was generated from the accounting system on April 26, 2013; however, the listing does not include the required unique identification number that can be traced to the item, percentage of federal participation, who holds title, location, use and condition of the property, and ultimate disposition data.

Cause: College of Micronesia-FSM lacks a control system to adequately safeguard assets and lacks centralized purchasing and receiving controls over the tagging and monitoring of assets.

Effect: College of Micronesia-FSM is in noncompliance with applicable equipment and real property management requirements. No questioned costs are presented as we were unable to assess the overall cumulative monetary value of the deficiencies above.

Recommendation: We recommend that College of Micronesia-FSM strengthen controls to determine compliance with applicable equipment and real property management requirements.

**COLLEGE OF MICRONESIA-FSM
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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Finding No.: 2012-3
Federal Agency: U.S. Department of Education
CFDA Program: 84.044/84.047 TRIO Cluster
Grant Number: P044A110419/P047A070393/P047A071061/P047A070437
Area: Equipment and Real Property Management
Questioned Costs: \$0

Auditee Response and Corrective Action Plan: Business Office has started reconciling the physical count with the asset records on September, 2012. The reconciliation is in process and will be completed at the end of fiscal year 2013. For future procurement of assets, the college will provide the following improvements on the process of receiving and issuing assets to users:

1. Assets will be tagged first before releasing to user;
2. Receiving Reports will be revised to include the information on tag number(s), location of assets and name of user.
3. Copy of the duly filled – up Receiving Report will be the basis in recording the asset and the corresponding information of the tag number, location and user in the asset register.

Based on the physical count and actual survey on the condition of assets, the assets that are no longer in working condition will be recommended for disposal, and documents of disposal will be maintained on file.

The one asset that has not been used since acquisition was a computer intended to one faculty who resigned by the time that the item was received. The newly hired faculty did not use it due to inadequate knowledge in computer.

Name and job title of responsible personnel: Danilo V. Dumantay, Comptroller

**COLLEGE OF MICRONESIA-FSM
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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Finding No.: 2012-4
 Federal Agency: U.S. Department of Education
 CFDA Program: 84.063 Federal Pell Grant Program
 Grant Number: 01034300
 Area: Eligibility
 Questioned Costs: \$0

Criteria: Applicable federal regulations state the following:

- To be considered for student financial aid by College of Micronesia-FSM (COM-FSM), students must submit the following: 1) Financial Aid Application; 2) Free Application for Federal Student Assistance (FAFSA); 3) Household Verification; 4) Proof of Citizenship (Birth Certificate); 5) Proof of Income; and 6) High School Diploma or GED certificate.
- Per the COM-FSM 2011-2012 catalog, a student must:
 - (1) Maintain at least a cumulative GPA of 2.0. A student whose cumulative GPA falls below 2.0 will be given two consecutive semesters/terms to raise it. If a student does not maintain satisfactory academic progress, a student must be placed on academic probation after receipt of grades at the end of each semester. If the GPA is not elevated to 2.0 or better by the end of the third semester, the student will be placed on academic and financial aid suspension. A Letter of Notice of Academic Suspension shall be sent to the student within 3 to 5 working days after receipt of grades at the end of each semester.

(2) Complete at least the following number of credits for the corresponding number of credits attempted each semester:

Status	Units of Enrollment (credits)	Must Complete (credits)
Full-time	12 or more	12
Three-fourth-time	9-11	9
Half-time	6-8	6
Less than half-time	3-5	All units of enrollment

(3) A student must complete academic enrollment in order to be eligible for the Pell Award.

- When a student withdraws after failing to begin attendance in all courses he or she was scheduled to attend, a school must always return any unearned Title IV funds. It is responsible for returning within 45 days of the date the school determined the student withdrew, and offer any post-withdrawal disbursement of loan funds within 30 days of that date.

Condition: Of seventy-five Pell students tested, totaling \$188,016, the following exceptions were noted:

1. For eight student files (or 11%), the Birth Certificate (B.C.) or Passport name or date of birth (D.O.B.) differed from the name or D.O.B. noted on school records and/or on the FAFSA. No questioned costs result since the applicant citizenship was verified.

**COLLEGE OF MICRONESIA-FSM
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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Finding No.: 2012-4, Continued
Federal Agency: U.S. Department of Education
CFDA Program: 84.063 Federal Pell Grant Program
Grant Number: 01034300
Area: Eligibility
Questioned Costs: \$0

Condition, Continued:

ID #	Semester	Deficiency Noted
6043489	Fall 2011	B.C. Name does not match FAFSA application.
2615845	Spring 2012	B.C. Name does not match FAFSA application.
3331858	Spring 2012	B.C. D.O.B. does not match FAFSA application.
1909951	Spring 2012	B.C. D.O.B. does not match FAFSA application.
4306833	Spring 2012	B.C. Name does not match FAFSA application.
7475568	Fall 2012	Passport D.O.B. does not match FAFSA application.
4286383	Fall 2011	B.C. Name does not match FAFSA application.
1544236	Fall 2011	B.C. D.O.B. does not match FAFSA application.

2. For two (or 3%), the student did not maintain satisfactory academic progress and was not placed on probation. No questioned costs result since applicants were eligible prior to obtaining unsatisfactory academic progress.

ID #	GPA	Description of Unsatisfactory Academic Semester
4037646	2.10	6 of 12 units
1909951	2.44	0 of 3 units

3. For one (or 1%), student ID # 3509444 was placed on academic suspension for not maintaining academic progress; however, no letter was noted in the student's file. No questioned costs result since applicant was eligible prior to not maintaining academic progress.
4. For one (or 1%), student ID # 6302451 did not complete the semester for the selected period. The student completely withdrew from all classes on 03/08/2012. Determination of satisfactory academic progress is assessed when grades are due each semester (e.g., 05/09/2012). Funds were returned on 08/07/2012, which is 90 days after the student withdrawal determination. No questioned costs result since the applicant was eligible prior to withdrawal from courses.

Cause: COM-FSM failed to ascertain that all required documents are submitted and to review documents for completeness and accuracy. Further, COM-FSM failed to monitor student academic progress and adhere to federally required policies, such as returning unearned Title IV funds within the specified timeframe.

**COLLEGE OF MICRONESIA-FSM
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Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Finding No.: 2012-4, Continued
Federal Agency: U.S. Department of Education
CFDA Program: 84.063 Federal Pell Grant Program
Grant Number: 01034300
Area: Eligibility
Questioned Costs: \$0

Effect: COM-FSM is in noncompliance with eligibility requirements.

Recommendation: We recommend that COM-FSM strengthen internal control policies and procedures to verify files for accuracy and completeness.

Auditee Response and Corrective Action Plan:

The inconsistencies of information reported on the Free Application for Federal Student Assistance (FAFSA) and student Birth Certificate is beyond Financial Aid Office control. It is not a verification requirement to check spelling of student's name. We do, however, inform students the important of providing correct information on all financial forms during orientation.

ID # 3509444

When we started implementing the COM-FSM Student Information System (SIS), a major part of our documentation processes are especially driven by the database system that we started using in 2008 summer. As such, for FAO ... Information in terms of students who are placed on academic suspension including continued probation and probation, are accessible in real time information via the SIS.

While a paper-copy of the notice of academic suspension basically given to the student may not be present in the student's file because they are yet to be filed at the time of inspection— the accuracy of the real time information in terms of notifying offices concerned, like FAO, are available via the college's integrated database system, i.e., SIS. In several cases, both FAO and the Office of Admissions, Records and Retention (OARR) have taken out much of our paper-based processes as what were then in the past. Say, currently, OARR don't print paper copies of the student's grade report cards thence transmit copies of the same to FAO since information alike these are now available and easily accessible via the database systems, and most importantly, students are able to access their grades via their portals, among others.

ID # 6302451

Financial Aid Office always perform return of funds calculation according to Fed Policy and we always return unearned portion of funds within the timeframe. This case was not detected because no withdrawal documents were provided to Financial Aid Office from the actual time of withdrawal until the time we were doing satisfactory academic progress review when the grades became available.

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

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2012

Finding No.: 2012-5
 Federal Agency: U.S. Department of Education
 CFDA Program: 84.063 Federal Pell Grant Program
 Grant Number: 01034300
 Area: Special Tests and Provisions
 Questioned Costs: \$0

Criteria: Pursuant to applicable specifications of the Federal Student Aid (FSA) Handbook, an FSA credit balance occurs whenever the school credits FSA program funds to a student's account and the total amount of those FSA funds exceeds the student's allowable charges. If FSA disbursements to the student's account at the school create an FSA credit balance, the school must pay the credit balance directly to the student or parent as soon as possible, but no later than 14 days after:

- the date the balance occurred on the student's account, if the balance occurred after the first day of class of a payment period, or
- the first day of classes of the payment period if the credit balance occurred on or before the first day of class of that payment period.

Further, the Handbook states that a school may not require a student to take any actions to obtain his or her credit balance. It is the sole responsibility of the school to pay, or make available, any FSA credit balance within the 14-day regulatory time.

Condition: Tests of student receivables and disbursements noted that for one \$895 tuition receivable account tested, the College of Micronesia-FSM did not release a student's refund of \$446 within the 14-day time frame, as follows:

Student Number	Document Number	Refund Owed to Student	Refund Date	Disbursement Date	Days Elapsed
1625559	19350	\$ 446	01/16/2013	12/17/2012	30

Further, the student was included in batch listing no. PGT13-031 wherein total student refunds that were not paid within the 14-day timeframe amounted to \$26,613 for forty-two (42) Kosrae campus students.

Cause: Controls over monitoring credit balances and issuing refunds do not appear effected.

Effect: College of Micronesia-FSM is in noncompliance with the compliance requirement to disburse refunds within a 14-day time frame.

Recommendation: We recommend that College of Micronesia-FSM strengthen control policies and procedures to comply with applicable federal Pell refunds regulations.

Auditee Response and Corrective Action Plan: The delay of \$446 refund is an exceptional situation due to several holidays from Dec. 17 to Jan. 16, with only 16 working days for that period. The Christmas and New Year holidays affected the time lines in processing the refund.

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

Summary Schedule of Prior Audit Findings and Questioned Costs
Year Ended September 30, 2012

There are no unresolved prior year internal control findings or questioned costs.