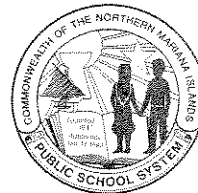




COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

STATE BOARD OF EDUCATION
PUBLIC SCHOOL SYSTEM
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SAIPAN, MP 96950



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Commissioner of Education
Rita Hocog Inos, Ed.D

January 26, 2005

Mr. Phil Maestri
Office of Deputy Secretary
United States Department of Education
400 Maryland Avenue, SW
Washington D.C. 20202

Reference: CNMI Public School System – First Biennial Report

Dear Mr. Maestri:

Attached please find the First Biennial Report on the CNMI Public School Systems education grants. The report, briefly highlighted, documents our continued progress towards ensuring that all classroom teachers meet the highly qualified teacher challenge of NCLB and our efforts to meet our student achievement goals that are as follows:

1. That 80% of our students are reading on or above grade level by 2008;
2. That our students are scoring at the 50th percentile or higher, on average, on the SAT10 by 2010.

This report delineates programmatic accomplishments and financial expenditures made on our education grants during this six-month period. Lastly, this report evidences our commitment to excellence in education as demonstrated by our student's academic achievements, our teacher quality initiatives and continued excellent audit reports.

Thank you for your continued support and assistance.

Sincerely,

Rita Hocog Inos, Ed. D.
Commissioner of Education

Cc: BOE
Principals
PTA Officers
ACAS, ACIS, FPO, FBO & HRO

CNMI Public School System Biennial Report on USDOE Grants
Period 7/1/04 – 12/31/04
Prepared on January 26, 2005

The CNMI Public School System is pleased to report that with the July 8, 2004 adoption of the PRAXIS I and II tests of teacher core knowledge, our 593 teachers are making significant progress to meet the “Highly Qualified Teacher Challenge” on or before the August 2006 deadline as stipulated in the NCLB Act of 2001. To date, all 593 teachers have attained a bachelor’s degree or higher, 73% have attained full certification and the remaining 23% (2 year provisional certificate holders) are working towards attaining full state certification. Our teacher’s are now taking and passing the PRAXIS tests. We will provide data on the exact numbers and percentages in our next biennial report. Early indications are that 80% of our teachers will pass the PRAXIS tests the first time they take the tests as that is the result from the first group of teachers that took the PRAXIS test. We can report that we now have teachers at all 20 of our public schools have taken and passed at least one and in a few instances two or more of the PRAXIS tests.

We are pleased to report that student academic achievement as measured on the SAT10 complete battery test continues to rise. The latest data (see attached chart) shows that 956 out of the 4,460 students (tested in April of 04 on the SAT10) scored at the 50th percentile or higher. This represents 22% of our students and is a four-percentile increase over last school year when 18% scored at the 50th percentile or higher. Our annual goal is to achieve a five-percentile increase per year on the SAT10. We are also pleased to report that 32% of our 11th graders are reading on or above grade level and that 15% are reading at the grade 13 level (College Freshman) level.

We are progressing towards achievement of our two student academic achievement goals that are as follows:

1. That 80% of our students are reading on or above grade level by 2008;
2. That our students are scoring at the 50th percentile or higher, on average, on the SAT10 by 2010.

We have developed and submitted to the USDOE a Teacher Quality Enhancement (TQE) grant that we believe will provide the extra support to enable the CNMI Public School System to achieve of these two student achievement goals. Our TQE grant, briefly highlighted, is focused on the goal established by our Governor of becoming the best-educated population in the Pacific and CNMI Board of Education initiatives for quality teaching and high student achievement. This TQE project is comprised for four components. The components are as follows: 1.) Performance-based compensation for teachers that is directly linked to high student performance; 2.) Infusing technology into teaching and student learning; 3.) Mentoring of new teachers by master teachers; and 4.) High-quality professional development opportunities for new and veteran teachers.

A review of our main education grants shows that funds are targeted to directly relate to our quality teaching and student achievement goals.

The Consolidated Grant funding has been used for student assessment – both the SAT10 and standards-based assessments. Consolidated Grant funds provide support for scoring and data analysis by student, by class, by grade, by school and PSS-wide to identify trends across time and for scoring and analysis of the PSS standards-based assessments. In addition, Consolidated Grant funds have supported Title V-A, Innovative Assistance Program (IAP) grants to our public schools and our private schools. These IAP grants are focused on improving student learning through the addition of technology and software for student use in the classroom and for supplemental educational materials needed to help students in every classroom move towards attaining the two student academic achievement goals delineated. Principals and classroom teachers at each school review student achievement (both SAT10 and standards-based assessments) to determine what is most needed for each classroom and then make the hard decisions on what can be afforded each year for each class given the allocation of funds for each school.

Each of our twenty public schools has developed a series of innovative assistance programs that are tailored to the educational needs of the students at that school as determined by student scores on the SAT10, Reading Diagnostic Assessments and on our CNMI standards-based assessments of student reading, writing and math.

As an example, Koblerville Elementary School (KES) IAP is focused on improving student learning through the acquisition of science workbooks, social studies workbooks, and other consumable educational materials. The KES target for this school year is to improve student performance in science by three percentiles for grade 3 from 38% to 41% and for grade 5 from 40.7% to 43.7% as measured on the SAT 10. They have similar targets for reading and for social studies.

A second example, Garapan Elementary School fifth grade students exceeded their target of a five-percentile increase on the SAT 10 by achieving a 8% learning increase from 28% to 36% on the SAT 10 in 2004. Garapan plans to purchase 2-3 computers per classroom, purchase of Reading Mastery workbooks, purchase of Accelerated vocabulary, purchase of Math Facts in a Flash to accelerate math learning on the computers, and purchase of High Performance Writing as a supplement to their Language Arts classes.

A third example, San Vicente Elementary School has used IAP funds to purchase STAR, a computer-based reading inventory assessment to enable this school to test student reading levels. After the first eight weeks of school STAR reading assessment data showed that 73 out of 110 Second Grade students were reading on or above grade level, 59 out of 134 Third Grade students were reading on or above grade level, 30 out of 104 Fourth Grade students were reading on or above grade level. In the next biennial Report we will compare and contrast this to end of the school year STAR reading inventory assessments.

A fourth example, Chacha Oceanview Junior High School will use Title V A. funds to acquire a bank of 17 computers to create a Student Lab for Learning that would be used not only during school but also after school and on weekends.

Each of our twenty public schools are striving to meet the PSS goal of having at least 80% of our students reading either above or on grade level by the end of SY08-09. We recognize that achievement of this goal will require continued student learning gains of at least five-percentiles per year across the next four years. We also believe that TQE funds could help accelerate the pace of student learning gains and the desired achievement of our two long-term student achievement goals.

Consolidated Grant funds are also used for professional development for teachers and school administrators (principals, vice principals and counselors). Much of our professional development focuses on teacher quality. The summer break is the perfect time for seminars and workshops that provide professional development opportunities for our 593 classroom teachers and our cadre of school administrators. This past summer the Pacific Education Conference, with workshops and seminars for teachers and school administrators from all over the Pacific, chose the CNMI as its site for a one week series of over 100 workshops and seminars on topics that included, but were not limited to, early reading literacy, special education and early intervention, building simple science tools for classroom use from recycled materials, writing/culture and technology, learning to sustain our natural resources, building health and environmental literacy, and a financial management seminar taught by USDOE officials. We anticipate that over 200 or almost 1/3 of teachers attended the PEC series of seminars and workshops.

The Pacific Consortium (PSS is a member) provided summer institutes that our science, social studies and math teachers attended. Over 24 teachers attended institutes on how to use the Developmental Approaches in Science, Health and Technology (DASH) hands-on, inquiry science program, series of one-week 30-hour math courses. The Pacific Resources for Education and Learning (PREL) shared part of this cost with the PSS.

The Aim for Success Academic Program (ASAP), an Advanced Placement Summer Institute, provided training for over 30 teachers in preparation for offering AP courses that are now on-going at our secondary schools.

The We The People, a civics and character education program, provided two separate two-day workshops on the We The People Program attended by 60 of our classroom teachers and principals. The We The People Program also provided our schools with sixty boxes of We The People textbooks with thirty books per box, or 1,800 textbooks, at no cost to the CNMI PSS. We have made arrangements with the Center for Civic Education for a follow-up workshop in either March or April and technical assistance to us on the Mock Congressional Hearings student competition. Lastly, we are also finalizing arrangements with the Center for Civic Education for a one-week We The People regional summer teacher seminar, to be held in the CNMI on the week of July 25-29, 2005.

Lastly, Consolidated Grant funds have provided class size reduction, enabling the PSS to attain a 20/1 student teacher ratio at 8 out of 12 elementary schools and to attain a 25:1 student teacher ratio at our secondary schools. Additional classrooms must be built before the 20/1 ratio can be attained at four of our most rapidly growing elementary schools.


Our Special Education Program Part B funds are used to provide a Free Appropriate Public Education (FAPE) designed through an IEP to meet the unique education needs of the 660 special needs students. 40 SPED teachers, 116 teacher aides and 25 related services personnel provide education and related services to these 660 special children. In addition, the vast majority of these 660 special children are mainstreamed.

Our Special Education Part C funds (Infants and Toddler Program) provide early intervention services for infants and toddlers with special needs. The Infants and Toddler Program employs four classroom teachers, a speech pathologist, occupational therapist and two administrative staff. They provide services to 47 infants and toddlers with special needs.

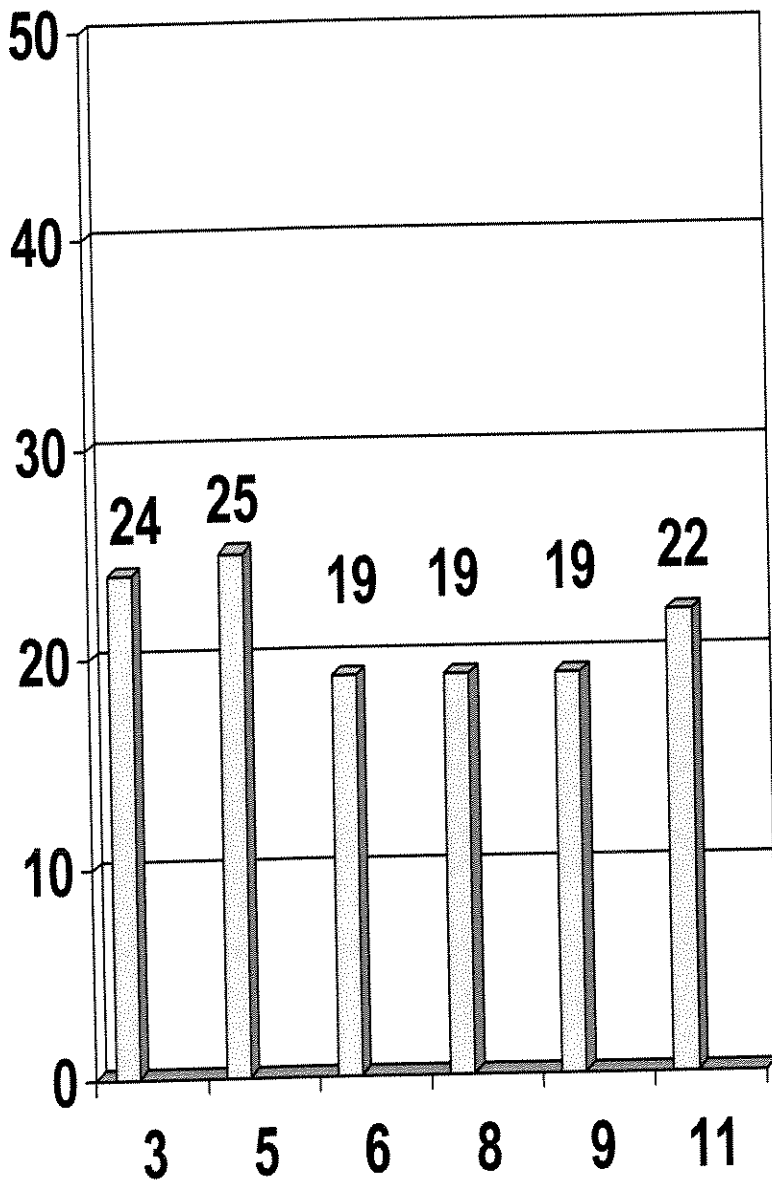
In summary, our Special Education Program Parts B and C provide education and related services to over 700 children out of a school age population of 11,630 students in our public schools. In addition, diagnostic services are provided to the very few special needs children enrolled in our private schools that serve 2,745 children.

Financial reports showing expenditures for each of these grants for the six-month biennial period of July 1, 2004 through December 31, 2004 are attached to this report.

Lastly, all prior year audit findings (hiring of a federal monitor and conducting annual inventories) have been addressed and satisfactorily resolved. The financial and compliance audit for the CNMI Public School System for the fiscal year ending September 30, 2004 is on-going. The audit firm, J. Scott Magliari and Company, is conducting the audit and project a March 30, 2005 completion date.

Submitted By:  Date: 01-26-05
Rita Hocog Inos
Commissioner of Education

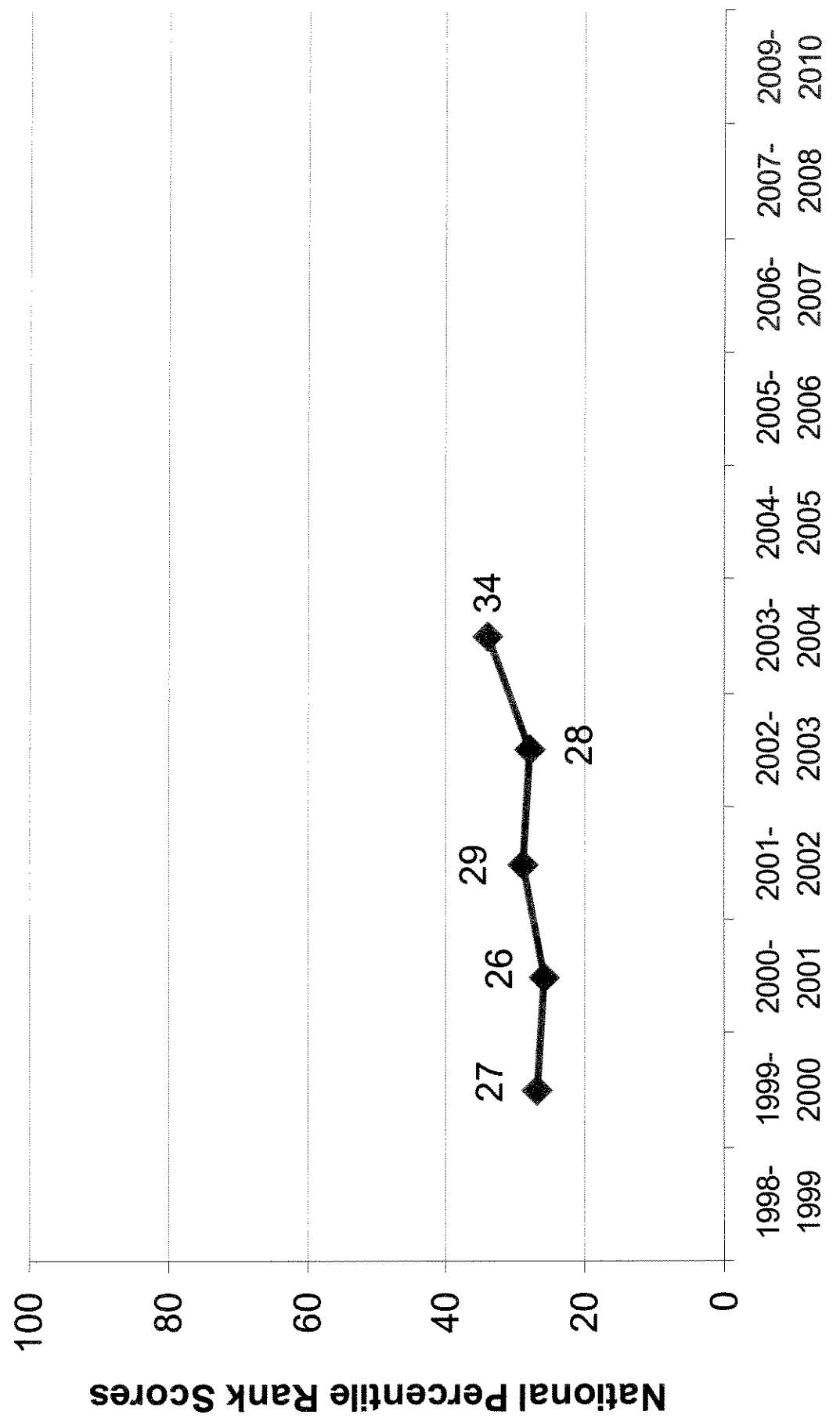
Percent At/Above 50th National Percentile Ranking
 Stanford Achievement Test, 10th Edition, 2004



Grade Level	# Tested	# At/Above
3 rd	792	190
5 th	894	224
6 th	755	144
8 th	683	130
9 th	780	148
11 th	546	120
Total	4460	956

On average, 22% of all our students are achieving at or above the 50th percentile on the total SAT 10 Battery

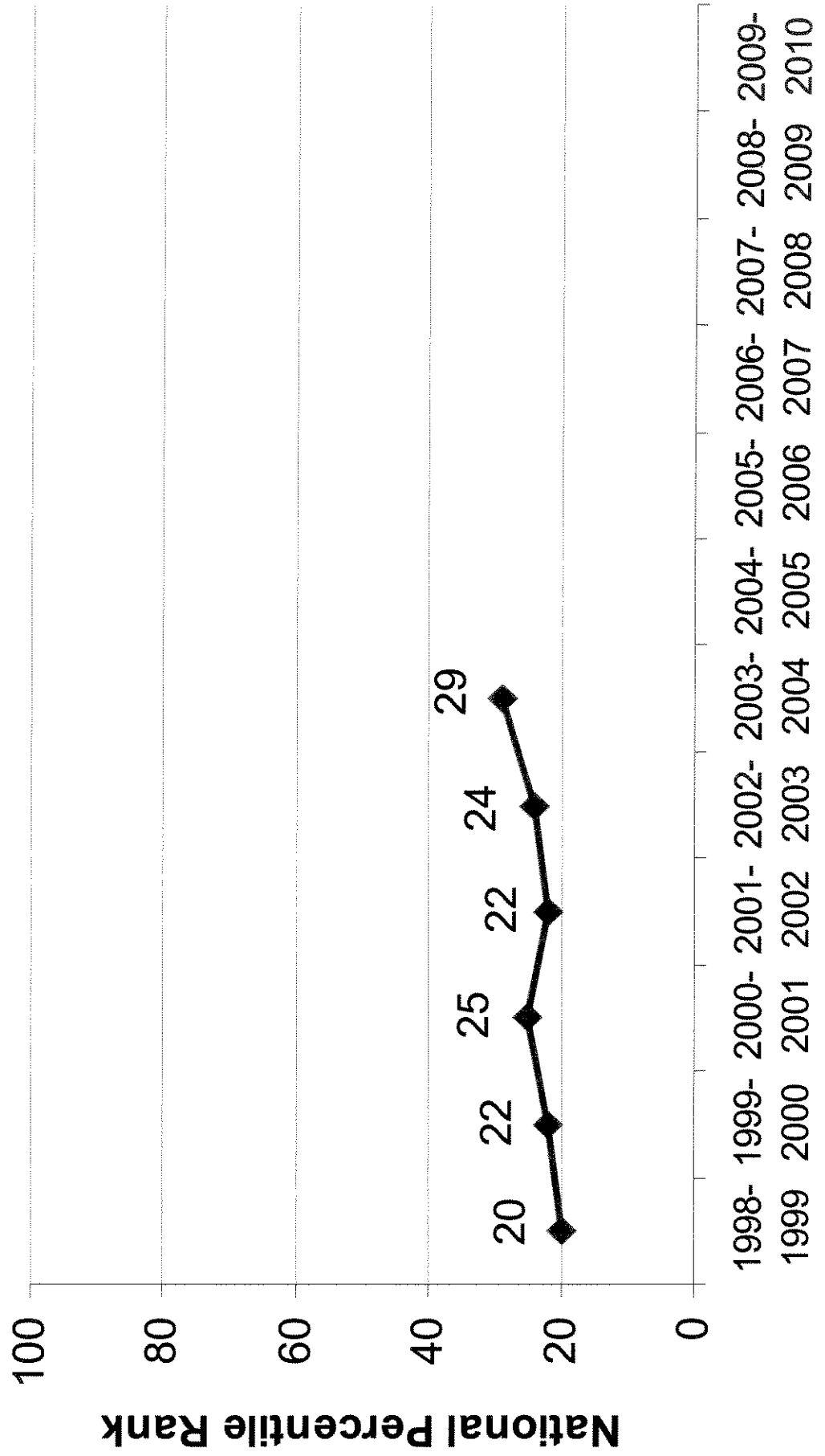
Stanford Achievement Test 9th and 10th Edition CNMI PSS Overall Grade 11 Complete Battery Trends



Stanford Achievement Test 9th & 10th Edition

CNMI PSS Overall - Grade 8

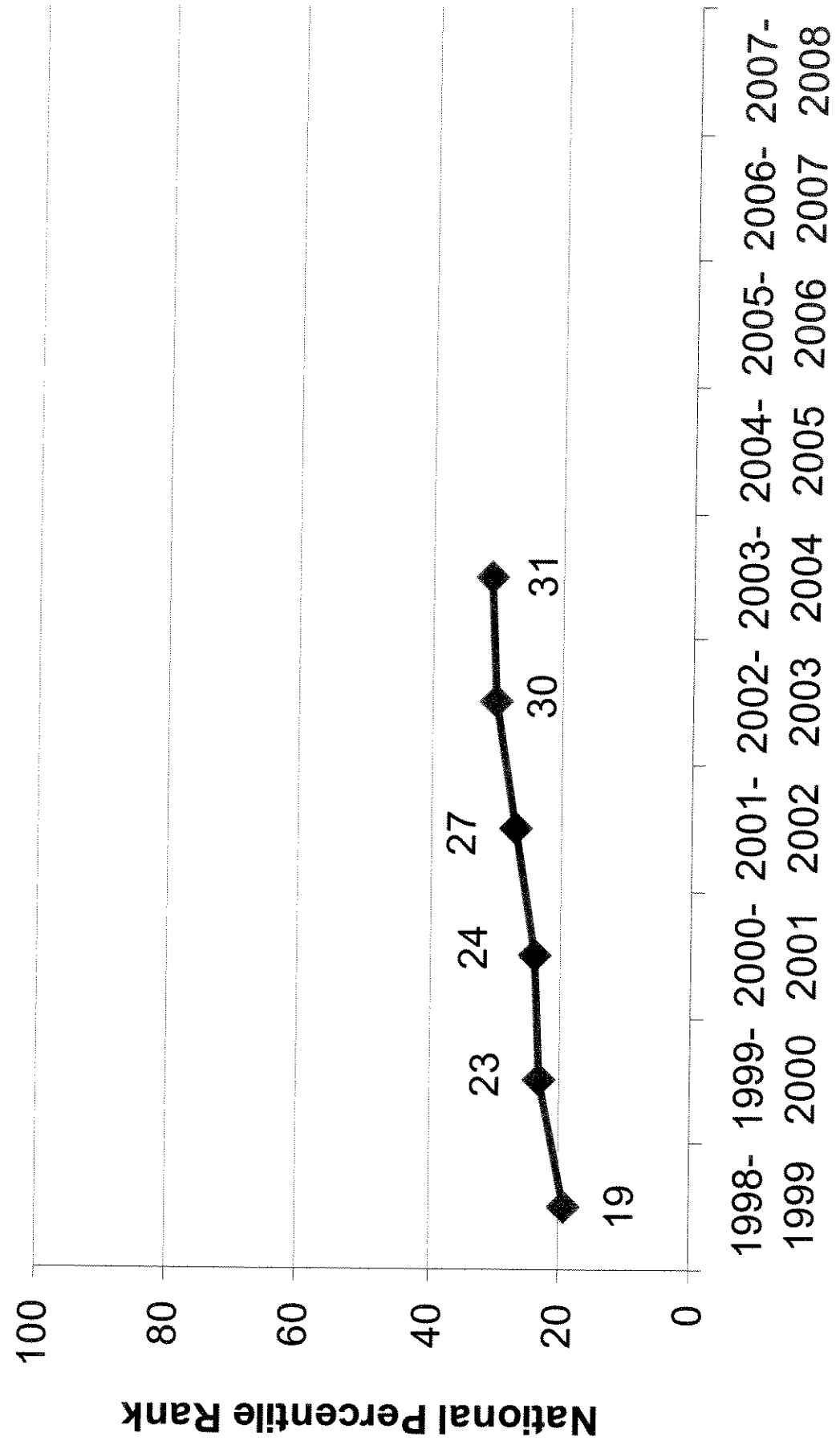
Complete Battery Trends



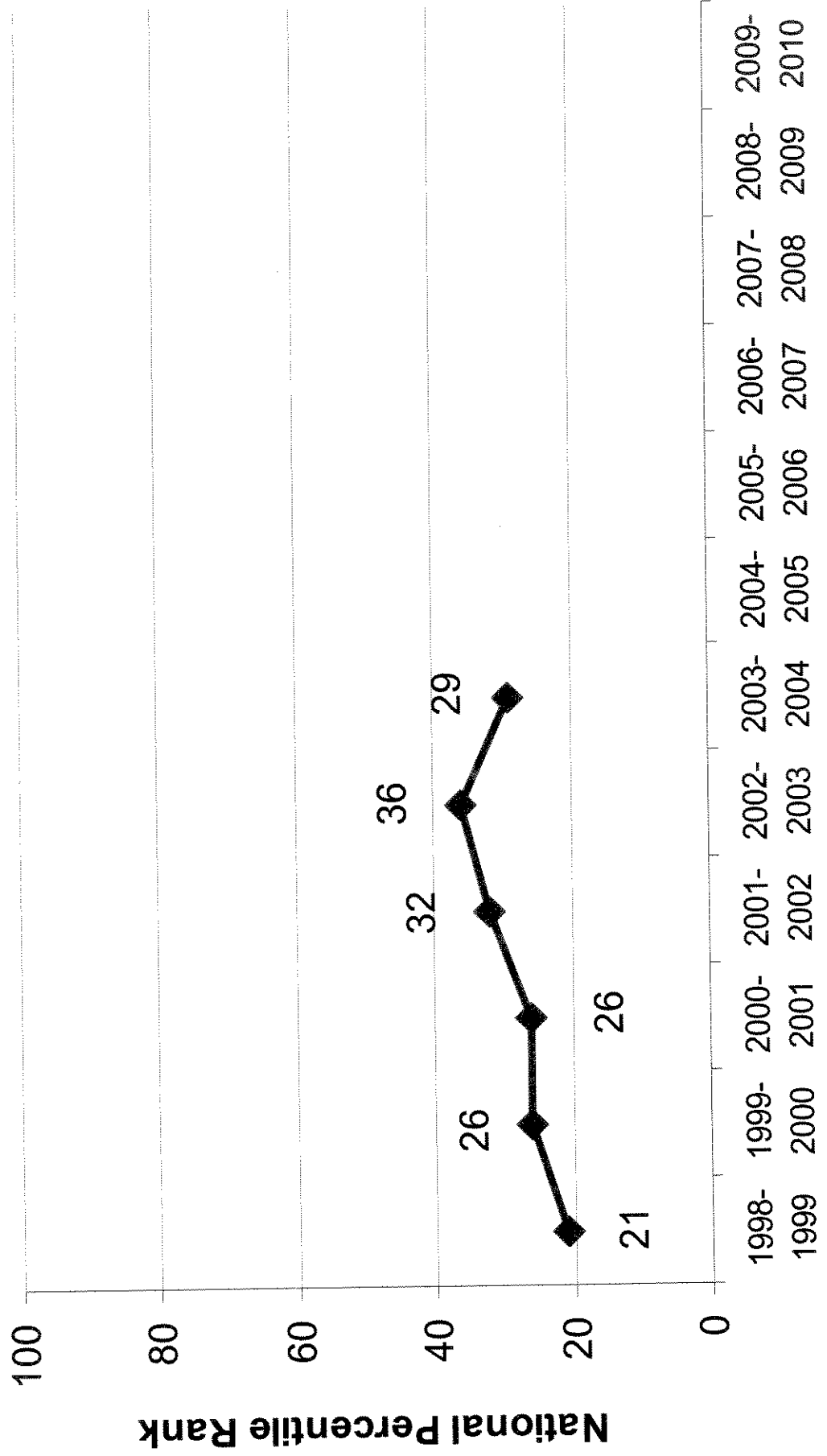
Stanford Achievement Test 9th and 10th Edition

CNMI PSS Overall - Grade 5

Complete Battery Trends



Stanford Achievement Test 9th and 10th Editions PSS Overall - Grade 3 Complete Battery Trends



**CNMI PUBLIC SCHOOL SYSTEM
SIX-MONTH PERIOD EXPENDITURES REPORT**

Grantor	: U.S. Department of Education
Acct. Name	: Consolidated Grant
Award No.	: S922A030001
Period	: July 1, 2004 thru December 31, 2004

Class Code	Object Classification	Expenditures
7740	Revenue	\$3,403,221
4110	Wages/Salaries	1,080,210
4116	Other Differential	102,923
4118	Personnel Insurance	7,632
4119	Retirement Contribution	301,979
4121	Other Personnel Benefits	3,939
4122	Medicare Contribution	16,948
	Total Personnel Costs	\$1,513,631
	Number of Positions	78
4201	Others	19,160
4211	Advertising	5,112
4212	Communications	4,099
4213	Dues & Subscriptions	12,072
4214	Freight & Handling	2,333
4218	Printing & Photocopying	60,531
4219	Contractual/Professional Services	226,265
4221	Rental - Vehicle	2,742
4223	Rental - Office	41,975
4224	Repairs & Maintenance	5,258
4225	Travel	271,396
4226	Travel w/in CNMI	125,396
4235	Cleaning Services	800
4301	Books & Instructional Materials	317,369
4304	Supplies/Materials Office	137,256
4305	Supplies - Operations	14,941
4306	Controlled Assets	380,799
4310	Library Books & Library Materials	20,344
4431	Office Equipment	8,850
4280/4999	Indirect Costs	232,892
	Total All Others	\$1,889,590

Total Personnel & All Others: \$3,403,221

**CNMI PUBLIC SCHOOL SYSTEM
SIX-MONTH PERIOD EXPENDITURES REPORT**

Grantor	: U.S. Department of Education
Acct. Name	: Consolidated Grant
Award No.	: S922A040001
Period	: July 1, 2004 thru December 31, 2004

Class Code	Object Classification	Expenditures
7740	Revenue	\$114,920
4110	Wages/Salaries	45,207
4116	Other Differential	13,406
4118	Personnel Insurance	379
4119	Retirement Contribution	13,843
4121	Other Personnel Benefits	386
4122	Medicare Contribution	476
	Total Personnel Costs	\$73,697
	Number of Positions	10
4225	Travel	6,107
4226	Travel w/in CNMI	1,271
4301	Books & Instructional Materials	6,185
4304	Supplies/Materials Office	6,605
4306	Controlled Assets	15,733
4999	Indirect Costs	5,322
	Total All Others	\$41,223

Total Personnel & All Others: \$114,920

**CNMI PUBLIC SCHOOL SYSTEM
SIX-MONTH PERIOD EXPENDITURES REPORT**

Grantor	: U.S. Department of Education
Acct. Name	: Special Education (Handicapped Children)
Award No.	: H027A30106
Period	: July 1, 2004 thru December 31, 2004

Class Code	Object Classification	Expenditures
7740	Revenue	\$2,491,486
4110	Wages/Salaries	1,495,764
4115	Night Differential	1,161
4116	Other Differential	91,184
4118	Personnel Insurance	9,455
4119	Retirement Contribution	355,271
4121	Other Personnel Benefits	9,541
4122	Medicare Contribution	20,289
	Total Personnel Costs	\$1,982,665
	Number of Positions	151
4201	Others	190
4211	Advertising	2,723
4214	Freight & Handling	77
4218	Printing & Photocopying	6,358
4219	Contractual/Professional Services	957
4221	Rental - Vehicle	204
4223	Rental - Office	7,697
4224	Repairs & Maintenance	14,662
4225	Travel	54,795
4226	Travel w/in CNMI	45,595
4228	Rental - Office Equipment	1,000
4235	Cleaning Services	2,980
4290	Miscellaneous Services	700
4301	Books & Instructional Materials	5,539
4304	Supplies/Materials Office	43,005
4305	Supplies - Operations	19,615
4306	Controlled Assets	131,964
4406	Building Improvements	4,759
4280/4999	Indirect Costs	166,001
	Total All Others	\$508,821

Total Personnel & All Others: \$2,491,486

**CNMI PUBLIC SCHOOL SYSTEM
SIX-MONTH PERIOD EXPENDITURES REPORT**

Grantor	: U.S. Department of Education
Acct. Name	: Special Education (Handicapped Children)
Award No.	: H027A40106
Period	: July 1, 2004 thru December 31, 2004

Class Code	Object Classification	Expenditures
7740	Revenue	\$55,083
4110	Wages/Salaries	41,780
4115	Night Differential	
4116	Other Differential	
4118	Personnel Insurance	169
4119	Retirement Contribution	10,027
4121	Other Personnel Benefits	175
4122	Medicare Contribution	606
	Total Personnel Costs	\$52,757
	Number of Positions	14
4226	Travel w/in CNMI	389
4999	Indirect Costs	1,937
	Total All Others	\$2,326

Total Personnel & All Others: \$55,083

**CNMI PUBLIC SCHOOL SYSTEM
SIX-MONTH PERIOD EXPENDITURES REPORT**

Grantor	: U.S. Department of Education
Acct. Name	: Early Childhood SPED (Infants & Toddler)
Award No.	: H181A030025
Period	: July 1, 2004 thru December 31, 2004

Class Code	Object Classification	Expenditures
7740	Revenue	\$137,601
4110	Wages/Salaries	78,162
4116	Other Differential	(7,599)
4118	Personnel Insurance	519
4119	Retirement Contribution	16,936
4121	Other Personnel Benefits	406
4122	Medicare Contribution	594
	Total Personnel Costs	\$89,018
	Number of Positions	8
4211	Advertising	2,608
4218	Printing & Photocopying	1,282
4219	Contractual/Professional Services	9,183
4223	Rental - Office	1,407
4224	Repairs & Maintenance	994
4225	Travel	14,695
4226	Travel w/in CNMI	4,582
4290	Miscellaneous Services	400
4304	Supplies/Materials Office	1,701
4305	Supplies - Operations	244
4306	Controlled Assets	1,366
4280/4999	Indirect Costs	10,121
	Total All Others	\$48,583
Total Personnel & All Others:		\$137,601

**CNMI PUBLIC SCHOOL SYSTEM
SIX-MONTH PERIOD EXPENDITURES REPORT**

Grantor	: U.S. Department of Education
Acct. Name	: Early Childhood SPED (Infants & Toddler)
Award No.	: H181A040025
Period	: July 1, 2004 thru December 31, 2004

Class Code	Object Classification	Expenditures
7740	Revenue	\$86,272
4110	Wages/Salaries	55,806
4116	Other Differential	4,268
4118	Personnel Insurance	392
4119	Retirement Contribution	14,418
4121	Other Personnel Benefits	93
4122	Medicare Contribution	871
	Total Personnel Costs	\$75,848
	Number of Positions	8
4225	Travel	3,489
4226	Travel w/in CNMI	2,001
4304	Supplies/Materials Office	40
4999	Indirect Costs	4,894
	Total All Others	\$10,424

Total Personnel & All Others: \$86,272

**CNMI PUBLIC SCHOOL SYSTEM
SIX-MONTH PERIOD EXPENDITURES REPORT**

Grantor	: U.S. Department of Education
Acct. Name	: Special Education (State Improvement Grant)
Award No.	: H323A040019
Period	: July 1, 2004 thru December 31, 2004

Class Code	Object Classification	Expenditures
7740	Revenue	\$0
4110	Wages/Salaries	0
4116	Other Differential	0
4118	Personnel Insurance	0
4119	Retirement Contribution	0
4121	Other Personnel Benefits	0
4122	Medicare Contribution	0
	Total Personnel Costs	\$0
	Number of Positions	none
4225	Travel	0
4226	Travel w/in CNMI	0
4304	Supplies/Materials Office	0
4999	Indirect Costs	0
	Total All Others	\$0

Total Personnel & All Others: **\$0**

**CNMI PUBLIC SHCOOL SYSTEM
SIX-MONTH PERIOD EXPENDITURES REPORT**

Grantor	: U.S. Department of Education
Acct. Name	: Robert C. Byrd Scholarship
Award No.	: P185A040052
Period	: July 1, 2004 thru December 31, 2004

Class Code	Object Classification	Expenditures
7740	Revenue	\$56,755
4110	Wages/Salaries	0
4116	Other Differential	0
4118	Personnel Insurance	0
4119	Retirement Contribution	0
4121	Other Personnel Benefits	0
4122	Medicare Contribution	0
	Total Personnel Costs	\$0
	Number of Positions	none
4540	Scholarship/Training	56,755
	Total All Others	\$56,755
Total Personnel & All Others:		\$56,755

**CNMI PUBLIC SHCOOL SYSTEM
SIX-MONTH PERIOD EXPENDITURES REPORT**

Grantor	: U.S. Department of Education
Acct. Name	: Reading 1st Library
Award No.	: S364A030828
Period	: July 1, 2004 thru December 31, 2004

Class Code	Object Classification	Expenditures
7740	Revenue	\$0
4110	Wages/Salaries	0
4116	Other Differential	0
4118	Personnel Insurance	0
4119	Retirement Contribution	0
4121	Other Personnel Benefits	0
4122	Medicare Contribution	0
	Total Personnel Costs	\$0
	Number of Positions	none
4310	Library Books & Library Materials	0
	Total All Others	\$0
Total Personnel & All Others:		\$0

**CNMI PUBLIC SHCOOL SYSTEM
SIX-MONTH PERIOD EXPENDITURES REPORT**

Grantor	: U.S. Department of Education
Acct. Name	: Reading 1st Library
Award No.	: S364A040697
Period	: July 1, 2004 thru December 31, 2004

Class Code	Object Classification	Expenditures
7740	Revenue	\$0
4110	Wages/Salaries	0
4116	Other Differential	0
4118	Personnel Insurance	0
4119	Retirement Contribution	0
4121	Other Personnel Benefits	0
4122	Medicare Contribution	0
	Total Personnel Costs	\$0
	Number of Positions	none
4310	Library Books & Library Materials	0
	Total All Others	\$0
Total Personnel & All Others:		\$0

**CNMI PUBLIC SCHOOL SYSTEM
SIX-MONTH PERIOD EXPENDITURES REPORT**

Grantor	: U.S. Department of Education
Acct. Name	: Territories & Freely Associated States
Award No.	: H256A030008
Period	: July 1, 2004 thru December 31, 2004

Class Code	Object Classification	Expenditures
7740	Revenue	\$178,797
4110	Wages/Salaries	29,006
4116	Other Differential	100
4118	Personnel Insurance	
4119	Retirement Contribution	24
4121	Other Personnel Benefits	
4122	Medicare Contribution	1
	Total Personnel Costs	\$29,131
	Number of Positions	1
4218	Printing & Photocopying	3,100
4223	Rental - Office	12,213
4226	Travel w/in CNMI	(5,463)
4301	Books & Instructional Materials	81,634
4304	Supplies/Materials Office	8,508
4305	supplies - Operations	46,054
4306	Controlled Assets	3,620
	Total All Others	\$149,666
Total Personnel & All Others:		\$178,797

**CNMI PUBLIC SCHOOL SYSTEM
SIX-MONTH PERIOD EXPENDITURES REPORT**

Grantor	: U.S. Department of Education
Acct. Name	: Territories & Freely Associated States
Award No.	: H256A030008/01
Period	: July 1, 2004 thru December 31, 2004

Class Code	Object Classification	Expenditures
7740	Revenue	\$26,434
4110	Wages/Salaries	10,259
4116	Other Differential	
4118	Personnel Insurance	
4119	Retirement Contribution	2,462
4121	Other Personnel Benefits	129
4122	Medicare Contribution	149
	Total Personnel Costs	\$12,999
	Number of Positions	1
4218	Printing & Photocopying	1,386
4225	Travel	11,289
4301	Books & Instructional Materials	298
4306	Controlled Assets	462
	Total All Others	\$13,435

Total Personnel & All Others: **\$26,434**

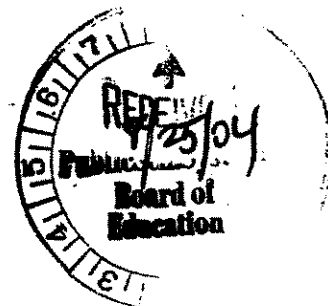


UNITED STATES DEPARTMENT OF EDUCATION

THE DEPUTY SECRETARY

August 11, 2004

Honorable Juan N. Babauta
Governor of the Northern Mariana Islands
Caller Box 10007
Saipan, MP 96950



Dear Governor Babauta:

The purpose of this letter is to inform you of the U.S. Department of Education's (Department) decision to remove the "high-risk grantee" designation from the grants issued by this Department to the Government of the Commonwealth of the Northern Mariana Islands (CNMI). In this case, removing the CNMI Department of Education (DOE) from "high risk grantee" status means that CNMI DOE will not be required to administer either its Fiscal Year (FY) 2004 grant awards or the remaining unexpended portion of FY 2003 grant awards subject to the special conditions contained in our September 22, 2003 letter designating CNMI DOE as a "high-risk grantee." Among other things, we will not continue to restrict CNMI DOE to a 50% drawdown of its grant awards, pending compliance with the special conditions contained in our September 22, 2003 letter.

This decision is based on the demonstration of significant progress by the CNMI DOE to implement necessary changes and improvements in its administration of Department programs in response to our September 22, 2003 letter. In reaching this conclusion, the Department has taken into account the expeditious manner in which CNMI has submitted complete audits under the Single Audit Act through FY 2003; the results of those audits; and the initial stages of implementing corrective actions to address past audit findings. The areas in which CNMI DOE has demonstrated improvement are, for the most part, the areas that were the primary reason for CNMI DOE's receiving the 2003 "high-risk" designation.

Beyond the efforts to address the findings related to fiscal accountability of Department funds, CNMI DOE has undertaken corrective action for programmatic audit findings and is currently instituting corrective actions with the assistance of the Department's Office of Elementary and Secondary Education (OESE) and the Office of Special Education and Rehabilitative Services (OSERS). In addition, CNMI DOE's amended consolidated application has been approved by OESE. OESE will continue to monitor CNMI DOE's progress using such mechanisms as the Consolidated Grant annual performance reports submitted by CNMI DOE.

While we are pleased with CNMI DOE's progress in a number of areas, we recognize that CNMI has significant challenges ahead. To assist CNMI DOE with further improvements to its implementation of Department programs and fiscal accountability, we are prepared to continue to provide technical assistance to the extent feasible when it is requested by CNMI

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DOE. In addition, although CNMI DOE's "high-risk" designation is being removed, please note that all FY 2004 Department grant awards made to CNMI DOE will be awarded subject to three special conditions, which the Department will incorporate into CNMI DOE's FY 2004 grant award documents. By this letter, these special conditions will apply to the unexpended portion of the FY 2003 grants.

SPECIAL CONDITIONS:

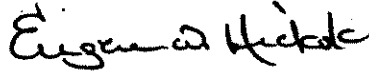
1. **Single Audits and Reports:** CNMI shall continue to conduct single audits and submit reports on an annual basis in a timely and complete manner. All single audits shall be completed and the reports published within nine months after the end of each fiscal year, as required by the Single Audit Act of 1984, as amended. If, for any reason, CNMI or CNMI DOE expects an audit or report to be delayed and late, it shall notify the Department's contact person of the reason and extent of the delay as soon as possible.
2. **Updates on CNMI Web Site:** CNMI DOE shall continue to post information regarding its budget, applications and reports on its website for access by the general public.
3. **Reporting Requirements:** CNMI DOE shall continue to provide a detailed report on a biennial basis that describes its administration of program funds, including expenditures, and progress of each significant aspect of the programs at the district and State levels. Specifically, CNMI DOE shall also demonstrate how it is addressing the repeat audit findings associated with monitoring and evaluating Department programs, and tracking of property purchased with Department funds. These reports shall be signed by the authorized official of CNMI DOE and submitted to the Department no later than thirty days after the end of each 6-month period (for example, the first half of the year ends on December 31, 2004, therefore the report will be due on January 31, 2005). If a report is not timely or is not considered acceptable by the Department, i.e., does not contain enough information to demonstrate progress, after consultation with CNMI DOE, the Department may restrict the amount of grant funds that can be drawn down until sufficient documentation is provided.

I am encouraged by the progress that CNMI has made thus far and appreciate your commitment and the commitment of Commissioner Inos and her staff to addressing the changes and improvements necessary to eliminate the fiscal and programmatic accountability issues in CNMI. However, should appropriate corrective actions cease or fiscal and programmatic accountability problems recur in the future, the Department reserves the right to take appropriate actions, such as reinstating CNMI DOE's "high-risk" status and imposing new appropriate special conditions, applicable to future years' grant awards. If you have any questions or require further assistance, have your staff contact Christine Jackson, the primary contact for the Insular Areas Group within the Office of the Under Secretary, at (202) 260-2516, or Tina Otter at (202) 401-0462.

Page 3 – Honorable Juan N. Babauta

The Department is very hopeful that CNMI DOE will continue to make progress as it improves the use of, and accountability for Department funds to support the delivery of appropriate educational services to the students in CNMI so that no child in CNMI will be left behind.

Sincerely,



Eugene W. Hickok

cc: Dr. Rita Hocog Inos
Mr. Herman T. Guerrero