



Office of the Secretary
Department of Finance



P.O. Box 5234 CHRFB, Saipan MP 96950

TEL: (670) 664-1100 FAX: (670) 664-1115

October 30, 2020

SFL 2021-014

Dr. Tiffany T. Forrester
Group Leader, Insular Areas
Rural, Insular, and Native Achievement Programs
Office of Elementary and Secondary Education
U.S. Department of Education
400 Maryland Avenue, SW | Washington, DC 20202

RE: UPDATE to Initial Report for Education Stabilization Fund-Governor (ESF-Governor) Initial Report

Dear Dr. Forrester:

This letter aims to provide additional requested reporting items for the ESF-Governor award provided by the CARES Act through the US Department of Education. The additional requested items are underlined. We hope it gives a better understanding of the timeline and creates a fuller picture of what the CNMI Government has undertaken. This includes the response to COVID-19 pandemic, CARES Act in the CNMI, and the implementation and plans of the ESF-Governors grant award.

Background

THE CNMI is a small remote territory under the United States situated in the Western North Pacific. Our tropical climate and marine resources have made tourism a key industry with visitors from China and South Korea making up approximately 85% of the market. When the COVID-19 pandemic threatened these nearby nations, it had a disastrous impact on our local economy and government revenues. This led to a budget decrease of 48.1% for FY2020 budget and beyond.

On March 15, 2020, Governor Ralph Torres declared a state of emergency and implemented health and safety measures to include but not limited to shelter-in-place directives, limited business activity, and a shutdown of non-essential government services. These efforts to control the pandemic has proved effective as the CNMI currently ranks as one of the safest jurisdictions in the United States from COVID-19.

On May 24, the CNMI government resumed operations with reduced work hours, furloughed hundreds of employees, and cut several programs due to the budget constraints. The CNMI Department of Finance is no exemption from these cost-cutting measures. Nevertheless, we are continuing to administer continuing federal programs and implementing the new CARES Act programs, including economic stimulus direct payments, pandemic unemployment insurance, and the ESF-Governor.

The CNMI government and people have always supported public education because of our underprivileged community. Our Commonwealth has a constitutional mandate to provide 25% of general revenues to the CNMI Public School System. These CARES Act funds, particularly the ESF-Governor, would help the children and students of the CNMI while we are under extraordinary financial distress.



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Awarding the ESF-Governor award

Upon receiving the letter from the U.S. Secretary of Education on May 7th, we learned that the CNMI Public School System was to receive \$23.2 million from the CARES Act. This provided educational support for primary and secondary education. This left unfunded a key component of our education system—the Northern Marianas College (NMC)—our only IHE.

This loss would deprive CNMI students, most of whom are low income, from receiving a post-secondary education that can improve their lives. The CNMI has always faced a constant shortage of skilled workers due to our remote location and our small impoverished economy. Our local college students contribute to improving our local economy and community by graduating and filling the necessary skill gaps by becoming local teachers, nurses, and professionals for our community.

Ultimately, Governor Ralph Torres committed the ESF-Governor grant to NMC. A transfer of funds in the amount of \$4,777,211 was made on June 5, 2020. The CNMI has advanced the funds to NMC to be used according to the budget narrative as provided through form ED 524.

Attachment A provides the budget information and narrative for the proposed use of the funds through May 12, 2021. The CNMI will not use any funds for Administrative or Indirect Costs.

Internal Control Plan

The Department of Finance, in coordination with the Governor's Office of Grants Management, will continue to monitor NMC as they fulfill the program's goals and objectives.

Our current internal control plans are provided in Attachment B. As has been recommended in the CNMI's Single Audit report, as well as federal agency desk audits, we are working to update our manuals to further strengthen internal controls and comply with Uniform Guidance requirements. Our initial work begins with paralleling an effective plan used in another jurisdiction. Our next step is to assign tasks and implement processes that match the CNMI's limited capacity. Please refer to Attachment C for an initial template of updating our internal control plans.

The CNMI is requiring that NMC be audited annually to be included in the CNMI's single audit. For reporting purposes, all primary records and documentation will be kept on file for 5 years at the subrecipient agency, Northern Marianas College. These records and other supporting documents shall be made available to the CNMI Office of the Public Auditor, the Office of Inspector General and/or independent auditors.

Sub-recipient Monitoring Plan

NMC will submit quarterly reports to the Department of Finance for review. The DOF will review the reports and make sure that they are in keeping with the CARES Act requirements. DOF will make then submit reports to the U.S. Department of Education based on CARES Act requirements.

In keeping with the goals of monitoring the ESF-G, DOF will ensure proper spending, measure sub-recipient performance, and identify opportunities, and need for improvement. DOF shall do this desk reviews, on-site and assessment visits, and regular communications.



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DOF will give a post-visit questionnaire to NMC to help ascertain any need for improvement that DOF should improve upon to help NMC succeed in this grant. This will help DOF know what needs to be improved as the pass-through entity.

DOF will adopt any changes that US Department of Education requires in administering the grant. DOF will also relay those changes to NMC and will provide regular updates to NMC of communication with US Department of Education.

Forms related to Sub-recipient monitoring process are included in Attachment D.

In closing, the CNMI and the Department of Finance look forward to the working with the U.S. Department of Education in the successful execution of the grant. This grant is necessary for the sustainability of education for students in the CNMI. With this grant, NMC can continue to provide its services for our students, and ultimately improve the quality of life for them and their community. This ESF-Governor grant will save the dreams of our students at a time when hope is desperately needed.

I look forward to our on-going communications and reaching our shared educational goals. Together, we have a chance to build something better for the nation and CNMI.

Sincerely,



Secretary of Finance



Office of the Secretary
Department of Finance

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Attachment A:

ED-Form 524

Budget Information and Narrative



**U.S. DEPARTMENT OF EDUCATION
BUDGET INFORMATION NON-CONSTRUCTION PROGRAMS**

OMB Control Number: 1894-0008
Expiration Date: 08/31/2020

Name of Institution/Organization

CNMI Office of the Governor / Northern Marianas College

Applicants requesting funding for only one year should complete the column under "Project Year 1." Applicants requesting funding for multi-year grants should complete all applicable columns. Please read all instructions before completing form.

SECTION A - BUDGET SUMMARY U.S. DEPARTMENT OF EDUCATION FUNDS

Budget Categories	Project Year 1 (a)	Project Year 2 (b)	Project Year 3 (c)	Project Year 4 (d)	Project Year 5 (e)	Total (f)
1. Personnel	4,027,211.00					4,027,211.00
2. Fringe Benefits						
3. Travel						
4. Equipment	613,000.00					613,000.00
5. Supplies	37,000.00					37,000.00
6. Contractual						
7. Construction						
8. Other	100,000.00					100,000.00
9. Total Direct Costs (lines 1-8)	4,777,211.00					4,777,211.00
10. Indirect Costs *Enter Rate Applied _____	0.00					0.00
11. Training Stipends						
12. Total Costs (lines 9-11)	4,777,211.00					4,777,211.00

***Indirect Cost Information (To Be Completed by Your Business Office):**

If you are requesting reimbursement for indirect costs on line 10, please answer the following questions:

- (1) Do you have an Indirect Cost Rate Agreement approved by the Federal government? ___ Yes ___ No.
- (2) If yes, please provide the following information:
 Period Covered by the Indirect Cost Rate Agreement: From: ___/___/___ To: ___/___/___ (mm/dd/yyyy)
 Approving Federal agency: ___ED ___X Other (please specify): _____ The Indirect Cost Rate is _____%
- (3) If this is your first Federal grant, and you do not have an approved indirect cost rate agreement, are not a State, Local government or Indian Tribe, and are not funded under a training rate program or a restricted rate program, do you want to use the de minimis rate of 10% of MTDC? ___ Yes ___ No. If yes, you must comply with the requirements of 2 CFR § 200.414(f).
- (4) If you do not have an approved indirect cost rate agreement, do you want to use the temporary rate of 10% of budgeted salaries and wages? ___ Yes ___X No. If yes, you must submit a proposed indirect cost rate agreement within 90 days after the date your grant is awarded, as required by 34 CFR § 75.560.
- (5) For Restricted Rate Programs (check one) -- Are you using a restricted indirect cost rate that: ___ Is included in your approved Indirect Cost Rate Agreement? Or ___ Complies with 34 CFR 76.564(c)(2)? The Restricted Indirect Cost Rate is _____%
- (6) For Training Rate Programs (check one) -- Are you using a rate that: ___ Is based on the training rate of 8 percent of MTDC (See EDGAR § 75.562(c)(4))? Or ___ Is included in your approved Indirect Cost Rate Agreement, because it is lower than the training rate of 8 percent of MTDC (See EDGAR § 75.562(c)(4)).

Name of Institution/Organization

Applicants requesting funding for only one year should complete the column under "Project Year 1." Applicants requesting funding for multi-year grants should complete all applicable columns. Please read all instructions before completing form.

**SECTION B - BUDGET SUMMARY
NON-FEDERAL FUNDS**

Budget Categories	Project Year 1 (a)	Project Year 2 (b)	Project Year 3 (c)	Project Year 4 (d)	Project Year 5 (e)	Total (f)
1. Personnel						
2. Fringe Benefits						
3. Travel						
4. Equipment						
5. Supplies						
6. Contractual						
7. Construction						
8. Other						
9. Total Direct Costs (Lines 1-8)						
10. Indirect Costs						
11. Training Stipends						
12. Total Costs (Lines 9-11)						

SECTION C – BUDGET NARRATIVE (see instructions)

Instructions for ED 524

General Instructions

This form is used to apply to individual U.S. Department of Education (ED) discretionary grant programs. Unless directed otherwise, provide the same budget information for each year of the multi-year funding request. Pay attention to applicable program specific instructions, if attached. You may access the Education Department General Administrative Regulations cited within these instructions at: <http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html>. You may access requirements from 2 CFR 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" cited within these instructions at: <https://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>.

You must consult with your Business Office prior to submitting this form.

Section A - Budget Summary U.S. Department of Education Funds

All applicants must complete Section A and provide a break-down by the applicable budget categories shown in lines 1-11.

Lines 1-11, columns (a)-(e): For each project year for which funding is requested, show the total amount requested for each applicable budget category.

Lines 1-11, column (f): Show the multi-year total for each budget category. If funding is requested for only one project year, leave this column blank.

Line 12, columns (a)-(e): Show the total budget request for each project year for which funding is requested.

Line 12, column (f): Show the total amount requested for all project years. If funding is requested for only one year, leave this space blank.

Indirect Cost Information: If you are requesting reimbursement for indirect costs on line 10 the indirect cost rate to be charged to the grant must be entered in the applicable field on line 10, and the following information is to be completed by your Business Office.

(1): Indicate whether or not your organization has an Indirect Cost Rate Agreement that was approved by the Federal government. If you checked "no," ED generally will authorize grantees to use a temporary rate of 10 percent of budgeted salaries and wages (**complete (4) of this section when using the temporary rate**) subject to the following limitations:

(a) The grantee must submit an indirect cost proposal to its cognizant agency within 90 days after ED issues a grant award notification; and

(b) If after the 90-day period, the grantee has not submitted an indirect cost proposal to its cognizant agency, the grantee may not charge its grant for indirect costs until it has negotiated an indirect cost rate agreement with its cognizant agency.

(2): If you checked "yes" in (1), indicate in (2) the beginning and ending dates covered by the Indirect Cost Rate Agreement. In addition, indicate whether ED, another Federal agency (Other) or State agency issued the approved agreement. If you check "Other," specify the name of the Federal or other agency that issued the approved agreement.

(3): If you check "no" in (1), indicate in (3) if you want to use the de minimis rate of 10 percent of MTDC (see 2CFR § 200.68).

If you use the de minimis rate, you are subject to the provisions in 2 CFR § 200.414(f). Note, you may only use the 10 percent de minimis rate if you are a first-time Federal grant recipient, and you do not have an Approved Indirect Cost Rate Agreement. You may not use the de minimis rate if you are a State, Local government, or Indian Tribe, or if your grant is funded under a training rate or restricted rate program.

(5): If you are applying for a grant under a Restricted Rate Program (34 CFR 75.563 or 76.563), indicate whether you are using a restricted indirect cost rate that is included on your approved Indirect Cost Rate Agreement, or whether you are using a restricted indirect cost rate that complies with 34 CFR 76.564(c)(2). Note: State or Local government agencies may not use the provision for a restricted indirect cost rate specified in 34 CFR 76.564(c)(2). Check only one response. Leave blank, if this item is not applicable.

(6): For Training Rate Programs, ED regulations limit **non-governmental entities** to the recovery of indirect costs on training grants to the grantee's actual indirect costs, as determined by its negotiated rate agreement, or 8 percent of a MTDC, whichever is lower (see EDGAR § 75.562(c)(4)). The 8 percent limit also applies to cost-type contracts under grants, if these contracts are for training as defined in EDGAR § 75.562(a). If a **non-governmental entity** that receives a grant under a training grant program does not have an approved indirect cost rate and wants to recover indirect costs, it may use a temporary rate of 10 percent of budgeted direct salaries and wages, but it must submit an indirect cost rate proposal to its cognizant agency for indirect costs within 90 days after ED issues the GAN. After the 90-day period, the government entity may not charge its grant for indirect costs until it has negotiated an indirect cost rate agreement.

Section B - Budget Summary Non-Federal Funds

If you are required to provide or volunteer to provide cost-sharing or matching funds or other non-Federal resources to the project, these should be shown for each applicable budget category on lines 1-11 of Section B.

Lines 1-11, columns (a)-(e): For each project year, for which matching funds or other contributions are provided, show the total contribution for each applicable budget category.

Lines 1-11, column (f): Show the multi-year total for each budget category. If non-Federal contributions are provided for only one year, leave this column blank.

Line 12, columns (a)-(e): Show the total matching or other contribution for each project year.

Line 12, column (f): Show the total amount to be contributed for all years of the multi-year project. If non-Federal contributions are provided for only one year, leave this space blank.

Section C - Budget Narrative [Attach separate sheet(s)] Pay attention to applicable program specific instructions, if attached.

1. Provide an itemized budget breakdown, and justification by project year, for each budget category listed in Sections A and B. For grant projects that will be divided into two or more separately budgeted major activities or sub-projects, show for each budget category of a project year the breakdown of the specific expenses attributable to each sub-project or activity.

2. For non-Federal funds or resources listed in Section B that are used to meet a cost-sharing or matching requirement or provided as a voluntary cost-sharing or matching commitment, you must include:

- The specific costs or contributions by budget category;
- The source of the costs or contributions; and
- In the case of third-party in-kind contributions, a description of how the value was determined for the donated or contributed goods or services.

[Please review cost sharing and matching regulations found in 2 CFR 200.306.]

3. If applicable to this program, provide the rate and base on which fringe benefits are calculated.

4. If you are requesting reimbursement for indirect costs on line 10, this information is to be completed by your Business Office. Specify the estimated amount of the base to which the indirect cost rate is applied and the total indirect expense. Depending on the grant program to which you are applying and/or your approved Indirect Cost Rate Agreement, some direct cost budget categories in your grant application budget may not be included in the base and multiplied by your indirect cost rate. For example, you must multiply the indirect cost rates of "Training grants" (34 CFR 75.562) and grants under programs with "Supplement not Supplant" requirements ("Restricted Rate" programs) by a "modified total direct cost" (MTDC) base (34 CFR 75.563 or 76.563). Please indicate which costs are included and which costs are excluded from the base to which the indirect cost rate is applied.

When calculating indirect costs (line 10) for "Training grants" or grants under "Restricted Rate" programs, you must refer to the information and examples on ED's website at: <http://www.ed.gov/fund/grant/apply/appforms/appforms.html>.

You may also contact (202) 377-3838 for additional information regarding calculating indirect cost rates or general indirect cost rate information.

5. Provide other explanations or comments you deem necessary.

Paperwork Burden Statement

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is **1894-0008**. The time required to complete this information collection is estimated to vary from 13 to 22 hours per response, with an average of 17.5 hours per response, including the time to review instructions, search existing data sources, gather the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: U.S. Department of Education, Washington, D.C. 20202-4537. If you have comments or concerns regarding the status of your individual submission of this form, write directly to (insert program office), U.S. Department of Education, 400 Maryland Avenue, S.W., Washington, D.C. 20202.

U.S. DEPARTMENT OF EDUCATION
Education Stabilization Fund (ESF) - Governors
Northern Marianas College
Budget Summary

Budget Item	Basis for Costs and Supported Activities	Year 1 FY 2020	TOTAL
Personnel	Non-federal Faculty and Support Staff Salaries for FY 2020 Shortfall; and FY 2021 Projected Budget Reduction <i>(Period of Performance – 5/12/2020 to 5/12/2021)</i>	\$4,027,211.00	\$4,027,211.00
Total Personnel Costs		\$4,027,211.00	\$4,027,211.00
Equipment	NMC Network & Broadband Equipment Upgrades – (2) Cisco Nexus 9504 CORE Switch w/ extended service agreement: Unit cost \$120,000 x 2 = \$240,000 (2) Cisco Meraki MX450 Security Firewall w/ license: Unit cost \$65,000 x 2 = \$130,000 (2) Cisco Meraki MX84 Security Firewall w/ license: Unit cost \$8,500 x 2 = \$17,000 (2) Cisco Meraki MS425 Distribution Stack w/ license: Unit cost \$27,500 x 2 = \$55,000 (5) Cisco Meraki MS350-24X Access Stack w/license: Unit cost \$9,800 x 5 = \$49,000 (10) Cisco Meraki MS350-48 Access Stack w/license: Unit cost \$12,200 x 10 = \$122,000	\$613,000.00	\$613,000.00
Supplies	- Personal Protective Equipment (PPE) - Cleaning & Sanitation Supplies	\$37,000.00	\$37,000.00
Other	- Personal Computing Equipment for Faculty & Staff - VTC Classroom Equipment for Virtual Instruction	\$100,000.00	\$100,000.00
Total Direct Costs		\$4,777,211.00	\$4,777,211.00

U.S. DEPARTMENT OF EDUCATION
Education Stabilization Fund (ESF) - Governors
Northern Marianas College
Budget Narrative

Northern Marianas College (NMC) intends to utilize ESF-Governors grant funds to provide critically needed emergency support to address the impacts of the Novel Coronavirus Disease 2019 (COVID-19) on the College. Funds will be used to support the ability to continue to provide educational services and support the ongoing functionality of the CNMI's only US-accredited institution of higher education. Due to the Fiscal Year 2020 projected shortfall, further anticipated reduction in state funding for Fiscal Year 2021, and continued economic uncertainty in the CNMI due to COVID-19 travel restrictions, funds will be used to defray expenses related to salaries, additional Personal Protective Equipment (PPE) and supplies, and various Information Technology broadband, network, and infrastructure upgrades. ESF-Governors grant funds will be used to cover expenses for the period of performance of 5/12/2020 through 5/12/2021.

NMC shall comply with all federal and state reporting requirements including those in section 15011(b)(2) of Division B of the CARES Act as well as any additional reporting requirements from the U.S. Department of Education. Furthermore, NMC will cooperate with any examination of records with respect to ESF-Governors funds by making records available for inspection, production, and examination upon request.

Intended Use of Funds:

1. **PERSONNEL (Total \$4,027,211).** Northern Marianas College intends to use a reasonable sum of ESF-Governors grant funds to meet anticipated Fiscal Year 2021 budgetary cuts related to salaries of non-federal Faculty and Support Staff. NMC does not, however, intend to use such funds for fringe benefits and the salaries of executives and administrators.
2. **EQUIPMENT (Total \$613,000).** After comprehensive assessments of NMC's existing IT infrastructure, and to meet the current demand for remote learning programs and offsite network accessibility, there is a critical need build IT capacity to support such demands. With the current aging equipment, NMC is unable to perform critical upgrades to firmware due to obsolescence and technical support unavailability. IT upgrades include the replacement of the campus' main CORE switch as well as to augment a backup unit for added assurance. The current system was purchased and implemented in 2009 and cannot support the additional load and network requirements for new facilities, offsite network accessibility due to increased teleworking and online instruction as a result of COVID-19 social distancing. Necessary licensing, firewall protection, and other LAN network components will be included.
3. **SUPPLIES (Total \$37,000).** The additional supplies will be used for a contingency capacity of necessary sanitary supplies and Personal Protective Equipment (PPE) should there be an anticipated regional or national shortage. While current supply may meet the NMC's

current or anticipated utilization rate, there may be uncertainty if future supply will be adequate and therefore, contingency capacity strategies may be needed.

4. **OTHER (Total \$100,000).** With respect to stringent educational social distancing measures, additional items related to distance education and virtual learning platforms are needed, such as laptops for faculty & staff, and various VTC equipment items that allow for online/virtual instruction.
5. **ADMINISTRATIVE / INDIRECT COSTS (Total \$0.00).** The CNMI Office of the Governor / Northern Marianas College will not reserve or use any funds for Administrative or Indirect Costs from the Governor's Education Stabilization Fund.



Office of the Secretary
Department of Finance

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Attachment B:

Internal Control Plans

*(Current) Federal Grants Management and
Cash Management Policies and Procedures*

DEPARTMENT OF FINANCE

Division of Finance and Accounting



Policies and Procedures for the Financial Management of Federal Grants and Awards

I: Definitions

Approval or authorization of awarding or cognizant federal agency – documentation with evidence of consent prior to incurring a specific cost.

Award – a grant, cost reimbursement contract or any other agreement between the CNMI Government and Federal Government.

Awarding Agency (Grantor) – the Federal Agency that awards a grant, cost reimbursement contract or other agreements. For a sub-award, the party that awarded the sub-award.

Cash Management Improvement Act (CMIA) Agreement – the approved annual agreement entered into between the CNMI Government and the US Treasury regulating the timely drawdown of federal funds with the disbursement of the funds.

Cognizant Agency – the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals on behalf of all federal agencies.

Contract – a mutually binding legal relationship obligating the seller to furnish the supplies or services and the buyer to pay for them. They include all types of commitments in writing that obligate the government to an expenditure of funds. They include purchase order, payment requests, contract, and change orders.

Cost – an amount as determined on cash, accrual, or other basis, acceptable to the Federal awarding or cognizant agency. The cost should be in compliance with OMB Circular A-87 (revised 5/10/04)

Grantee Department or Agency – the department or agency responsible for the performance, or administration of all, or some part of the Federal award.

Fiscal Year – the CNMI government fiscal year runs from October 1 through September 30. The year should be designated in the year in which September 30 ends.

II. Basic Guidelines:

For a cost to be allowable under Federal awards, they must meet the following criteria:

1. Be necessary and reasonable for proper and efficient performance and administration of Federal award.
2. Be allocable to Federal awards.
3. Be authorized under state laws and regulations.
4. Be consistent with policies, regulations and procedures that apply uniformly to both Federal awards and activities of the grantee department.
5. Be determined in accordance with generally accepted accounting principles.
6. Not be included as a cost or used to meet matching requirements of any other Federal award except as provided by Federal law or regulation.
7. Be net of all applicable credits and discounts.
8. Be adequately documented.

III. Federal Grants Procedures

Notification of Grant Award. Upon notification from a grantor, the grantee department or agency, must notify the Office of Management and Budget and the Department of Finance.

1. Establish an Allotment Advice. A grantee department or agency must request for an allotment from the Office of Management and Budget. The allotment must contain a budget summary of how the funds will be distributed. If a budget summary is prescribed by a grantor agency, then that documented will prevail
(See Attachment A - Sample Allotment Form)
2. Establish a Business Unit. A grantee department or agency must request for a business unit from the Department of Finance. Copies of the grant award, grant guidelines, and the allotment advice must be provided along with the request.

Cost Encumbrance. After a business unit is established, a grantee department may encumber a cost through a form of contact as provided in the definition.

a. Contracts - the Director of Finance and Accounting shall ensure that all contracts adhere to the terms and conditions of the grant agreement, and comply with OMB Circular A-87 with regard to reasonableness, allowability, and allocability of the costs prior to certifying the contract.

b. Purchase Requisition - requisitions should be entered online on the financial management system at program office level. The Director of Finance and Accounting shall review whether there are funds to cover the requisitions, whether they meet the terms and conditions of the grant agreement, and whether they comply with OMB Circular A-87 with regard to reasonableness, allowability, and allocability of the cost. Division of Procurement and Supply produces the purchase order upon approval by Finance and Accounting.

Payment Vouchers. The Division of Finance and Accounting processed payments vouchers. Vendors and contractors must do the following in order to do so:

a. Contracts - contractors must submit billings to the department who contracted the services for approval. Upon approval, the department can submit the request for payment to Finance and Accounting.

b. Purchase Orders - A vendor must submit to Finance and Accounting an original invoice along with the original purchase order to process payment voucher.

Drawdown of Federal Funds. Upon processing of a payment voucher, the Federal Grant Section of Finance and Accounting shall initiate the drawdown of Federal funds for the payment of the voucher using the standard for SF-270. If the SF-270 is not required by the grantor agency, an alternate form approved by Finance and Accounting may be used. (See attachment B & C for SF-270 and sample drawdown form). The Treasury draws federal funds online using the SMARTLINKS system, or an alternate method required by grantor agency.

Issuing Payments. The Division of Treasury processes vendor payments. Payment vouchers processed by Finance and Accounting are submitted to the Treasury for payment. Payment terms are net 30 days. Unless otherwise restricted by a grantor

agency, vendors being paid with Federal funds will be paid after the funds are received. If Federal funds are received, payment must be made in compliance with the CMIA agreement between the CNMI government and the U.S. Treasury.

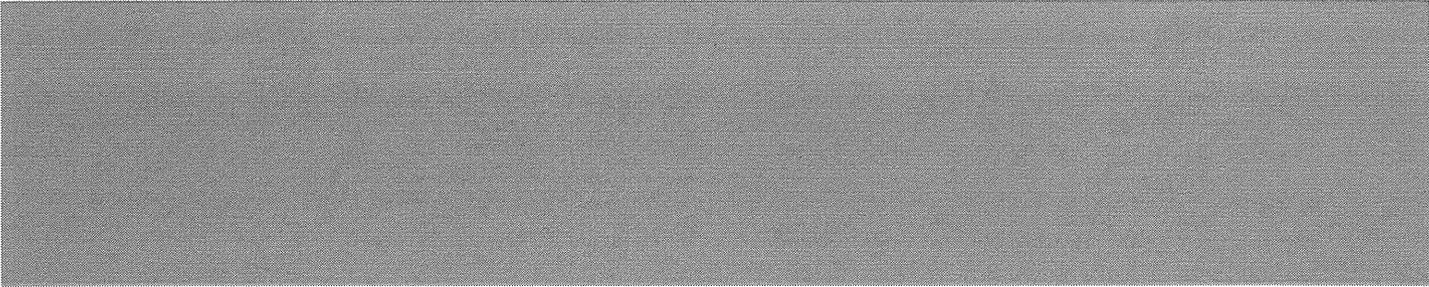
Recording of Federal Grants Receipts. On a regular basis, monthly or sooner, the Treasury shall provide bank statements, or reports from the cash management system, of the Federal grant account to the Director of Finance and Accounting. The statements shall contain the deposits of Federal funds from the U.S. Treasury. Finance and Accounting shall record each deposit to the respective business unit under which a drawdown was requested.

Compilation of SF-269. The SF-269, financial status reports, are completed quarterly, semi-annually or annually, based on the requirement from the grantor agency. The Federal Grants Section of Finance and Accounting runs the necessary fund status report from the financial management system for the particular grant. The report is used to complete the SF-269. (See attachment D for SF-269).

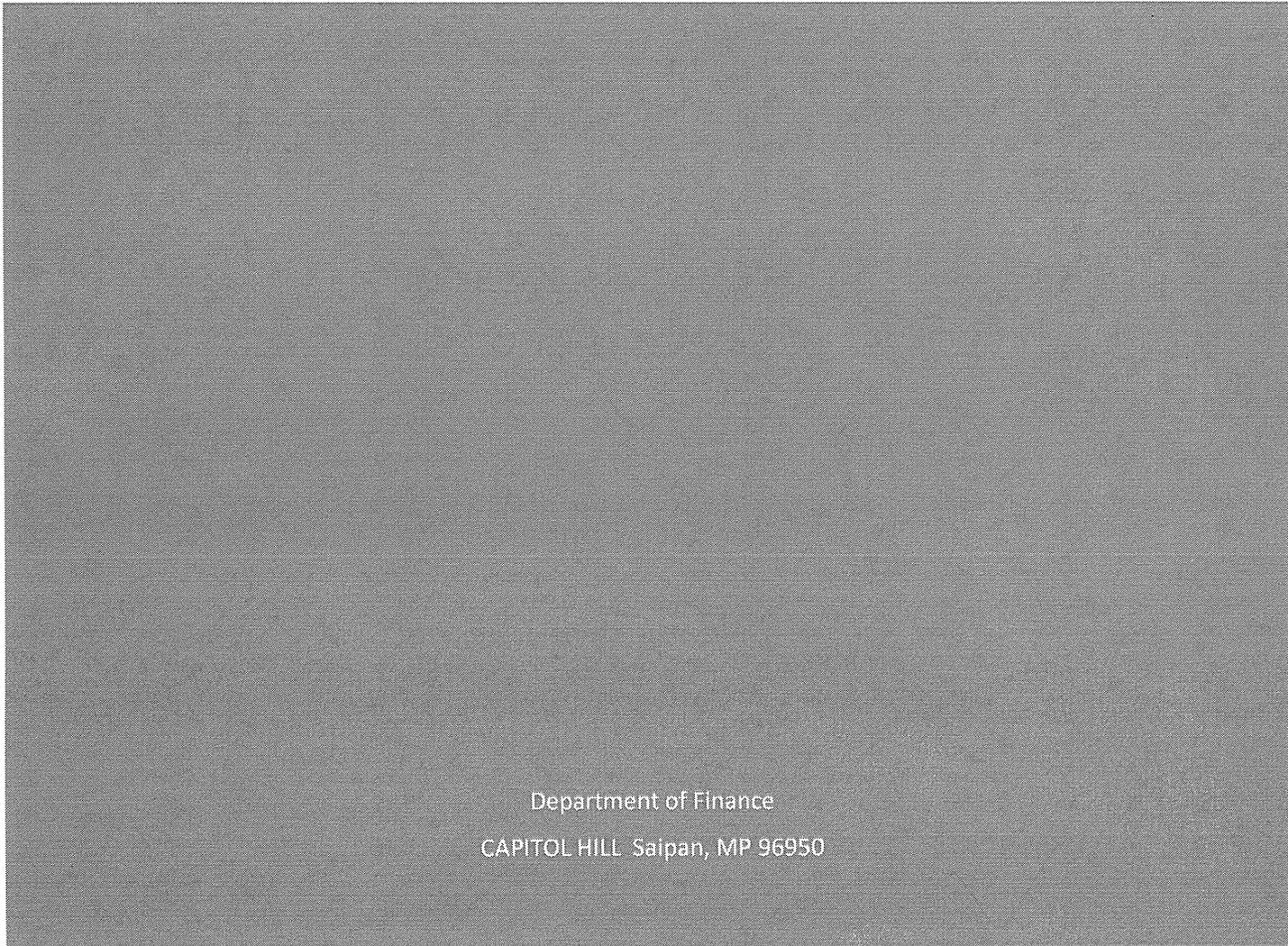
Deadlines. The Federal Grants Section must complete all financial status reports no later than 30 days after the close of the period being reported. Any other reporting requirement set by the grantor agency must be adhered to. The annual financial status reports are due within 90 days of the close of the fiscal year, or no later than December 30.

Request for Extension. The Director of Finance and Accounting, or his or her designee, may request for an extension from the grantor agency citing the reason for the request. The Director shall notify the grantee agency of the request.

Submission of SF-269. Unless otherwise required by a grantor agency, all SF-269 shall be submitted by Finance and Accounting. Grantee agencies may request alternate arrangements to accommodate deadlines.



CASH MANAGEMENT POLICIES & PROCEDURES



Department of Finance
CAPITOL HILL Saipan, MP 96950

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Bank Accounts

The Constitution of the CNMI, Article X, Section 8 assigns the Department of Finance the responsibility to control and regulate the expenditure of public funds. 1 CMC 2553 lists duties of the Department of Finance including collection and deposit of all locally raised revenues from any source; receipt and deposit of all funds received from the Federal government; establish and maintain the books of accounts for the Commonwealth; select bank(s) to which Commonwealth funds are deposited; and disperse funds pursuant to authority of law.

On a daily basis, there is a large volume of cash transactions from in and out of government accounts. Deposit transactions relate to such items as tax payments from individuals and businesses; Customs import taxes and fees, vehicle registration and driver's license fees; and a range of others. In addition there are payments from grantor entities reimbursing or advancing cash to government for the implementation of agreed grant projects (see Sections 6 and 7). Deposit transactions may also be made in the form of direct deposit by the payee into the government bank account on a bank-to-bank basis without the transaction being processed through government's cash receipting function.

Disbursement transactions relate mainly to the payment of vendors, payroll and payroll liabilities.

There are also transfers between accounts made for the purpose of recording transactions from one account on behalf of another, or management of cash balances to maintain adequate liquidity.

A range of bank accounts are held in order to isolate cash balances for specific purposes. For example, a separate account is maintained to segregate Taiwan grant funds from government operational funds. Or it may be to assist the efficiency of monitoring transactions. For example, a dedicated payroll clearing account is maintained to record employee pay checks, to isolate the volume and type of these payments from other general transactions and simplify the reconciliation processes relating to them.

Bank Account Management

1. The Secretary of Finance and CNMI Treasurer have authority to open any bank account in the name of the CNMI Government.
2. All accounts held in the name of the government must include "CNMI Government" in the account title.
3. Account signatories are limited to the Secretary of Finance and Treasurer or their designees assigned in writing. In most cases one signature is required for disbursements
4. Banks are to be immediately notified of the revocation of signatories – and signatories to be replaced as soon as possible – upon change in the employment or capacity of any of the signatories
5. The Secretary of Finance shall request from each bank a list of all accounts held in the name of the CNMI government after the end of each fiscal year
6. Bank statements for all accounts are to be forwarded by banks at least monthly directly to the CNMI Treasurer.

Internet Banking Management

1. Internet banking access for transactional purposes limited to the account signatories only

2. Internet transactional capacity restricted to transfers between government accounts and wire transfers supported by an approved voucher
3. Other access to internet banking be restricted to 'inquiry' access only and provided only to officers with recognized need (e.g.; reconciliation staff)
4. Bank online password policy for internet banking should be rigorously adhered to:
 - a. Login name cannot be used
 - b. Passwords must be at least 6 characters
 - c. Must contain at least one number
 - d. Cannot be any of the previous 6 passwords
 - e. Password to expire every 4 months, starting at the start of each fiscal year

Bank Reconciliations

Reconciling bank accounts is performed by the Finance and Accounting Division-Reconciliation Section and involves the matching of account balances according to the banking institution's records with J.D. Edwards Financial Management System (JDE) account balances. Bank reconciliation is intended to mitigate risks such as CNMI records being subject to error, fraud, or unauthorized transactions that have been processed through the bank account.

Bank records are matched to JDE records to verify the correctness of the bank balance and provide assurance that there has been no material error in either the bank's or the entity's records, and that the amount of cash that the entity believes to be in the bank is actually in the bank.

Bank Reconciliation Internal Control Policies

Bank reconciliation is a major procedure requiring substantial and detailed effort in order for it to be accurately completed, therefore certain control risks exist within the process itself. The risks discussed herein relate internally to the bank reconciliation process and not the risks that the bank reconciliation is intended to mitigate. Hence the risks are limited, but nonetheless real and need to be controlled.

Internal control policies are as follows:

1. Bank reconciliations are to be completed upon receipt of bank statements and on a timely basis or within thirty (30) working days.
2. Persons performing the bank reconciliations shall have no transactional involvement in receipting or payment processes.
3. Every bank reconciliation is to be reviewed and signed by the employee, manager, Director of F&A, and Secretary of Finance.
4. Supporting documentation/explanation should be attached to the bank reconciliation for all reconciling items.
5. Reconciling items to be adjusted in JDE are to be entered within 2-3 weeks for bank related issues, or 2-3 days for unrecorded items/recording errors.
6. Bank reconciliations are to be filed together with bank statements

7. Unidentified receipts to be coded to suspense account and cleared on on-going basis by Treasury.

Collections and Deposits

Government collections on Saipan are receipted at three main locations; the Treasury Office on Capitol Hill, the Division of Revenue and Tax in Dan Dan, and Division of Customs (airport and seaport offices). Additional collection points are located in the Judicial Building, Bureau of Environmental Quality, and Post Offices.

Division of Revenue & Tax collections are recorded in the CNMI Tax System and data is uploaded daily to JDE financial management system (JDE). Collections are then picked up by armored carrier for deposit to the bank. Copies of reports and deposit slips are forwarded to Treasury for reconciliation.

Rota and Tinian collection points are located at the Department of Finance office on each island. Collections are taken over-the-counter from private citizens, businesses, and government departments and data is uploaded daily into JDE system.

CNMI Treasury: Collection and Deposit Policies and Procedures

Treasury Cashier collects all types of payments, except tax payments processed at Revenue & Tax

Treasury Internal Control Policies

1. Receipts must be provided to all customers
2. Voided receipts shall only be made by the Treasurer or designated employee
3. Online bank transfers between accounts are approved by the Secretary of Finance and booked into JDE by Treasurer.
4. Wire transfers to external entities (ex. PSS, NMC, other vendors, etc.) are prepared by Treasury and approved by the Secretary of Finance.
5. Treasury Cashier runs 'Cash Collection Report' at the end of each day to confirm total receipts to be deposited and is signed and approved by Treasurer or designee.
6. All receipts from other agencies to be checked daily to ensure;
 - a. no gaps in receipt numbering, and;
 - b. no gaps between first receipt of current review and last receipt from previous review.

Treasury Operating Procedures:

1. Prepare daily cash report from financial system.
2. Sign and have a Supervisor verify the audit section of the form with appropriate signatures.
3. Prepare the deposit ticket (Cash and Check only).
4. Run report on credit card machine.
5. Prepare cash count sheet.
6. Compile copy of the following documents: daily cash report, daily credit card collection report, deposit ticket, and batch collection report

Treasury Security Procedures

1. Treasury office door to be deadlocked and remain locked at all times
2. No unauthorized access to Treasury office
3. Collections are picked up daily by armored carrier for deposit to the bank.

Division of Revenue & Taxation: Collection and Deposit Policies and Procedures

This division collects payments to be deposited to the bank on a daily basis. Collections should be transported for deposit by picked up by armored carrier for deposit to the bank. Copies of reports and deposit slips are forwarded to Treasury for reconciliation. Cashiers must close out all collections at least once a day. Daily payment data is uploaded to JDE on a daily basis for posting.

Revenue and Taxation Internal Control Policies

1. Designated cashier must be registered with the CNMI Treasury for insurance liability.
2. All cashier discrepancies must be documented via a written report by cashier, signed by the Supervisor.
3. If batch collection amounts exceeds \$150,000.00, batch must be transmitted to CNMI Treasury.
4. Cash collection function is separated from import duty assessment function.
5. Receipts are to be issued for all collections and must contain a unique number, either computer generated or by manual receipt that is registered with Treasury.
6. Government receipts reviewed and verified by supervisor or designee.

Revenue and Taxation: Daily Collection Procedures

1. Prepare daily cash report form
2. Sign and have a Supervisor verify the audit section of the form with appropriate signatures
3. Prepare the deposit ticket (Cash and Check ONLY).
4. Run the report on the credit card machine.
5. Prepare Daily Report for Credit Cards Form
6. Prepare Cash/Change Verification Sheet.
7. Prepare Deposit Ticket).
8. Compile copy of the following documents and keep on file in secured location:
 - a. Daily Cash Report
 - b. Daily Report collection for Credit Card
 - c. Deposit Ticket
 - d. Batch Collection Report
 - e. Cashier Deposit Reconciliation Report

Division of Customs: Collection and Deposit Policies and Procedures

Customs collects payments on a daily basis at designated collection points (seaport, airport, postal) and are picked up by armored carrier for deposit to the bank. Copies of reports and deposit slips are forwarded to Treasury for reconciliation. Payment data is uploaded to JDE on a daily basis for posting.

Customs Internal Control Policies

1. Designated cashier must be registered with the CNMI Treasury for insurance liability.

2. All cashier discrepancies must be documented via a written report by cashier, signed by the Supervisor or OIC, and submitted to branch manager by the next day.
3. If batch collection amounts exceeds \$150,000.00, batch must be transmitted to CNMI Treasury.
4. Collection from all ports will be submitted to Seaport Office on the next business day for pick up by armored carrier at varied times.
5. Excise taxes are to be paid based on import declarations confirmed by Customs AS400 system.
6. Assessment notices (charge note) from Customs AS400 system used for taxed owed.
7. Cash collection function is separated from import duty assessment function.
8. Customs AS400 system used to produce invoice based on Harmonized Tariff Schedule (HTS).
9. Invoices and government receipts provided to all customers.
10. Government receipts reviewed and verified by duty supervisor.
11. Authority to Release Goods must signed and stamped after assessment of goods/merchandise into the Declaration of Entry (DOE) by authorizing person.
12. All documents verified at port of entry before release of imports.
13. Additional policies for credit card Collections
 - a. Print extra copy of the credit card receipt for taxpayer.
 - b. Taxpayer must sign credit card receipt.
 - c. Retain a copy of the credit card receipt.
 - d. File all receipts in accordance to payment procedures.

Customs Operating Procedures

Cash/Change Verification

1. Designated daily cashier is to retrieve cashier's box
2. Verify contents of cashier's box for correct amounts as follows
 - a. \$100 (One-Hundred Dollars) total change fund
 - b. Paid receipts, if any, should balance cash/checks on hand
 - c. Comply with cash/change verification sheet requirements.
3. Any discrepancies in the change fund shall immediately be reported to the duty supervisor

Processing Excise Tax Collections

1. Print taxpayers account receivable.
2. Retrieve all Declaration of Entry certificates to be paid from individual files.
3. Verify all Declaration of Entry (DOE) certificates numbers with payment amount to be paid.
4. Process the payment and produce two (2) copies of receipts (one for the taxpayer, one for file copy)
5. Present receipt to taxpayer with correct amount of change, if any.
6. File paid DOE certificates with copy of receipt in sequential order by receipt number.
7. Ensure that all payments made on DOE belonging to other ports of entry are noted.
8. Print out a copy of the receipt, highlight all DOE's per port and forward the receipt to the appropriate ports of entry to ensure the DOE is properly filed as "PAID".

Closing Daily Collection Procedure

1. Prepare daily cash report form
2. Sign and have a Supervisor verify the audit section of the form with appropriate signatures

3. Prepare the deposit ticket (Cash and Check ONLY).
4. Run the report on the credit card machine.
5. Prepare Daily Report for Credit Cards Form
6. Prepare Cash/Change Verification Sheet.
7. Prepare Daily Cash Collection Transmittal Form with cashier signature (*this form is to be used only if collection amounts exceeds \$150,000.00) and batch must be transmitted to CNMI Treasury).
8. Compile copy of the following documents and keep on file:
 - a. Daily Cash Report
 - b. Daily Report collection for Credit Card
 - c. Deposit Ticket
 - d. Batch Collection Report
 - e. All other forms should be retained in cashier's box for the next assigned cashier/files.

Other Agencies: Collection and Deposit Policies and Procedures

Other agency fees, fines and charges are collected and manually receipted by each agency and deposited with Treasury on a daily basis or as collected. Treasury enters collections into the JDE noting the manual receipt number and assigning an FMS system receipt number evidencing their collection. Deposits are picked up by armored carrier for delivery to the bank. Other agencies include the Judicial Building, Bureau of Environmental Quality and Post Offices.

Other Agency Internal Control Policies

1. Agencies use official government receipt book
2. Treasury requires agencies to sign receipt book register when obtaining replacement receipt book
3. Agencies issue an official receipt for every collection received
4. Agencies deposit collections with Treasury daily or when collected
5. Treasury ensures total of agency's receipts reconciles with cash/checks deposited
6. Treasury issue system receipt for agency's receipts and agency affix receipt in receipt book or file with records
7. Treasury retain second copy of all agencies receipts issued, and original of any voided receipts, and ensure completeness of receipt number sequence
8. Agencies store receipt book securely in locked cabinet

Other Agency Operating Procedures

1. Upon payment made, customer receives manual receipt
2. At end of day, receipt book and cash collected is taken to Treasury cashier
3. Cash is reconciled to receipts
4. Copy of receipts are retained by Treasury and checked for completeness
5. Receipts are entered into JDE system.
6. System-generated receipt is provided to Agency and affixed to receipt book.
7. Receipt books are registered when issued to Agencies

Collections and Deposits of Returned Checks (NSF payments)

Occasionally, a check may be paid to the government, deposited, and subsequently returned by the bank due to the check presenter having insufficient funds. Recovery of these funds are done through NSF check procedures.

Returned Check Internal Control Policies

1. Journal process for 'not sufficient funds' entries segregated from receipting process.
2. 'Not sufficient funds' account periodically reviewed by senior accounting staff to ensure returned checks are cleared
3. Vendor (debtor) is given a 'First & Final' Notice to clear NSF check plus NSF check fee within 30 days.
4. If NSF payment is not received within 30 days, Vendor (debtor) is disallowed from using checks for future payments to CNMI for a period of 6 months.

NSF Check Procedures

1. Returned check forwarded to Reconciliation Section for journal preparation.
2. Returned check is entered into CNMI tax system used for NSF checks.
3. Client to make restitution with cash or credit card and not another check
4. Restitution payment receipted to 'not sufficient funds' account code

Payments & Disbursements

Vendor Invoices Policies

The Finance & Accounting-Accounts Payable (AP) Section shall be guided by the policies set forth for the processing of payments against contracts and purchase orders. In general, payments will only be processed if the original invoice submitted by the vendor is approved by the official with expenditure authority and the vendor is in compliance with CNMI business laws and regulations.

1. Upon receipt of original invoice, AP staff shall review and determine the validity of the invoice by comparing it to the obligation document so as to ensure the payment request is within the obligated amount and that the goods or services delivered are specified in the obligation document.
2. All vendors must have a tax clearance from Division of Revenue and Taxation.
3. All invoices vouchered in JDE must be scanned and saved into respective folder in Laserfiche scanning software;
4. Only upon completing the review process shall the payment request be entered into the JDE system and a payment voucher generated for check disbursement to the vendor.
5. Incomplete documentation of a payment request shall be promptly brought to the attention of the requesting department and reasonable effort should be taken to ensure timely processing of vendor payments.
6. Payments shall be posted in a timely manner and by a different person than the entry data processing.

Additional Policies for Contracts:

1. The payment request bears the signature of the official with expenditure authority approving the payment;
2. the contract is still open with sufficient balance to cover the payment request;
 - a. *For construction contracts:*
 - b. Verify funding account; the payment amount requested must be encumbered in JDE and sufficient to cover payment request;
 - c. If type of payment request is a progress payment, percentage of completion must be indicated in request;
 - d. Verify accuracy of payment application numbering;
 - e. In the event that invoice date exceed the contract completion date stated on the Notice to Proceed, the Contracting Officer must indicate in the Payment Application that liquidated damages will be assessed to recover costs;
3. The invoice has not been previously billed nor paid;
4. The rate being billed agrees with the rate indicated on the contract;
5. Verify if any assignment of contract proceeds or court orders have been obligated against the contract;
6. No payments shall be issued to contractors/vendors for any service provided prior to the completion of contract processing. Invoices shall be thoroughly reviewed to ensure that the contractor does not bill the CNMI for services provided prior to the completion of contract processing;
7. Any requests for payment against a contract in which funds have already been exhausted shall be rejected and returned to the requesting department;
8. Payments against a changed order shall not be made until the completion of the change order processing.

Additional Policies for Purchase Orders:

Open Purchase Orders: Generally, an Open Purchase Order specifies the individual who is authorized to procure or pick up goods for the department. Invoices bearing the authorized individual's signature shall be attached to the purchase order upon submission to the Accounts Payable Section for payment processing. A copy of the purchase order is an acceptable form of an invoice for open purchase orders.

Regular Purchase Orders: The vendor shall submit the original invoice with the signature of the official with expenditure authority or his designee authorized on the purchase order, along with the original purchase order for payment. Purchase orders for capital items (valued \$5,000 and above) require that the items be delivered to the Division of Procurement & Supply (P&S) for tagging. In these cases, a receiving report bearing the signature of an authorized staff from P&S or the signature of the official with expenditure authority shall be attached to the original purchase order when submitted for payment processing. No payment shall be made to vendor without this receiving report.

Processing Partial prepayments:

1. Review contract for Delivery and Payment terms stating the percentage to be paid in advance;

2. Upon final payment request, a receiving report bearing the signature of an authorized staff from P&S or the signature of the official with expenditure authority shall be attached to the payment request;

Processing Full prepayment:

1. If full advance payment is required, verify receiving report requirements and terms (i.e. accountable person, timeframe for submission of receiving report and penalty)

Disbursement Internal Control Policies

1. Treasury ensures accuracy by matching check register to checks, check numbers are consecutive, and there are no missing checks or gaps in check numbers.
2. Process of printing checks to remain segregated from Accounts Payable.
3. Treasury staff disbursing checks must require valid identification from vendor if check will be picked up. Vendor must also sign check transmittal.
4. Original copies of bank wire transfers must be retained with other documents as evidence of transfer to correct recipient.

Disbursements general procedures

When a voucher is entered into JDE, the system automatically schedules the anticipated release of checks for 30 days after date of entry. Upon availability of cash, the Secretary of Finance or Treasurer, will authorize the printing of checks.

1. Treasurer produces report of pending disbursements from the JDE system.
2. For local funds, Treasury confirms with Secretary of Finance any checks to be produced using local funds.
3. For federal funds, Treasury confirms any checks with federal expense report prepared by federal section of Finance & Accounting Division.
4. Treasury reviews to ensure all voided checks are included.
5. Check register filed in Treasury.
6. Wire transfer documents are prepared by disbursement officer for funds to be wired off-island by bank.
7. Wire transfers are entered in system as manual checks and all supporting documents retained for record keeping.

Payroll Disbursements

Payroll disbursement policies:

1. Accrued leave balances shall be reviewed for validity quarterly and adjustments to records be executed within a reasonable time. All adjustments must be documented and notification be given to employee.
2. Payroll disbursement are to be prepared in timely manner for disbursement in accordance to the Payroll calendar for the respective year.
3. All submitted timesheets must be submitted one (1) week prior to disbursement and include all necessary documentation, including but not limited to allotment forms and advance forms.
4. Agency or personnel must be notified of improper documentation within a reasonable time.
5. Each employee is allowed up to 4 payroll advancements in a 12 month period.

Payroll disbursement procedures:

1. F&A Payroll Section prepares payment voucher for the total day disbursement.
2. Treasury produces report of pending payroll disbursements and prepares payroll payments.
3. Treasurer or designated authority transfers authorized funds into Payroll account.
4. A record of receipt shall be maintained for all payroll documents and checks picked up at Treasury.

Cash Advances: Processing Travel and Vendor Policies and Procedures

Travel Advance Policies

1. Travel advances are authorized and approved by signatures of Secretary of Finance or designee.
2. Finance & Accounting – Travel Section certifies availability of funds to meet travel expenses.
3. All calculations are checked by the Travel Advance officer to ensure the correct amount of travel advance is paid.
4. Traveler accepts liability for advance provided and agrees in writing to be legally liable for outstanding balance.
5. Accurate records are maintained of outstanding travel advances and balances owing.
6. Allowances – Subsistence, stipend, transfer allowance, honorarium, and incidental expense allowance are paid only when actually earned. Travel advances are not authorized for allowances.
7. Youth Congress members or any person traveling as a Board Member to a CNMI Government agency shall not be issued a travel advance, but instead a travel stipend under the agency’s appropriate travel account.
8. Travelers must submit travel vouchers within 15 days after completion of travel. Automatic payroll deductions will be instituted to recover the full amount of the advance if a travel voucher is not submitted within the required time period or if the traveler did not perform the travel and did not submit a “Canceled” Travel Voucher.
9. Payroll deductions will continue until such time as the outstanding balance due to the CNMI Government is fully liquidated. In the event that an employee leaves the CNMI Government before travel advance is fully repaid, the Finance & Accounting will withhold the final paycheck or lump sum payments to fully liquidate the outstanding balance.
10. If a traveler with payroll deductions subsequently files a travel voucher, any over deducted amount will be reimbursed.
11. Any payroll deductions instituted as a result of the above policies will be made according to the schedule per Memorandum SFM 2006-076.

<u>Outstanding Advance</u>	<u>Salary Deduction</u>
Less than \$100.00	Total Due
\$101.00 - \$1,000.00	\$100 per pay period
\$1,001.00 - \$2000.00	\$150 per pay period
\$2,001.00 - \$3000.00	\$200 per pay period
\$3,001.00 - \$4000.00	\$250 per pay period
\$4,001.00 or more	\$300 per pay period

Vendor Advances Internal Control Policies

Policies and procedure are in place to ensure:

1. Vendor advances are properly authorized and approved – Procurement Officer approves advance payments based on vendor terms
2. Sufficient funds are available to meet the vendor advance – Finance and Accounting division certifies availability of funds
3. Accurate records are maintained of outstanding vendor advances and balances owing - Unique number used in accounting system to identify vendor and their liability
4. Advance is properly accounted for as expense when goods/services are received – Receivable and encumbrance are liquidated and expense posted when goods are received

Voided or Missing Government Check Procedures

Sometimes checks issued by the government need to be voided for various reasons such as incorrect amount or payee, check damaged or returned mail. In other cases checks may be lost or stolen and check needs to be voided in the accounting system and reissued.

1. Treasury receives check to be voided or certification of missing check.
2. Treasury stamps checks as void.
3. In the case of missing or stolen checks, bank is checked to ensure check has not cleared.
4. For stolen checks, a stop payment is processed to the bank on line.
5. Voided checks and certification forms provided to F&A-Reconciliation Section for voiding in system.
6. Treasury reissues a check to replace the voided check
7. Payroll checks are not voided in the system as deductions have already been processed. In the case of net pay, a replacement check is issued noting the original check number for reconciliation purposes. Incorrect check amounts are adjusted in the next payroll.

Cash Held Outside Treasury

Imprest Fund Accounts

Agencies and offices are provided bank accounts for expenditures to provide operational efficiency. These imprest fund bank accounts are created and maintained by Treasury and with approval of the Secretary of Finance. A fund balance must be established along with a designated expenditure authority. Replenishment of funds documentation of expenses is required for replenishment are transferred to respective office accounts based on documentation of expenditures. Finance and Accounting Division process entries to debit the individual expenditure accounts and credit the bank balance. Treasury transfers reimbursement funds based on the approved expenditure amount.

Procedures are in place to ensure:

1. All expencurred for official purposes andriginal documentation submitted to Finance and Accounting Division and Medical Referral Officer for approval of expenditures.
2. Expenditure is authorized - Medical Referral Officer or their designee approves expenditure.

3. No replacements without approval and recording of cancellation on original check.
4. No changes should be made other than what is stated on the cancellation request.
5. All expenditures are reflected in the government accounts on a timely basis - Financial information submitted to Treasury for replenishment periodically.
6. Bank accounts are adequately controlled – Medical Officer’s signature required on all checks
7. Bank accounts are adequately reconciled - Bank reconciliation of accounts by Finance and Accounting on monthly basis.

Other Imprest Funds

Additional bank accounts are established outside of Treasury under the Rota and Tinian Finance Offices, Supreme Court, Superior Court and Garapan Street Market. These accounts operate following the same basic procedures as the medical referral accounts.

U.S. Federal Grant Drawdowns, Cash Disbursements & Cash Receipting

U.S Federal grant disbursement procedures follow the same procedures as local disbursements until the payment selection process. Grant disbursements are associated with the drawdown of funds from the U.S. Treasury and can be paid when drawdown is requested. The policy goal is to have Federal grant disbursements clear the bank as described in the CMIA Treasury-State Agreement. Reports are submitted to the Federal agencies to support the amounts drawn down.

Drawdown and Disbursement Procedures

1. Finance and Accounting (F&A) – Payables Section enters and posts invoices into the JDE as received.
2. F&A-Federal Section runs an expenditure report every two weeks to verify posted expenses match reimbursement/drawdown request.
3. F&A-Federal Section then provides Treasury with the verified drawdown request with expenditure report and supporting documentation. Drawdowns usually include payroll disbursements and vouchers that have already been paid.
4. Treasury processes the drawdown request through the respective Federal online payment system.
5. Upon drawdown request, checks are printed and are either mailed, processed for wire transfer, or picked up by vendor.
6. Treasury monitors bank accounts for deposited funds and check clearances periodically.

Federal Cash Receipt and Reconciliation Procedures

1. F&A-Federal Section monitors bank activity daily and records the drawdown cash receipts in JDE using the applicable grant accounting codes.
2. Finance and Accounting Division provides Treasury with a list of drawdown amounts processed along with the grant accounting codes.
3. Federal expense reports are reconciled with disbursement reports in a timely manner to
 - a. Ensure correct payments and to
 - b. Establish clearance patterns.

Other Grant Cash Management

Grants from other donors are usually received in advance of disbursements and are maintained in separate bank accounts. Some small grants are on a reimbursable basis where disbursements made are submitted to the grantor for payment.

Implementation

This publication was updated on April 06, 2017 and effective on 4/10/17.

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Larrisa Larson, Secretary of Finance

4/10/17

Date



Office of the Secretary
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Attachment C:

Template to update Internal Control Plan

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Internal Control Manual

Introduction

The City of Lakeland has the responsibility to its taxpayers, ratepayers, and constituents to be good stewards of public monies and property. In our efforts to serve the public as city officials or employees, the City established this Internal Control Manual using widely recognized best practices and state and federal directives.

State of Tennessee statutes require the Comptroller's Office, Department of Audit to prescribe uniform accounting systems for entities that handle public funds. Those statutes require public officials to adopt and use the system designated by the Comptroller's Office. The Tennessee Legislature amended TCA Section 9-2-102 in 2015 to require local governments to establish and maintain internal controls in accordance with guidance issued by the U.S. Government Accountability Office (GAO). The guidance is titled *Standards for Internal Control in the Federal Government* (Green Book). The Green Book follows the format developed by the Committee of Sponsoring Organizations (COSO) which has been the gold standard of internal control for all entities except the federal government for several years.

The internal control system consists of three (3) objectives and five (5) main components.

THREE (3) OBJECTIVES OF INTERNAL CONTROLS:

1. Reporting – reliability
2. Operations – effective and efficient
3. Compliance – compliant with applicable laws, regulations, contracts and grant agreements

FIVE (5) MAIN COMPONENTS OF INTERNAL CONTROLS:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

The purpose of this manual is to ensure that the objectives of reporting and compliance are established. The policies to achieve the objectives are derived from various financial best practices, state and federal laws, and regulations and policies may be developed to suit specific needs of city functions and resources. Detailed procedures are then developed and documented as a means for cities to comply with its established policies.

Five Components of Internal Control

1. Control Environment

Overview

The control environment is the foundation for all other components of internal control, providing discipline and structure. Moreover, management establishes the tone at the top regarding the importance of internal control and expected standards of conduct, and reinforces expectations at various levels. Control environment factors include the integrity, ethical values, and competence of the city's personnel; the way management assigns authority and responsibility, and organizes and develops its personnel; and the attention and direction provided by the governing body.

Objectives

The governing body and management should:

1. Conduct business with integrity and ethical behavior.
2. Provide direction and oversight for city's internal control system.
3. Hire qualified and competent management.
4. Establish structure, authority and responsibility, and hold individuals accountable for internal control responsibilities.

Policies

1. The governing body through management has adopted a personnel manual that details policies, expectations, and other employment-related topics.
2. Each employee receives a copy of the city's personnel manual, which includes a policy on business ethics and conduct, and signs an acknowledgement of receipt.
3. Management has developed job descriptions for each position and reviews employee compliance on an annual basis through performance evaluations.
4. The governing body uses the budget process as a means of oversight with department heads.
5. Organizational charts are reviewed for needed changes in regards to authority and responsibility.

Procedures

- The Finance Director/CMFO reviews the personnel manual annually to determine needed revisions to comply with federal and state laws, as well as practices of the city.
- The City Manager reviews suggested revisions, if any, by the Finance Director/CMFO and presents the finalized manual to the Board of Commissioners for approval.
- The city holds annual required training where human resource topics are covered. The code of conduct and the personnel manual are always part of the training.
- Detailed job descriptions with minimum job requirements are maintained for each position within the city.

- Department heads review employee job descriptions annually to ensure compliance and document employee performance and conformity through an annual employee evaluation.
- The Finance Director prepares the annual budget beginning in March, with input from the City Manager and department heads, using historical data from the three (3) previous years. The Finance Director also prepares an annual capital budget.
- The proposed budget is presented to the Board of Commissioners during at least one (1) budget workshop in April. The City Manager, Finance Director, and all department heads are present to explain their budgets or request additional funding.
- The budget ordinance is prepared for first reading in May and second reading in June. The required public notice is published in the local newspaper no less than ten (10) days prior to the second and final reading.
- City organizational charts were developed based on the city structure required in the city charter.
- The charts are reviewed periodically as job descriptions and positions are added or changed to determine if the reporting structure, authority, and responsibility documented in the chart is still accurate.

2. Risk Assessment

Overview

City officials and management assess risk of operations continually. The city has chosen to transfer the most common types of risk through the purchase of the following types of insurance:

1. Property and Casualty
2. Liability
3. Errors and Omissions
4. Worker Compensation
5. Surety Bonds

There are risks we cannot anticipate or know about, and as it relates to financial and compliance issues, we have assessed the following areas and identified certain risks that we feel need to be addressed by the development of internal control policies and procedures. Internal controls will not eliminate all risk but will help reduce risk to gain

reasonable assurance that reporting and compliance objectives are being met.

There are risks we cannot anticipate or know about, and as it relates to financial and compliance issues, we have assessed the following areas and identified certain risks that we feel need to be addressed by the development of internal control policies and procedures. Internal controls will not eliminate all risk but will help reduce risk to gain reasonable assurance that reporting and compliance objectives are being met.

Objectives

1. **Collections** are complete, timely, and accurate.
2. **Disbursements** are for a valid city purpose and properly recorded.
3. **Assets** are properly safeguarded.
4. City is in **compliance** with contractual, local, state, and federal laws and regulations.

Risks

1. Collections could be lost or misappropriated.
2. Collections could be recorded improperly.
3. Collections may not be deposited in the bank and recorded timely.
4. Disbursements could be unauthorized.
5. Disbursements could be for personal items.
6. Disbursements could be made for items never received.
7. Bank balances may be inaccurate due to failure to reconcile bank accounts.
8. Capital assets or inventory items could be missing.
9. Inventory is not available when needed.
10. Grant funds could be spent for unallowable items.

11. Grant rules may not be followed which could result in having to return federal funds.
12. Federal reporting requirements were not met.

The significant areas of risk are identified above and policies and procedures will be documented in the next section to explain how the city plans to put internal controls in place to help reduce some of the risks associated with these areas of operations.

3. Control Activities

Overview

Detailed procedures will be documented in this section. The objectives, policies, and implemented procedures will be described for each of the significant areas identified in the Risk Assessment section.

Collections/ACHs

Objectives

1. Collections are complete, timely and accurate.
2. Collections are safeguarded.
3. Collections should be recorded accurately and timely in the accounting system.

Policies

1. All collections will be receipted to the appropriate fund and revenue code and recorded in the general ledger daily.
2. A pre-numbered receipt will be issued for each collection made.
3. The cash drawer and payment lockbox will be reconciled daily by two people and the receipt log will be signed.
4. No checks will be cashed from the cash drawer.
5. All funds will be deposited within three (3) business days.
6. The cash drawer will be locked when unattended and placed in a designated area after hours.
7. At no time will cash be left out in the open unattended.
8. Collections and associated receipts will be immediately placed in the payment lockbox.
9. Employees are prohibited from comingling city assets with personal assets.
10. Deposits containing cash are delivered to the bank in locked bank bags.
11. Chart of accounts codes will be reviewed with the cashier on a regular basis.
12. All daily collection reports are posted to the general ledger by the accounting system at the end of each business day as part of the cashier's daily closing process.
13. Reconciliations are performed monthly by the Finance Director.

Procedures

- The cashier will enter all collections immediately in the accounting system using the correct fund and revenue code.
- The cashier will immediately stamp all checks "for deposit only" in the appropriate fund bearing the city's name.
- A pre-numbered receipt is issued for all collections by the accounting system. Receipt lists date, amount, payer, proper accounting code, cash or check and is signed by cashier. One copy is given to every customer and one copy is retained with the daily receipt log with proper backup documentation.
- The cashier will reconcile his/her cash drawer daily. All collections will be put into the payment lockbox and retrieved daily by the Finance Clerk for review, verification, and preparation of the deposit.
- The prepared deposit will be given to the Finance Director to review and verify.
- Another employee, independent of the collections process, will deliver the deposit to the bank in a locked bank bag.
- The deposit receipt will be returned to the Finance Clerk for reconciliation with the receipt log and general ledger report.
- The Finance Director will reconcile the bank statements on a monthly basis and the City Manager will review reconciliations. Dates will be compared to deposit records for timeliness. Receipts will be reviewed for accurate amounts, coding, proper signature, and other required information.
- The cashier retains the key to the cash drawer. The drawer is to remain locked at all times when unattended.
- The cash drawer will be locked in a designated area after hours and on weekends.
- The cash drawer will be reconciled daily by two people and a cash report will be signed by both employees.
- The payment lockbox will be reconciled daily by the Finance Clerk. The lockbox will remain locked at all times and the Finance Clerk will have the only key.
- The Finance Clerk will place all deposits containing cash in a locked bank bag for deposit. The Finance Director and bank will have the only (2) keys.
- The Finance Director will reconcile the daily cash reports, deposit slips, and bank statements on a monthly basis.
- The Finance Director will periodically perform surprise cash counts to ensure there are no personal checks being held in the cash drawers and to ensure the drawers are in balance.
- All revenue codes used by the city are kept with the cashier. The Finance Director will notify the cashier if an account code is changed or added.
- The cashier posts the daily transactions to the general ledger after reconciling each day.
- The Finance Clerk will review the transactions for accuracy and make any adjustments or changes with the approval of the Finance Director.
- The Finance Director will reconcile the daily cash reports, deposit slips, and bank statements on a monthly basis.

Disbursements/Drafts

Objectives

1. Disbursements are for a valid city purpose and necessary.
2. Disbursements are timely.
3. Disbursements are accurately coded and recorded in the accounting system.
4. Disbursements are legally appropriated.

Policies

1. The city has adopted purchasing policies that comply with state law.
2. Various levels of authority have been assigned.
3. Purchase orders and packing slips are matched and given to the Finance Clerk for payment as soon as possible.
4. Checks are written weekly to ensure timely payment of invoices.
5. All checks require two signatures.
6. All checks have documentation attached at the time of signing.

Procedures

- All purchases will be made in accordance with the City's purchasing policy.
- Employees will complete a purchase order when appropriate. The employee's supervisor will review and authorize the purchase order.
- The Finance Clerk will enter purchase orders into the accounting system to encumber the funds and ensure compliance with the budget.
- The Finance Clerk will verify that packing slips and purchase orders match before payment of invoices.
- The Finance Clerk will prepare weekly check batches using backup documentation and present the batches to the Finance Director for review and approval of expenditure codes.
- The Finance Director verifies all expenditure codes for accuracy and availability of funds prior to the Finance Clerk processing check payments.
- The Finance Director and City Manager review backup documentation and manually sign all checks. The Planning Director may act as a second signer in the absence of either the Finance Director or City Manager.

Safeguarding of Assets

Objectives

1. Ensure city assets are properly valued and protected.
2. Ensure cash and other asset accounts are reconciled.
3. Ensure investments are safe and in accordance with adopted investment policy.
4. Ensure city assets are protected against loss, misappropriation, or theft.
5. Ensure inventory items are available when needed for use.

Policies

1. All bank account statements (checking, savings, investments, etc.) are reconciled to the general ledger accounts within 15 days of the date of the statement.

2. All bank accounts are appropriately collateralized. Bank accounts maintained in the State Collateral Pool are classified as "Public" on the bank's records.
3. All bank accounts are held in financial institutions under the city's name and only authorized employees (two signatures required) are allowed to open new accounts with the approval of the Board of Commissioners.
4. All withdrawals, checks, liquidations, etc., from any bank account require two signatures.
5. All investments require two signatures.
6. Inventory records contain enough information to readily identify corresponding capital assets. Capital assets are tagged or otherwise identified during a physical inventory that is performed annually.
7. Proper safeguards are in place to prevent theft or loss of assets.

Procedures

- The Finance Director reconciles the bank account statements to the general ledger on a monthly basis using an account analysis of each cash account.
- The City Manager reviews and approves the reconciliations and any adjustments to the general ledger.
- Reconciling items will not be carried forward more than sixty (60) days.
- The reconciliations are reviewed annually by external auditors.
- Any requests for new bank accounts are presented to the Board of Commissioners for approval. If approved, the Finance Director and City Manager will complete the necessary paperwork to open the new account in the city's name and ensure that the bank holds the funds in a "public" account.
- The Finance Director will annually review the accounts for accuracy of signers and proper collateralization.
- Assets valued in excess of \$500 will be appropriately marked or tagged.
- The Finance Clerk performs an inventory count on an annual basis. Disposal of inventory is done in a way that sensitive information cannot be retrieved.
- Insurance policies are reviewed and renewed annually for accuracy of covered assets.
- Surety bonds are renewed on an annual basis for all employees that handle cash.

Compliance

Objectives

1. Ensure that state laws regarding the issuance of debt are followed.
2. Ensure that state and federal grant regulations are understood and followed.

3. Ensure that note disclosures in the financial statements contain all required elements.

Policies

1. The city has adopted and maintains a debt management policy in accordance with state requirements.
2. The Finance Director consults with the city's financial advisor on all debt-related issues.
3. Every department must notify the Finance Director when an application for 100% grant funding is submitted and subsequently awarded.
4. All grants with matching requirements must be approved by the City Manager and Finance Director, and subsequently approved by the Board of Commissioners, prior to submission of application.
5. Once awarded, the Finance Director is to be notified of the project budget and detailed expenditure requirements of the grantor agency.
6. The Finance Director must be provided with the grant contract information, grant or contract numbers, and whether the grant is state or federal funds.
7. The Finance Director will amend the budget as necessary to accommodate awarded grant revenues and expenditures.

Procedures

- The City Manager and Finance Director annually review the debt management policy with the city's financial advisor.
- Before the issuance of debt, the Finance Director consults with the city's financial advisor to determine the impact or implications to the city's financial well-being.
- The Grant Administrator is responsible for working with the Finance Director to submit all grant applications.
- All grant applications for grants requiring matching funds will be presented to the Board of Commissioners for approval before submission to ensure that funding will be made available.
- The Finance Director will determine any needed budget amendments upon receiving notice of award for any grant funds. The budget amendments will be presented to the Board of Commissioners for approval.
- Grant management responsibilities will be assigned to an appropriate employee for every grant. This will usually be the Grant Administrator.
- The Finance Director will be notified when any reimbursements have been submitted so that the revenue can be allocated to the appropriate revenue code.
- A copy of every grant application and contract will be filed with the City Recorder and secured electronically

4. Information and Communication

Overview

Management has the responsibility to adequately communicate and provide information to both internal and external parties. It is important that employees know the objectives, policies, and procedures management has established and what the

expectations are for internal controls. External stakeholders (citizens, developers, creditors) also seek information regarding objectives and reliable financial information.

Policies

1. An annual risk assessment will be conducted to ensure that internal controls continue to work as designed over time.
2. The city will establish more efficient and effective operations over time.
3. Accurate and reliable information will be used in decision-making.

Procedures

- Management annually evaluates the state of the internal control system and determines any deviations from the designed criteria and the current condition of the system.
- Management makes a decision on whether to change the design of the internal control system or implement corrective actions to improve the effectiveness of the existing system.
- Members of management will periodically review the procedures outlined in this manual to ensure that policies are being implemented and objectives are being met.
- Financial reports will be generated monthly and reviewed by those in a position of authority over financial operations. Those in a position of authority include, but are not limited to, the Finance Director/CMFO, City Manager, and Board of Mayor and Commissioners.

Summary

The framework of this manual complies with the state requirements and was created using the Green Book as guidance. This manual will be reviewed annually and updated as needed. All employees of the City of Lakeland will be required to abide by the policies and procedures outlined in this manual, as well as any corresponding state laws. The manual will be made available electronically and in paper form.

The City of Lakeland will abide by the Internal Control and Compliance Manual for Governmental Entities and other Audited Entities in Tennessee issued by the Comptroller of the Treasury.

Supplementary Information

TN Comptroller of the Treasury

<http://www.comptroller.tn.gov>

Internal Control and Compliance Manual (12/2015)

http://www.comptroller.tn.gov/la/pdf/20150202ICCMManual_Complete.pdf



**Office of the Secretary
Department of Finance**



P.O. Box 5234 CHRB, Saipan MP 96950

TEL: (670) 664-1100 FAX: (670) 664-1115

**Attachment D:
Sub-recipient Monitoring Forms**

Grant Monitoring Checklist

GRANT MONITORING GUIDELINES	Date Report Completed:	Project Director/Site Coordinator:		
Grant Name:	Grant Number:			
Topic Area	Yes	No	N/A	Recommendations/ Comments
A. Program Operation				
1. Are project goals attainable in this grant period?				
2. Is the project progressing on schedule?				
3. Is the project functioning as described in application?				
4. Has there been a change in Primary Contact?				
5. Do Progress Reports describe project activities?				
6. Is data provided to support project "goals/outcomes?"				
7. Are project goals attainable in this grant period?				
8. Are there Segregation of Duties between fiscal & program?				
9. Is subrecipient involved in lobbying activities?				
10. Is subrecipient compliant with terms of previous awards?				
11. Have all Special Conditions of the award been met?				
12. Is there evidence of a change in project scope?				
B. Budget				
1. Will project meet budget time frame? If not, why?				
2. Have budget adjustments been needed?				
3. Do expenses have supporting documentation?				
4. Are match requirements being met?				
Can grantee provide clear documentation of match?				
What are the sources of match?				

5. Fiscal records include federal, matching & program income?				
6. Is there evidence of Supplanting to fund project?				
7. Is there a budget variance greater than 10% per category?				
8. Are grant funds routinely requested to meet obligations?				
9. Bank reconciliations are performed monthly?				
10. Value of in-kind contribution is supported by document				
C. Personnel				
1. Are there job descriptions for ALL grant-funding positions				
2. Are Time Sheets Maintained for ALL grant Employees?				
3. Do hiring policies exclude related parties?				
D. Travel				
1. Is travel documented by date, distance, & locations?				
2. Is travel reimbursement paid?				
E. Supplies/Operating Expenses				
1. Have these been purchased according to budget?				
F. Equipment				
1. Has approved equipment been purchased?				
2. Was competitive bidding used to obtain equipment?				
3. Is equipment being used appropriately?				
4. Does grantee have current property control record on file?				
5. Does agency have physical inventory procedure?				
G. Reports				
1. Are ALL required reports on file with (insert Grantee Name)				
Financial Report				
Progress Report				
Special Report				
Annual Progress Report				

Subgrantee Evaluation for Internal Control Questionnaire

Program Director:		Grant Number:
Grant Name:	Budget Period:	
Subgrantee Information		
Subgrantee /Agency Name:	Email Address:	
DUNS#:	Agency's Telephone Number:	
Address:		
Executive Director:	Phone:	
Fiscal Director/ Accountant:	Phone:	
List Top 5 sources and estimated contract/grant budgets for all federal, state and other grant funds provided to your agency in the last fiscal year.		
Grantor Agency, Name of Grantor and Type, i.e. Federal, State, or Other	Name of Grant	Grant Amount
1.)		
2.)		
3.)		
4.)		
5.)		
1. Number of years the agency has been in business?		
2. How many grant programs are operated by this agency? <input type="checkbox"/> 1-2 <input type="checkbox"/> 3-4 <input type="checkbox"/> over 4		
3. Which OMB circulars, governing guidances or legal agreements are applicable to this grant project:		
4. What is the agency's fiscal year? (month - month)		
5. Date of last independent audit: Attach a copy of the most recent completed audit		
6. The audit determined that the financial statements were: <input type="checkbox"/> Qualified <input type="checkbox"/> Unqualified		
7. The auditor issued an: <input type="checkbox"/> Adverse opinion <input type="checkbox"/> Disclaimer <input type="checkbox"/> Neither		
8. Were any audit findings identified: <input type="checkbox"/> YES <input type="checkbox"/> NO		
9. Does the agency have regular audits: <input type="checkbox"/> YES <input type="checkbox"/> NO		
10. What is the frequency of audits? <input type="checkbox"/> Quarterly <input type="checkbox"/> Annual <input type="checkbox"/> Bi-Annual <input type="checkbox"/> Other		

11. Name of CPA firm or auditor	Phone:
Accounting	
1. Which best describes the agency's accounting system? <input type="checkbox"/> Manual <input type="checkbox"/> Automated	
2. What is the name of the agency's accounting software?	
3. How many years has the accounting software been in use?	
4. Financial reports are prepared on the following basis: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual	
5. Describe any significant changes in funding for the project or agency this fiscal year, e.g. changes that altered the cost allocation plan:	

	YES	NO
6. Are there written accounting policies and procedures? What dates were they written or last revised?		
7. Does the accounting system identify revenue and expenses separately?		
8. Does the accounting system identify expenses by project and budget cost categories?		
9. Does the accounting system separate direct and indirect expenses?		
10. Does the agency maintain a separate bank account for Federal or State grant/contract funded awards?		
11. If funds are commingled, can this project's grant related expenses be readily identified among other costs?		
12. Does the agency maintain a general ledger?		
13. Is there a cash receipts journal?		
14. Is there a cash disbursement journal?		
15. Attach an excerpt from the general ledger to demonstrate that this grant's project's funds are being tracked in the system		
16. Is documentation adequate to provide an audit trail to/from original source documentation to the books of accounts?		
17. Are vouchers, invoices and/or receipts maintained for all expenses?		
18. Is the general ledger maintained in a manner that provides ease in the preparation of required reports?		
19. Are revenues and expenditures classified in the books of account in the same categories that are included in the budget?		
19a. If not, are the reports linked to the books by worksheets?		
20. Are bank accounts reconciled monthly?		
21. Are internal control procedures documented? i.e. separation of duties, approvals, etc.		

22. Is there a comparison of budget to actual expenditures?		
23. Is there an approved cost allocation plan for allocating indirect costs to grant programs?		
24. Which grantor agency approved the cost allocation plan or budget? Attach a copy of the approved budget		
25. Are grant expenditures reconciled to the general ledger on a periodic basis? If yes, how often?		
Vendor Payments		
1. Is the approval received for payment of invoices prior to payment actually being made?		
2. Are invoices cancelled when paid?		
3. Are expenditures made within the time restraints of the grant and charged to the correct accounting period?		
4. Are all contracts and subcontracts in writing on file? List your agency's subcontractors that have any affiliation with this grant project.		
5. Are expenditures in compliance with applicable cost principles? What cost principles are being adhered to for this grant/contract?		
6. Are there written policies and procedures for processing vendor payments? What dates were the written or last revised?		
Travel		
1. Are expenditures charged to travel supported by source documents?		
2. Are requests for travel approved in advance and reviewed to ensure compliance with grantor funding and/or the budget?		
3. What rate is used to reimburse mileage?		
4. Are there written policies and procedures for travel expenses? When were the written or last revised?		
Personnel Records		
1. Are salaries/wages supported by time and attendance records?		
2. Are all leave types addressed in the personnel policy?		
3. Are timesheets that identify effort devoted to a particular objective maintained for all grant funded employees?		
4. Are all fringe benefits, except those required by law, addressed in the personnel policies?		

5. Does segregation of duties exist for individuals approving time and attendance vs. the processing of payroll documentation for paychecks?		
6. Is payroll processed internally or is it outsourced? <input type="checkbox"/> internally <input type="checkbox"/> outsourced		
7. Are grant funded salaries documented in a letter or contract?		
Procurement Policies		
1. Are there written procurement policies? When were the written or last revised.		
2. Does adherence to procurement policies, in your judgment, result in obtaining the best quality of service or product at the best price?		
3. Are purchase orders used?		
3a. If yes, are expenditures supported by an approved purchase order?		
4. Have purchasing authority levels been established? List the hierarchy		
5. Are bids required for certain purchases, contract or capital improvements?		
Match Share Documentation		
Is a match required? If so, which type (below) <input type="checkbox"/> Cash <input type="checkbox"/> In-Kind		
2. What is the source of the match?		
3. Do accounting records adequately reflect that the required match is expended according to the same criteria as the grant/contract funds being matched?		
4. Are there in-kind revenues and expenditures recorded in the accounting records? 4.1 If yes, is there adequate documentation to value: 4.1.1 Services (time and attendance, pay rate used, etc.) 4.1.2 Goods (Basis of evaluation) 4.1.3 Space rental com orisons, etc.		
Record Retention Policy		
1. Are there written policies and procedures for record retention? If so, when were they written or revised		
2. Are confidential records stored in a secure area?		
3. Are records stored on-site or off-site <input type="checkbox"/> on-site <input type="checkbox"/> off-site		
General		

<p>1. Has there been any change in the structure/operation of the grant program? If yes, describe</p>		
<p>2. Has there been staff turnover in key positions? If yes, what are the affected positions and reasons for turnover?</p>		
<p>3. Do you have written policies and procedure manual? If yes, attach its table of contents and list of appendices</p>		
<p>4. Do you have a license to operate a business? If yes, has there been any recent change in the license status? List the business license number and any other government issued identifying number that is associated with your agency.</p>		
<p>5. Are you accredited by an organization? If yes, has there been a recent change in the accreditation? Who is the accreditor</p>		
<p>6. Do you have property and liability insurance? If yes, do you have a certificate of insurance on file? Who is the carrier?</p>		
<p>7. Does your agency operate satellite sites or other branches?</p>		
<p>8. Describe procedures for safeguarding confidential information.</p>		

I hereby certify that all of the above information is true and correct to the best of my knowledge and belief.

NOTE: Return the completed questionnaire to your grant program staff. Your delay in returning this form may interrupt the processing of subgrants or payments.

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Signature of Executive Director or Other Authorized Agent

Date Signed

Title

SUBGRANTEE RISK-BASED ASSESSMENT

Purpose: Assist staff in effectively monitoring risks associated with DOF grants. Our focus is to insure that DOF grant programs meet the following requirements: adhere to the grantor's guidelines and agreements, remain with budget, carry out the scope of services, and ensure that proper internal controls are in place.

Procedure: Based on the Sub grantee Evaluation for Internal Controls Questionnaire and actions of the sub grantee, DOF staff shall rate each category below. Scores will then be added to determine if the level of risk is high, medium or low.

Risk Assessment: A score of 35-74 requires intensive follow-up and improvement based on a thorough evaluation of the grant project and execution of the approved action plan, a score of 26-34 requires evaluation areas that need improvement and improving those areas based on the approved action plan, while a score of 25 or less generally identifies that the program is at lower risk for potential waste, mismanagement, non-compliance or fraud.

The subgrantee's risk score determines the order in which grant staff will evaluate the grant program and/or perform a site visit.

Subgrantee or Agency Name:	
Grant Project Name:	
This Form Completed by, and Date of RBA Completion	
Grant Number:	
Subgrantee's DUNS Number:	
Project Year: From the date of signed contract or agreement between DH and subgrantee, 0-12 months = Year 1, 13-24 months = Year 2, 25-36 months = Year 3, 37 or more months = Year 4	Yr. 1 Yr. 2. Yr. 3. Yr. 4.
Total Score/Level ()	High Medium Low

Risk Level	Monitoring Plan Guidelines
<p style="text-align: center;">High (35-74)</p>	<p><u>Monitoring Plan</u> Department of Finance (DOF) will identify factors that contributed to the high-risk score. Staff will prepare and distribute a report that outlines non-compliance issues and areas that require improvement. The report will be distributed to the subgrantee, grants department and program coordinator.</p> <p>The subgrantee shall respond to DOF with a Corrective Action Plan within 15 calendar days. The DOF will provide a schedule of evaluation process and site visits. The sub grantee may be required to submit more frequent progress/performance/financial reports until further notice.</p> <p>The subgrantee shall receive technical assistance upon request.</p>
<p style="text-align: center;">Medium (26-34)</p>	<p><u>Monitoring Plan</u> Department of Finance (DOF) will identify factors that contributed to the medium risk score. Staff will prepare and distribute a report that outlines non-compliance issues and areas that require improvement. The report will be distributed to the subgrantee, grants department and program coordinator.</p> <p>The subgrantee shall respond to DOF with a Corrective Action Plan within 15 calendar days. The DOF will provide a schedule of evaluation process and site visits. The sub grantee may be required to submit more frequent progress/performance/financial reports until further notice.</p> <p>The subgrantee shall receive technical assistance upon request</p>
<p style="text-align: center;">Low (0-25)</p>	<p><u>Monitoring Plan</u> Department of Finance staff will continue to monitor progress/performance/financial reports for accuracy, timeliness, and no significant program changes.</p> <p>A grant evaluation or site visit may be considered</p>

SUBGRANTEE DATA	SCORE
1. Subgrantee Agency (Grant Agreement Signatory and/or Parent Organization)	
Within the past 10 years, the sub grantee agency has > 3 yrs. experience with Federal partners and demonstrates an active interest in the program	1
Within the past 10 years, the sub grantee agency has 1-2 yrs. experience with Federal partners and demonstrates an active interest in the program	2
Within the past 10 years, the sub grantee agency has limited experience with Federal partners and demonstrates an active interest in the program	3
Within the past 10 years, the subgrantee agency has limited experience with Federal partners and demonstrates no active interest in the program	4

Sub grantee agency hinders the policy and/or requirements of the grant program	5
2. Agency Experience Managing Any Type of Grant Funds	
Over ten years' experience	1
Five to ten years' experience	2
Two to five years' experience	3
Less than two years' experience	4
No past experience	5
3. Agency Experience Administering with Federal Grants	
Over ten years' experience	1
Five to ten years' experience	2
Two to five years' experience	3
Less than two years' experience	4
No past experience	5
4. Program Requirements	
Agency has provided services and met all program objectives specified in the contract's scope of services/agreement for the last 12 months	1
Agency has provided services and met most of the program objectives specified in the contract's scope of services/agreement for the last 12 months	2
Agency has provided services but has failed to meet most of the program objectives specified in the contract's scope of services/agreement for the last 12 months	3
Key staff lack the experience, necessary knowledge, skills and abilities to perform the job duties	4
High turnover of key staff (more than 1 key staff turnover within 18 months)	5
5. Audit	
Single audit with no material findings	1
Non-Single Audit with no material findings	2
Single or non-Single audit with some material findings	3
Single or non-Single audit with significant material findings	4
No audit performed	5
6. Results of previous DOF Grant Monitoring or Other Site Visits	
None or minor findings; timely corrective action taken	1
Some minor findings; timely corrective action not taken	2
Some moderate findings; timely corrective action taken	3
Moderate to significant findings; timely corrective action not taken	4
Not previously monitored	5
7. Subgrant Amount (Total of subgrant for this Grant Project)	
Annual Financial Obligation of \$0 - \$29,999.99	1
Annual Financial Obligation of \$30,000.00 - \$39,999.99	2
Annual Financial Obligation of \$40,000 - \$99,999.99	3

Annual Financial Obligation of \$100,000 - \$249,999.99	4
Annual Financial Obligation of \$250,000 or more	5
8. Subgrant shall complete the Subgrantee Evaluations for Internal Control	
Subgrant Evaluation of Internal Controls questionnaire shows few or no internal control weaknesses	1
Subgrant Evaluation of Internal Controls questionnaire shows several internal control weaknesses	6
Subgrant Evaluation of Internal Controls questionnaire shows major internal control weaknesses	10
9. Subcontracts (If yes, ask about their monitoring efforts)	
Subgrantee does not subcontract	1
Subgrantee has or will have 1 - 2 subcontracts	2
Subgrantee has or will have 3 - 4 subcontracts	4
Subgrantee has or will have 5 or more subcontracts	5
PROGRAMMATIC COMPLIANCE	
10. Regular Participation in Required Trainings/Meetings	
Agency director and/or key staff attend all required Federal trainings/meetings	1
Agency director and/or key staff attend most required Federal trainings/meetings	2
Agency director and/or key staff attend some required Federal trainings/meetings	3
Agency director and/or key staff rarely attend required Federal trainings/meetings	4
Agency director and/or key staff do not attend required Federal trainings/meetings	5
11. Communication	
Agency director and/or key staff always respond to DOF request in a timely manner	1
Agency director and/or key staff usually respond to DOF request in a timely manner	3
Agency director and/or key staff rarely respond to DOF request in a timely manner	5
12. Progress & Performance Measure Reports (Start of Program through Current)	
Timely submission; reporting mostly exceeds the requirements	1
Timely submission; reporting mostly meets the requirements	2
Timely submission; reporting mostly does not meet the requirements	3
Late submission; reporting mostly meets the requirements	4
Late submission; reporting mostly does not meet the requirements, or did not submit	5
FINANCIAL MANAGEMENT	
13. Financial Reporting	
Financial reporting is always timely and accurate	1

Financial reporting is timely and accurate most of the time	3
Financial reporting has not been timely and accurate	5
14. Budget	
Project is practically on-budget	1
Project is not on budget, and the reason(s) have been justified	3
Project is not on budget and the reasons have not been satisfactorily justified	5

Comments:

***CNMI Subrecipient
Monitoring Tools:
Site Visits Communications***

Scheduling a Site Monitoring (SM) Visit

The primary contact will schedule a routine SM Visit at least four weeks in advance by contacting the site coordinator or project director to:

Schedule the date and time of the SM Visit (include arrival time and approximate length)
Designate staff to be interviewed (at a minimum, the Project Director, Fiscal Officer, and grant-funded staff);

- o Primary contact will create an agenda for the SM Visit
 - The agenda will include approximate times to meet with different staff, materials that will be reviewed with these staff members, and topics of discussion.
 - The agenda will be submitted to the subrecipient site coordinator or project director at least two weeks in advance of the SM Visit and will allow for subrecipient feedback and topic changes

Outline the need for access to program and fiscal files and documents

Inform the site coordinator or project director that additional items may be requested at the time of the SM Visit.

Assess the need to plan technical assistance during the SM Visit.

Internal Review prior to (SM) Visit

Prior to the SM Visit, the Primary Contact will review materials submitted by the subrecipient to the grantee's office. Following is a list of items to be included in the review process, as well as questions to assist the Primary Contact in his/her analysis of the materials.

Program File Review: funding application; performance reports; correspondence & previous site monitoring report.

Are there any clarifications that need to be made? If so, what?

Are more details needed? If so, what?

Any "red flags?"

Any difficulties the project is encountering?

Weaknesses of the project?

Strengths of the project?

Compliance with certified assurances issues?

Are timelines being met?

Are the DUNS # registration current?

Program's fiscal information: overall budget, reimbursement claims, any budget revision requests, any key purchases with grant funds or matching funds, and audit review summary prepared by the subrecipient

Are there any clarifications that need to be made? If so, what?

Are more details needed, If so, what?

Any "red flags?"

Are timelines being met?

Ask the grant management office about any concerns Printout the program's Implementation Plan and Budget

Review Pre-Site Monitoring Tool completed by program prior to SM

Visit After reviewing the above items and considerations, the primary contact will create a list of questions and concerns for the SM Visit utilizing the checklist

Sample SM Visit Scheduling Email

Dear Subrecipient,

I am sending this message to schedule a grant monitoring visit.

The purpose of the grant monitoring visit is to monitor grant programmatic and fiscal activities. The review consists of an interview with agency personnel responsible for the management of the local subrecipient contract. The interviewees should be a team that may include the agent Executive Director, the program director, the site coordinator, the program contact, the fiscal manager and grant funded personnel.

The following outline contains topics that may be covered during the on-site review:

- Progression towards the goals and objectives of your program.
- The accomplishments of your program.
- Past and future projects.
- Training sessions your program staff have attended or implemented.
- Collaborations with other agencies.
- Compliance requirements in regards to financial, progress and Annual Progress Reports.
- Fiscal review.
- Concerns or issues.
- Your agency's comments, issues or questions.

Following the grant monitoring visit, the internal evaluator will review the information presented during the review process. The grant monitoring visit will be documented and placed in your agency's file. If necessary, a corrective action plan will be implemented.

Please confirm by reply to this message or by telephone your availability next week if possible.

Thank you

Sample Site Monitoring Follow-Up Report

October 31, 2014

Mr. John Smith, Director Address

Dear Mr. Smith:

It was a pleasure to meet with your fiscal team on October 30, 2014. As you know, according to OMB Omni Circular 2 CFR 200, Subpart D 330, a grantee shall monitor activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts and grant agreements. As the internal evaluator, it is one of my responsibilities to perform an on-going grant fiscal compliance monitoring review of each project. The purpose of this review is to verify you are operating in accordance with the federal grant and applicable laws and regulations, as well as to ensure subrecipient project files contain all the required documentation for the project. The preliminary results of your monitoring visit gleaned the following concerns and suggested recommendations:

Concern: *No prior approval is secured prior to travel. Recommendation:* *Have staff who will be traveling with federal funds complete a prior approval travel form (See attached example) that clearly states their per diem rate, their conference hotel rate, and other pertinent travel costs. Also make all staff aware of the state travel policies and the maximum cost allowed for in-state hotel rates, etc.*

Concern: *Travel costs have not been verified prior to reimbursement. Recommendation:* *Create new travel policies that either reflect your district policies or that they follow the State of travel policies which can be found at*

http://sao.state.wv.us/Travel/Travel_instructions.pdf. Your travel policies should indicate your per diem rate for conference attendance, and this rate must be consistent throughout all federal grant programs. For example, you should not be paying a higher per diem rate for one grant as opposed to another grant.

Concern: *Contracts are not on file for professional services paid with grant funds and no proof of liability insurance is found in your files for these professional services.*

Recommendation: *Federal policy states that any professional service paid for with federal funds require a signed contract. Please require a written contract for any professional services rendered and paid with federal grant funds prior to services being rendered. I am attaching a sample contract that could be used. In addition, your purchasing policies should be revised to include language concerning professional service requirements. Also, please ensure that all vendors who provide professional services and will be paid with federal funds provide your district with proof of liability insurance prior to services rendered.*

Concern: Purchases made prior to securing a purchase order. **Recommendation:** No purchases that are made with federal funds should be approved if a prior purchase order was not secured for this purchase. Please update your purchasing policies to reflect this requirement and hold steady on this, to ensure this practice is avoided in the future. This is a basic internal control strategy for a control environment that must have administrative support.

Concern: Teacher stipends for professional development attendance are inconsistent across grant programs. **Recommendation:** Consider writing new policies to address this issue to ensure that all teachers receive the same consistent stipend for any federal grant program. Stipends and per diem rates that are listed in your project grant are merely place holder amounts that are used for all districts to ensure that variations in stipend payments between the districts are covered. However, your district should be consistent with your written policy on stipend amounts and these amounts should be consistent across all federal programs.

If I can answer any questions about my review, please feel free to contact me at janedoe@dof.gov.mp

Thank you for all your hard work.

Sincerely,