

Report on Internal Control and Compliance

College of Micronesia-FSM

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

Year ended September 30, 2025



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

Internal Control and Compliance

Year ended September 30, 2025

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Management and the Board of Regents
College of Micronesia-FSM

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Audit Standards*), the financial statements of the College of Micronesia-FSM (the College), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements (collectively referred to as the "financial statements"), and our report dated June 30, 2026 expressed an unmodified opinion thereon.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Ernst + Young LLP

June 30, 2026



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

To the Management and the Board of Regents
College of Micronesia-FSM

Report of Independent Auditors on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited College of Micronesia-FSM's (the College) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2025. The College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibility for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to the noncompliance listed below:

Finding No.	Assistance Listing No.	Cluster Name	Compliance Requirement
2025-001	84.063, 84.033, 84.007	Student Financial Assistance (SFA) Cluster	Eligibility
2025-002	84.063, 84.033, 84.007	SFA Cluster	Special Tests and Provisions – Verification
2025-003	84.063, 84.033, 84.007	SFA Cluster	Special Tests and Provisions – NSLDS Reporting

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

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 to be significant deficiencies.

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

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

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

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

We have audited the financial statements of the College as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated June 30, 2026, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Ernst + Young LLP

June 30, 2026

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

Schedule of Expenditures of Federal Awards

Year ended September 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Other Identification	Federal AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION:				
Direct:				
Student Financial Assistance Cluster:				
Federal Pell Grant Program		84.063		\$ 9,766,911
Federal Work-Study Program		84.033		167,402
Federal Supplemental Educational Opportunity Grant		84.007		225,412
Subtotal Student Financial Assistance Cluster				<u>10,159,725</u>
TRIO Cluster:				
TRIO-Upward Bound		84.047		\$ 639,518
TRIO-Talent Search		84.044		383,939
Subtotal TRIO Cluster				<u>1,023,457</u>
COVID-19 - HEERF Minority Serving Institutions	COVID-19	84.425L		\$ 1,411,217
Total U.S. Department of Education				<u>\$ 12,594,399</u>
U.S. DEPARTMENT OF THE INTERIOR:				
Pass-Through FSM National Government:				
Economic, Social, and Political Development of the Territories:				
Compact of Free Association II		15.875	D16AF00012-00010	\$ 4,018,529
Total U.S. Department of the Interior				<u>\$ 4,018,529</u>
U.S. DEPARTMENT OF AGRICULTURE:				
Direct:				
Resident Instruction, Agriculture, and Food Science Facilities and Equipment Grants		10.308		\$ 7,680
Pass-Through College of Micronesia - Land Grant:				
Research and Development Cluster:				
Smith-lever Extension Funding		10.511	Unkown	\$ 968,436
Payments to Agriculture Experiment Stations under the Hatch Act		10.203	Unkown	773,628
Expended Food and Nutrition Education Program		10.514	Unkown	57,004
Subtotal Research and Development Cluster				<u>1,799,068</u>
Total U.S. Department of Agriculture				<u>\$ 1,806,748</u>
U.S. DEPARTMENT OF COMMERCE:				
Direct:				
Economic Adjustment Assistance		11.307	07-79-07664	\$ 161,685
Economic Development Cluster:				
Connecting Minority Communities Pilot Program		11.028	64-09-C13082	\$ 207,825
Subtotal Economic Development Cluster				<u>207,825</u>
Total U.S. Department of the Commerce				<u>\$ 369,510</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Direct:				
Grants to States to Support Oral Health Workforce		93.236		\$ 240,401
Pass-Through University of Hawaii:				
Area Health Education Centers		93.107	KA1949	\$ 94,658
Total U.S. Department of Health and Human Services				<u>\$ 335,059</u>
NATIONAL SCIENCE FOUNDATION:				
Pass-Through University of Hawaii:				
STEM Education (formerly Education and Human Resources)		47.076	1826864/HI1457	\$ 9,500
Total National Science Foundation				<u>\$ 9,500</u>
Total Federal Awards Expended				<u>\$ 19,133,745</u>

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

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2025

1. Scope of Audit

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of College of Micronesia-FSM under programs of the federal government for the year ended September 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College of Micronesia-FSM, it is not intended to and does not present the net position, changes in net position or cash flows of the College of Micronesia-FSM.

3. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, consistent with the manner in which the College maintains its accounting records. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. All expenses and capital outlays are reported as expenditures when incurred. Pass-through entity identifying numbers are presented where available. The College of Micronesia-FSM does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance. No amounts were passed through to subrecipients during the fiscal year.

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

Schedule of Findings and Questioned Costs

Year ended September 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

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

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

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____ X	Yes	_____ No
Significant deficiency(ies) identified?	_____ X	Yes	None reported

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

Student Financial Assistance Cluster	Unmodified
TRIO Cluster	Unmodified

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

_____ X	Yes	_____ No
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College of Micronesia-FSM
(A Component Unit of the Federated States of Micronesia National Government)

Schedule of Findings and Questioned Costs, continued

Section I - Summary of Auditor's Results, continued

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
	<i>Student Financial Assistance (SFA) Cluster:</i>
84.063	Federal Pell Grant
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grant Program
	<i>TRIO Cluster:</i>
84.047	Upward Bound
84.044	Talent Search Program

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

\$1,000,000

Auditee qualified as low risk auditee?

Yes No

Section II – Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

Finding No.	Assistance Listing No.	Cluster Name	Compliance Requirement	Questioned Cost
2025-001	84.063, 84.033, 84.007	SFA Cluster	Eligibility	\$0
2025-002	84.063, 84.033, 84.007	SFA Cluster	Special Tests and Provisions – Verification	\$20,042
2025-003	84.063, 84.033, 84.007	SFA Cluster	Special Tests and Provisions – NSLDS Reporting	\$0

College of Micronesia-FSM
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2025-001
Federal Agency: U.S. Department of Education
AL Program: 84.063/84.033/84.007 Student Financial Assistance Cluster
Federal Award No.: Title IV HEA Program OPE ID 01034300
Area: Eligibility
Questioned Costs: None

Criteria:

2 CFR 200.303 (a) states the recipient and subrecipient of federal awards must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The College is required to establish internal control to ensure compliance with the following requirements:

34 CFR 676.20 (s) states that:

Minimum and maximum Federal Supplemental Educational Opportunity Grants (FSEOG) awards requires:

(a) An institution may award an FSEOG for an academic year in an amount it determines a student needs to continue his or her studies. However, except as provided in paragraph (c) of this section, an FSEOG may not be awarded for a full academic year that is—

(1) Less than \$100; or

(2) More than \$4,000.

Condition:

We noted that seven students were awarded amounts exceeding the maximum allowable limit of \$4,000, while one student received an award below the minimum allowable amount of \$100.

Cause:

The condition was primarily due to the College’s limited familiarity with FSEOG requirements, as this represents its first year administering the program. As a result, management did not have adequate procedures or guidance in place to ensure compliance with the minimum and maximum award limits prescribed under federal regulations.

College of Micronesia-FSM
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2025-001, continued

Effect or potential effect:

The College is in noncompliance with applicable requirements.

Identification as a Repeat Finding: Not applicable.

Recommendation:

We recommend that management establish and implement formal policies and procedures for the administration of the FSEOG program, including clear guidance on the minimum and maximum award limits in accordance with federal regulations. Management should also provide adequate training to Financial Aid Office personnel on applicable federal requirements, perform supervisory reviews of award calculations prior to disbursement, and conduct periodic monitoring to ensure ongoing compliance with established limits.

Views of responsible officials

The College acknowledges the finding. Refer to corrective action plan.

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2025-002
Federal Agency: U.S. Department of Education
AL Program: 84.063/84.033/84.007 Student Financial Assistance Cluster
Federal Award No.: Title IV HEA Program OPE ID 01034300
Area: Special Tests and Provisions: Verification
Questioned Costs: \$20,042

Criteria:

34 CFR 668.54(a); FSA Handbook Application and Verification Guide, Chapter 4 requires an institution to establish written policies and procedures that incorporate the provisions of 34 CFR 668.51 through 668.61 for verifying applicant information for those applicants selected for verification by ED. Institutions shall require each applicant whose application is selected by ED to verify the information required for the Verification Tracking Group to which the applicant is assigned. However, certain applicants are excluded from the verification process as listed in 34 CFR 668.54(b). A menu of potential verification items for each award year is published in the Federal Register, and the items to verify for a given application are selected by ED from that menu and indicated on the student's output documents. Verification tracking groups and verification items for each award year can also be found in the annual FSA Handbook, Application and Verification Guide, Chapter 4. Institutions shall also require applicants to verify any information used to calculate an applicant's Estimated Family Contribution (EFC) that the institution has reason to believe is inaccurate and provide an accurate code for the individual's verification status in the Common Origination and Disbursement (COD) system.

Condition:

The following conditions were observed for 3 out of the 12 students tested out of a total of 25 students requiring verification during the fiscal year. The total amount awarded to these 3 students throughout the year was \$20,042, whereas the total amount awarded to all 12 students tested was \$83,491. Total amount awarded to all students selected for verification was \$127,151.

For 3 (or 25%) of 12 students tested, we noted discrepancies in family size between the verification worksheets and the students' Institutional Student Information Records (ISIR), wherein the family size reflected on the verification worksheets was higher than that reported on the ISIR. Despite these discrepancies identified during the verification process, the ISIRs were not updated or corrected accordingly.

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2025-002, continued

Cause:

The condition was due to the absence of adequate procedures and review controls to ensure that discrepancies identified during the verification process were properly updated and reflected in the ISIR and reported accurately in the COD system.

Effect or potential effect:

The College is in noncompliance with applicable verification requirements.

Identification as a Repeat Finding: Finding No. 2025-004

Recommendation:

The College should enhance training programs for staff involved in the verification process to ensure they are fully aware of the requirements and procedures. Establish robust internal controls and review mechanisms to ensure that verification worksheets are completed accurately and consistently with ISIRs. Implement a tracking system to ensure that all required corrections to ISIRs are performed in a timely manner.

Views of responsible officials

The College acknowledges the finding. Refer to corrective action plan.

College of Micronesia-FSM
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Schedule of Findings and Questioned Costs, continued

Finding No.: 2025-003
Federal Agency: U.S. Department of Education
AL Program: 84.063/84.033/84.007 Student Financial Assistance Cluster
Federal Award No.: Title IV HEA Program OPE ID 01034300
Area: Special Tests and Provisions: NSLDS Reporting
Questioned Costs: \$-0-

Criteria:

Institutions are required to report enrollment information under the Pell grant via the National Student Loan Data System (NSLDS). Institutions must review, update, and certify student enrollment statuses, program information, and effective dates that appear on the Enrollment Reporting Roster file or on the Enrollment Maintenance page of the NSLDS Professional Access (NSLDSFAP) website. The data on the institution's Enrollment Reporting Roster, or Enrollment Maintenance page, is what NSLDS has as the most recently certified enrollment. There are two categories of enrollment information, "Campus Level" and "Program Level," both of which need to be reported accurately and have separate record types.

Condition:

For 32, (or 53%), of 60 students tested, campus level information is not updated in NSLDS. Campus-level record data elements include OPEID number, enrollment effective date, enrollment status and certification date.

For 10, (or 17%), of 60 students tested, program level information is not updated in NSLDS. Program-level record data elements include OPEID number, Classification of Instructional Programs (CIP) code, CIP year, credential level, published program length measurement, published program length, program begin date, program enrollment status and program enrollment effective date.

Cause:

The non-compliance is due to inadequate processes and controls for monitoring and updating students' enrollment status in the NSLDS. This includes delays in processing updates and a lack of oversight to ensure accurate reporting.

Effect or potential effect:

The College is in noncompliance with applicable enrollment reporting requirements.

Identification as a Repeat Finding: Finding No. 2024-007

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

Schedule of Findings and Questioned Costs, continued

Finding No.: 2025-003, continued

Recommendation:

The College should develop and implement a formal process for monitoring and updating students' enrollment status in the NSLDS to ensure compliance with reporting requirements. Establish internal controls to track changes in enrollment status and ensure timely updates to the NSLDS. Conduct periodic reviews of the enrollment reporting process to identify and address any inaccuracies or delays. Provide training to relevant staff on the importance of compliance with enrollment reporting requirements and the procedures for accurate and timely updates.

Views of responsible officials

The College acknowledges the finding. Refer to corrective action plan.



Summary of Prior Year Audit findings Year Ended September 30, 2024

Finding 2024-01 - Financial statement close process to effectively meet the external financial reporting objectives

The finding was addressed in Fiscal Year 2025, followed by the implementation of a corrective action plan in Fiscal Year 2024.

Finding 2024-02 - Receivables subsidiary ledgers

The finding was addressed in Fiscal Year 2025, followed by the implementation of a corrective action plan in Fiscal Year 2024.

Finding 2024-03 – Reporting

The finding was addressed in Fiscal Year 2025, followed by the implementation of a corrective action plan in Fiscal Year 2024. The matter remains in progress as we await a determination from the United States Department of Education.

Finding No.: 2024-004 - Special Test and Provisions: Verification

The finding was addressed in Fiscal Year 2025, followed by the implementation of a corrective action plan in Fiscal Year 2024. The matter remains in progress as we await a determination from the United States Department of Education.

Finding No.: 2024-005 - Special Tests and Provisions: Gramm-Leach-Bliley Act–Student Information Security

The finding was addressed in Fiscal Year 2025, followed by the implementation of a corrective action plan in Fiscal Year 2024. The matter remains in progress as we await a determination from the United States Department of Education.

Finding 2024-06 – Special Tests and Provisions: Disbursements to or on Behalf of Students

The finding was addressed in Fiscal Year 2025, followed by the implementation of a corrective action plan in Fiscal Year 2024. The matter remains in progress as we await a determination from the United States Department of Education.

Finding 2024-07 - Special Tests and Provisions: Enrollment Reporting

The finding was addressed in Fiscal Year 2025, followed by the implementation of a corrective action plan in Fiscal Year 2024. The matter remains in progress as we await a determination from the United States Department of Education.



COLLEGE OF MICRONESIA-FSM

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Corrective Action Plan Year Ended September 30, 2025

Finding 2025-001: Eligibility

Recommendation:

We recommend that management establish and implement formal policies and procedures for the administration of the FSEOG program, including clear guidance on the minimum and maximum award limits in accordance with federal regulations. Management should also provide adequate training to Financial Aid Office personnel on applicable federal requirements, perform supervisory reviews of award calculations prior to disbursement, and conduct periodic monitoring to ensure ongoing compliance with established limits.

Response:

The College acknowledges the findings resulting from the initial year of the Federal Supplemental Educational Opportunity Grant (FSEOG) program's implementation. The College recognizes that the finding resulted from deficiencies in newly implemented award procedures during the first year of the FSEOG program. In light of this, we wish to provide context regarding the situation and the corrective actions undertaken to address the issue.

The seven students identified in this finding were awarded FSEOG funds that reflected their significant financial need and the institution's commitment to enabling students to cover both direct and indirect enrollment costs. An internal review conducted by the Financial Aid Office revealed that these awards inadvertently exceeded the \$4,000 annual maximum established by program regulations.

Following this internal review, prompt corrective measures were enacted, culminating in the issuance of a formal memorandum to the Comptroller in October of FY26. This memorandum directed adjustments to the affected students' FSEOG awards to ensure compliance with the prescribed annual maximum. This internal monitoring process underscores the College's proactive commitment to program integrity and fiscal accountability. Furthermore, the unexpended funds were returned to the U.S. Department of Education during FY26.

The College remains dedicated to the proper administration of the FSEOG program and has reinforced its internal review procedures. This includes conducting more frequent audits of award ceilings during active disbursement periods to prevent similar errors in future award years.

To address the finding, the College will implement the following actions:

1. Establishment of Formal Policy and Standard Operating Procedures (SOPs):

Within 30 days, the College will adopt and implement a dedicated section within the Financial Aid Policy and Procedures Manual specifically for the FSEOG program. This document will delineate federal award limitations, selection criteria based on exceptional financial need groupings, and compliance parameters in accordance with 34 CFR 676.20.

2. Staff Training and Competency Review:

Prior to the next award cycle, the College will conduct a mandatory training workshop for all counselors and processing staff within the Financial Aid Office. This training will emphasize the identification of the FSEOG-eligible student population, the applicable selection criteria, and the importance of cross-referencing final award packages.

3. Monitoring and Long-Term Quality Control:

The College will implement a mandatory two-tiered verification process. Prior to any FSEOG batch disbursement being sent to the Office of the Comptroller for final payment execution, a senior financial aid officer or director must review and authorize a compliance checklist. This checklist will confirm that there are no boundary violations, and any batch disbursement package containing an amount below \$100 or exceeding \$4,000 per academic year will be flagged for review.

Quarterly compliance reviews will be documented and retained as part of the College's internal control records to verify continued compliance with FSEOG award requirements and to provide supporting documentation for future audits.

Primary Responsible Office: Director, Financial Aid Office

Oversight Office: Vice President for Enrollment Management and Student Services

Overall CAP Completion Target: Addressed in Dec 2026

Finding 2025-002: Special Tests and Provisions: Verification

Recommendation:

The College should enhance training programs for staff involved in the verification process to ensure they are fully aware of the requirements and procedures. Establish robust internal controls and review mechanisms to ensure that verification worksheets are completed accurately and consistently with ISIRs. Implement a tracking system to ensure that all required corrections to ISIRs are performed in a timely manner.

Response:

The College concurs with Finding 2025-002 and the auditors' recommendation. To address this finding, the College has implemented the following actions.

<u>Action</u>	<u>Responsible Party</u>	<u>Target Date</u>	<u>Status</u>
Reinstate mandatory two-tiered verification file review. No student file in any Verification Tracking Group may be finalized or disbursed without independent review and sign-off by the second FAO staff member. Review logs maintained and submitted monthly to FAO Director.	FAO Director/VPEMSS	30 days	In progress
Implement ISIR Correction Tracking Log. Log captures: date discrepancy identified, date submitted to CPS, CPS confirmation number, and date corrected transaction received. FAO Director reviews weekly. This control directly addresses the gap that led to missed corrections in AY 2024-2025.	FAO Director/Student Services Specialist IV	45 days	In development
Establish mid-year ISIR correction deadline. An internal institutional deadline – set 60 days before the award year closes – will be established to ensure all pending ISIR corrections are submitted before the CPS window closes. FAO Director responsible for tracking	FAO Director	30 days	Policy and procedure being drafted
Mandatory annual FSA verification training for all FAO staff, covering tracking group identification, ISIR-worksheet cross-matching, CPS correction procedures, and the importance of submitting corrections before year-end closure.	FAO Director	60 days	Scheduled
Conduct monthly internal file audits of verified student files. Results reported in writing to the VPEMSS. Shift from quarterly to monthly frequency to ensure errors are caught well before the award year closes.	FAO Director	30 days	First cycle initiated
Revise and redistribute Verification SOP to all FAO staff across all campuses with mandatory sign-off. SOP to include explicit section on ISIR correction deadlines relative to award year closes.	FAO Director	30 days	In progress
Recruit and fill three vacant FAO positions to restore full review capacity	FAO Director/VPEMSS/HRO	90 days	Recruitment initiated

Primary Responsible Office: Director, Financial Aid Office

Oversight Office: Vice President for Enrollment Management and Student Services

Overall CAP Completion Target: Within 90 days of the final audit issuance

Finding 2025-003: Special Tests and Provisions: NSLDS Reporting

Recommendation:

The College should develop and implement a formal process for monitoring and updating students' enrollment status in the NSLDS to ensure compliance with reporting requirements. Establish internal controls to track changes in enrollment status and ensure timely updates to the NSLDS. Conduct periodic reviews of the enrollment reporting process to identify and address any inaccuracies or delays. Provide training to relevant staff on the importance of compliance with enrollment reporting requirements and the procedures for accurate and timely updates.

Response:

The College concurs with Finding 2025-003 and the auditors' recommendation. To address this finding, the College has implemented the following actions.

<u>Corrective Action</u>	<u>Responsible Party</u>	<u>Target Date</u>	<u>Status</u>
Execute formal written agreement between FAO and OARR defining data ownership for each NSLDS record type, update timelines, escalation procedures, and monthly reconciliation responsibilities. Agreement reviewed annually.	FAO Director/Registrar/VPEMSS	30 days	Draft in progress
Implement NSLDS Reporting Calendar aligned to the academic calendar, distributed to FAO, Registrar, and VPEMSS. Built-in reminders at 30, 14, and 7 days before each deadline.	FAO Director	30 days	Being initiated
Implement monthly SIS-to-NSLDS reconciliation. The Financial Aid Office (FAO) will reconcile Student Information System (SIS) data against the NSLDS roster, and any discrepancies will be resolved within five (5) business days. Exception reports will be reviewed and certified monthly by VPEMSS. The monthly reconciliation process will be completed before certification by the VPEMSS, and all identified reporting discrepancies will either be corrected or formally documented with an action plan before certification.	FAO Director/Registrar	30 days	First cycle underway
Coordinate with OARR to verify and maintain accurate CIP codes and credential level data for all active programs at start of each academic year.	FAO Director/Registrar	60 days	In progress
Recruit and fill vacant FAO positions to restore NSLDS processing and monitoring capacity.	FAO Director/VPEMSS/HRO	90 days	In progress
Incorporate NSLDS reporting compliance into annual Title IV self-assessment each August.	FAO Director/VPEMSS	August 2026	Scheduled

Primary Responsible Office: Director, Financial Aid Office

Oversight Office: Vice President for Enrollment Management and Student Services

Overall CAP Completion Target: Within 90 days of the final audit report issuance; NSLDS record updates within 15 days