

Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

Report on CNMI Agencies' Implementation of Audit Recommendations

July 20, 2016



Michael Pai, Public Auditor



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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July 20, 2016

Interagency Audit Coordinating Advisory Group
Saipan, MP 96950

Re: Report on CNMI Agencies' Implementation of Audit Recommendations

Dear Interagency Audit Coordinating Advisory Group:

Enclosed is a copy of the report on CNMI agencies' implementation of audit recommendations included in audit reports issued by the Office of the Public Auditor (OPA) as of June 30, 2016. OPA tracked 18 audit recommendations as of June 30, 2016.

We have also included in this report recommendations issued by private Certified Public Accounting (CPA) firms. OPA is not responsible for tracking the implementation of these recommendations; however, they are included in the audit recommendations tracking report for information purposes. There were 136 recommendations from 12 recent audit reports issued by private CPA firms.

OPA sent follow-up emails and/or called government agencies with outstanding audit recommendations as of June 30, 2016. This report incorporates agency responses to follow-up emails/letters received or documents obtained by OPA on or before June 16, 2016.

In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals in the audits are not disclosed in this report.

Sincerely,

Michael Pai, CPA
Public Auditor

Interagency Audit Coordinating Advisory Group:

- Senate President, ankieborja.senate@gmail.com
- Speaker of the House of Representative, rep.demapanr@cnmileg.gov.mp
- Minority Leader for the House of Representative, rep.tebutebr.@cnmileg.gov.mp
- Secretary of Finance, larrisa.larson@gov.mp
- Special Assistant for the Office of Management and Budget, vvillagomez@gmail.com

Executive Summary

Report on CNMI Agencies' Implementation of Audit Recommendations,

As of June 2016

Report No. TR-16-01, July 20, 2016

Background

The Office of the Public Auditor (OPA) maintains an audit recommendations tracking system to monitor the implementation and resolution of audit recommendations. On a semi-annual basis, OPA issues its *Report on CNMI Agencies' Implementation of Audit Recommendations* (Audit Recommendation Tracking Report) which presents the audited agencies' compliance with OPA's recommendations.

The provisions of 1 CMC § 2307 established the Interagency Audit Coordinating Advisory Group (Coordinating Group) consisting of the presiding officer and minority leader of each house of the Legislature, the Secretary of Finance, and the Special Assistant for Management and Budget. According to the law, the Coordinating Group is to review all audit reports of the Public Auditor, and the Public Auditor will discuss the manner in which audit recommendations can be implemented with the assistance of the members of the Coordinating Group. The Coordinating Group shall also recommend to the Governor and to the Legislature any changes in laws or regulations, which it finds necessary or desirable as a result of its work with the Public Auditor.

The Coordinating Group has not met since 2000. However, OPA has been issuing follow-up letters, email messages, and/or contacting agencies with outstanding recommendations to request for information on corrective actions taken to implement OPA's audit recommendations. When requested, OPA staff meets with agency officials to discuss and clarify actions required to address OPA's audit recommendations. This report incorporates agency responses to OPA's follow-up emails or documents obtained by OPA on or before June 16, 2016. In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals are not disclosed in OPA's Audit Recommendation Tracking Report.

Classification of OPA Audit Recommendations

OPA recommendations are classified as either *resolved* or *unresolved*. A *resolved* recommendation is one in which OPA is satisfied that the client has taken corrective action to meet the intent of the recommendation or OPA has withdrawn from it. An *unresolved* recommendation is one in which the client cannot take immediate action or we have not been informed by the concerned agency or department of any action taken to address the recommendation.

Status of OPA Audit Recommendations

OPA tracked 18 audit recommendations as of June 2016. Of the 18 audit recommendations, one was resolved and 17 remained unresolved.

The table below presents the status of OPA's audit recommendations as of June 2016.

Status of Audit Recommendations	2015	As of June 2016
Total Recommendations Tracked	24	18
Less: Resolved Recommendation(s)	(6)	(1)
Unresolved Recommendations	18	17

Independent Auditor's Recommendations

OPA also includes in its Audit Recommendation Tracking Report 136 recommendations from 12 recent audit reports issued by private CPA firms.

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Introduction

Background

The provisions of 1 CMC §2307 established the Interagency Audit Coordinating Advisory Group (Coordinating Group) consisting of the presiding officer and minority leader of each house of the Legislature, the Secretary of Finance, and the Special Assistant for Management and Budget. According to the law, the Coordinating Group is to review all audit reports of the Public Auditor, and the Public Auditor will discuss the manner in which audit recommendations can be implemented with the assistance of the members of the Coordinating Group. The Coordinating Group shall also recommend to the Governor and to the Legislature any changes in laws or regulations, which it finds necessary or desirable as a result of its work with the Public Auditor. The Auditing Act also required the Office of the Public Auditor (OPA) to report semiannually to the legislature on the audited agencies' compliance with OPA's recommendation.

The Coordinating Group has not met since 2000. However, OPA has been issuing follow-up letters semi-annually to agencies with outstanding recommendations to request information on actions taken to address its recommendations. OPA also calls and sends email messages to encourage agencies to respond to the follow-up letters. When requested, OPA staff meets with agency officials to discuss and clarify the actions required to address OPA's recommendations.

This report incorporates agency responses to follow-up letters/emails that OPA received or documents obtained by OPA on or before June 16, 2016. In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals in the audits are not disclosed in this report.

Audit Recommendations Tracking System

OPA maintains an audit recommendations tracking system to monitor implementation and resolution of OPA audit recommendations. Recommendations issued by Independent Auditors are also included in the tracking system for information purposes.

OPA Recommendations - A *resolved* recommendation is one in which OPA is satisfied that the client has taken corrective action to meet the intent of the recommendation or OPA has withdrawn from it. An *unresolved* recommendation is one in which the client cannot take immediate action or we have not been informed by the concerned agency or department of any action taken to address the recommendation.

Independent Auditors Recommendations - We have also included in this report recommendations issued by private Certified Public Accountant (CPA) firms. OPA is not responsible for tracking the implementation of these recommendations; however, they are included in the audit tracking report for information purposes.

Status of Audit Recommendations

OPA tracked 18 audit recommendations as of June 2016. Of the 18 audit recommendations, one was resolved and 17 remained unresolved.

The following table represents a comparative schedule of the status of all our audit recommendations for calendar years 2014, 2015, and June 2016.

Status of Audit Recommendations	2014	2015	As of June 2016
Total Recommendations Tracked, As of June 2016	40	24	18
Less: Resolved Recommendations	(1)	(6)	(1)
Unresolved Recommendations, As of June 2016	39	18	17

Independent Auditor's Report

The OPA is not responsible for tracking the implementation of recommendations issued by private CPA firms; however, they are included in our audit tracking report for information purposes. OPA has included in the tracking report 136 recommendations from 12 recent audit reports released by private CPA firms. To view the Independent Auditor's Report, please visit our website at www.opacnmi.com.

Independent Auditor's Report on Internal Control	No. of Finding ¹	Material Weakness ²	Question Cost ³
Commonwealth Development Authority	0	0	0
Commonwealth HealthCare Corporation	45	33	653,621
Commonwealth of the Northern Mariana Islands	53	36	3,754,204
Commonwealth Ports Authority	2	0	0
Commonwealth Ports Authority, Passenger Facility Charge	5	5	0
Commonwealth Utilities Corporation	10	1	0
Department of Public Lands	3	3	0
Marianas Public Land Trust	0	0	0
Marianas Visitors Authority	0	0	0
Northern Mariana Housing Corporation	11	10	64,692
Northern Marianas College	0	0	0
Public School System	7	0	0
Total:	136	88	\$4,472,517

OPA would like to recognize the Marianas Visitors Authority (MVA), Northern Marianas College (NMC), and Public School System (PSS) for having no reportable audit finding in their Annual Financial and Compliance audit report for fiscal year ended September 30, 2015. This is a noteworthy accomplishment for MVA, NMC, and PSS. OPA appreciates the dedication and hard work carried out by these agencies in improving its operation and eliminating the repetition of prior year audit findings.

¹ *Audit Findings* generally occur when an auditor identifies weaknesses in an organization's procedures or noncompliance with certain requirements.

² A *Material Weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement or noncompliance with requirements will not be prevented, or detected and corrected, on a timely basis.

³ A *Question Cost* is an expenditure that is questioned by the auditor and is the result of an audit finding related to federal programs.



Executive Branch Offices and Departments

Department of Finance

Department of Lands and Natural Resources

Department of Public Safety

Department of Finance

Report No. AR-14-01 issued September 29, 2014
Department of Finance, Division of Customs Service
Audit of the Division of Customs Service on
Assessment and Collection of Excise Taxes for Calendar Year 2013

Recommendation A3

Original: DOF, Division of Customs Service should strictly adhere to its policy of holding future cargo until outstanding balances are satisfied. If cargo is released without the full payment of outstanding taxes or without the approval of a payment plan, adequate documentation and approval by the Director should be maintained in the files.

Further, OPA's review of existing Laws indicated no formal procedures or time tables were given to the Division to ultimately resale these held items in order to collect past due amounts. OPA recommends that the Division seek a legal opinion on this matter to determine if a change in the law is required or if such; can be incorporated through revised regulations.

Agency to Act : Department of Finance, Division of Customs Service

Status : Unresolved

Agency Response : In his August 29, 2014 response, the Director of Customs Service informed OPA that the Division has taken corrective actions to address this recommendation. The Division will not release cargos to an importer/business with outstanding accounts and an installment payment plan shall be the approved by the Director.

In a letter dated December 14, 2015, OPA was informed that the CNMI Tax System is now designed to flag the Customs officer twice at the time of assessment to indicate that the importer's account is delinquent. The Division is working towards having the system automatically lock the account until the balance is paid; the importer has signed a payment plan, or is cleared by the manager, the Compliance section, or the Director.

In a meeting held on June 14, 2016, the Director informed OPA that Customs Officers are still required to hold cargo if the importer has a delinquent account. The importer must pay the delinquent balance, or enter into a payment plan approved by the Director before the cargo is released. The Director reiterated that the CNMI Tax system would flag the Customs Officer during an assessment if the importer's account were delinquent.

OPA's Response : OPA considers this recommendation unresolved. The Division has not provided OPA with an updated aging report of importers with outstanding balances to determine if the Division is continually collecting from importers with delinquent accounts. OPA would like to see continued improvement in the collection process.

Recommendation A5 : *Original:* DOF, Division of Customs Service prioritizes inspections on importers based on certain criteria's, however OPA recommends that a method of random inspections be developed which would include all major importers over the course of

each year. It is very difficult to determine if a particular importer is high risk or not, without some form of inspection to determine compliance.

Agency to Act : Department of Finance, Division of Customs Service

Status : Unresolved

Agency Response : In his August 29, 2014 response, the Director of Customs Service informed OPA that it has implemented a procedure that is used by Customs globally and that random inspection is being practiced on passenger clearance.

In a letter dated December 14, 2015, the Division disagrees with OPA's finding.

In a meeting held with the Director, the Director stated that the Division prioritizes inspection of cargo that come from a high-risk port of origin or where the Division suspects illegal activity.

In a follow-up meeting held on June 14, 2016, OPA learned that the Division has not developed procedures on the random selection of cargo for inspections, aside from the cargo that are considered high-risk. The director maintained his position that the Division's selections procedure is consistent with Customs organizations in other jurisdictions. The Director explained that the Division does not have the resources to perform random inspections on cargo that are not considered high-risk.

OPA Response : OPA considers this recommendation unresolved. OPA would like to see the Division develop procedures on the random selection of cargo, aside from selecting cargo that are considered high-risk.

Recommendation B2 : *Original:* OPA recommends that written procedures be developed to immediately pursue importers with outstanding receivable balances that are greater than 30 days past due. OPA also recommends that receivables greater than 90 days be forwarded to the Division of Revenue and Taxation, Collection Branch in accordance with §70-10.1-150 of the Customs Service Regulations.

Agency to Act : Department of Finance, Division of Customs Service

Status : Unresolved

Agency Response : In his August 29, 2014 response, the Director of Customs Service informed OPA that it is in the process of amending §70-10.1-150 of its regulations to enable the Division to collect its own receivables that are greater than 90 days.

In a letter dated December 14, 2015, written procedures were not mentioned. However, during a site visit on December 18, 2015, OPA learned that a comprehensive policy and procedures manual has been drafted and will be forwarded to the Director for review and approval.

In a meeting held on December 18, 2015, the Director stated that he would like the regulations amended to authorize the Division to collect on delinquent accounts of more than 90 days.

In a follow-up meeting held on June 14, 2016, the Director informed OPA that the Division is still in the process of amending §70-10.1-150 of the Customs Service Regulations to enable the Division to collect its own receivables that are greater than

90 days. The Division prefers to perform its own collections efforts to these receivables and has not forwarded any balance greater than 90 days to the Division of Revenue and Taxation. OPA noted during the meeting that the Division has not adopted written procedure to address importers with delinquent accounts.

OPA Response : OPA considers this recommendation unresolved until written procedures to address importers with delinquent accounts are adopted. Although the Division has proposed amendments to §70-10.1-150 of the Customs Service Regulations, the amendments have not been finalized.

Department of Lands and Natural Resources

Report No. AR-15-03 issued October 5, 2015
Audit of the Outer Cove Marina for Calendar Year 2014

- Recommendation 1** : *Original:* DLNR should enforce the Outer Cove Marina Regulations (Regulations) by conducting the following:
- (a) Apply the appropriate berthing slip fees when billing its tenants. Management should also consistently review and monitor the assessment, billing, and collection of berthing slip fees.
 - (b) Assess and collect security deposits from all its tenants. DLNR should work with the Department of Finance to ensure that security deposits are accounted for separately and not commingled with berthing fee revenues.
 - (c) Assess and collect the proper delinquency fees. Management should consistently review and monitor the assessment, billing, and collection of penalty fees.
 - (d) Revisit the Regulation requirement pertaining to passenger departure fees and adopt a final decision. If the intention of DLNR is to suspend or not collect passenger departure fees, DLNR should amend the Regulations to reflect this change.

Agency to Act : Department of Lands and Natural Resources

Status : Unresolved

Agency Response : On April 30, 2015, the DLNR Secretary provided OPA a copy of a letter addressed to OCM tenants informing them that DLNR will begin implementing the Regulations effective June 1, 2015.

In his September 14, 2015 response, the DLNR Secretary stated that the department will enforce the Regulations by applying the appropriate fees when billing its tenants and a quarterly report submission will be required of the Marina Officer. He further stated that majority of the tenants have already paid their security deposit fee. In addition, DLNR has submitted a proposed amendment pertaining to the passenger departure fee to the Office of the Attorney General for review for the purpose of reducing the current fee of \$4.00 to 50 cents.

In a follow-up meeting held on June 14, 2016, the DLNR Secretary informed OPA that GHD Global and the Department of Public Works, Building Safety Code Division (DPW) assessed the condition of docks on the Outer Cove Marina. The result of the assessments concluded that the conditions of the docks are potentially subject to failure. DPW recommended that DLNR prohibit the use of the docks; therefore, DLNR is no longer accepting berthing applications from commercial boat operators. However, DLNR granted authorization for commercial boat operators to berth at their own risk with the condition that the boat operators sign a “Waiver, Release of Liability, and Indemnification Agreement” at no charge. The DLNR Secretary further stated that the waiver agreement does not allow for loading and unloading of passengers at the docks. DLNR provided OPA copies of the signed

waiver agreements and sent a request to DLNR Fish and Wildlife Director to have its enforcement personnel conduct routine patrol of OCM to ensure that no commercial vessel is loading and unloading passengers at the dock.

DLNR is still seeking advisement from OAG regarding the collection of arrearages and penalty fees from OCM tenants with delinquent accounts.

Furthermore, Mr. Seman stated that DLNR is in the process of finalizing a Request for Proposal (RFP) for a multi-year contract to redevelop, maintain and operate marina facility concession to interested parties. A copy of the draft RFP was provided to OPA on June 15, 2016.

In addition to OPA's follow-up efforts, the OAG is also conducting follow-up efforts pertaining to the Outer Cove and Smiling Cove Marina management issues.

OPA's Response : OPA considers this recommendation unresolved and will continue to follow-up until the recommendations have been addressed.

Recommendation 2 : *Original:* DLNR should seek the assistance of the OAG for legal advice and take appropriate action that will ultimately lead to impoundment or removal of vessels if a lease is not approved and the appropriate payments have not been made.

Agency to Act : Department of Lands and Natural Resources

Status : Unresolved

Agency Response : On September 14, 2015, the DLNR Secretary stated that DLNR would address the situation with the Marina Officer and the OAG.

In a follow-up meeting held on June 14, 2016, the DLNR Secretary informed OPA they will be working with the OAG to seek legal advice and take appropriate actions for the impoundment or removal of vessels with arrearages and/or unauthorized vessels berthing at OCM.

In addition to OPA's follow-up efforts, the OAG is also conducting follow-up efforts pertaining to the Outer Cove and Smiling Cove Marina management issues.

OPA Response : This recommendation is considered unresolved until DLNR addresses this matter.

Recommendation 3 : *Original:* The Secretary or his/her designee should review the berthing application and required documents prior to the Secretary's approval of the berthing. OPA also recommends that DLNR require its tenant to provide current documentation on an annual basis or at the renewal of a lease.

Agency to Act : Department of Lands and Natural Resources

Status : Resolved

Agency Response : On September 14, 2015, the DLNR Secretary stated that DLNR will address the situation with the Marina Officer and will work on protocols to ensure that this issue is addressed.

In a follow-up meeting held on June 14, 2016, the DLNR Secretary informed OPA that GHD Global and the DPW assessed the condition of docks on the Outer Cove Marina. The result of the assessments concluded that the conditions of the docks are potentially subject to failure. DPW recommended that DLNR prohibit the use of the docks; therefore, DLNR is no longer accepting berthing applications from commercial boat operators. However, DLNR granted authorization for commercial boat operators to berth at their own risk with the condition that the boat operators sign a “Waiver, Release of Liability, and Indemnification Agreement” at no charge. The DLNR Secretary further stated that the waiver agreement does not allow for loading and unloading of passengers at the docks. DLNR provided OPA copies of the signed waiver agreements and sent a request to DLNR Fish and Wildlife Director to have its enforcement personnel conduct routine patrol of OCM to ensure that no commercial vessel is loading and unloading passengers at the dock.

OPA’s Response : OPA considers this recommendation resolved.

Recommendation 4 : DLNR must enforce its own Regulations, standard marine regulations and conduct the operations of OCM in a safe, professional, and business-like manner, more specifically:

- (a) The OCM should be fenced off from the general area with access gates for passengers and operators. DLNR needs a presence at the dock during all hours of operation to ensure and enforce compliance with the Regulations;
- (b) DLNR should find the necessary funds to provide, at the very least, basic amenities for users of the marina; and
- (c) Find necessary funds to maintain standard operational features to protect the passengers and vessel operators.

Agency to Act : Department of Lands and Natural Resources

Status : Unresolved

Agency Response : On September 14, 2015, the DLNR Secretary stated that DLNR will (a) station the Marina Officer at the OCM daily for four hours to ensure presence and visibility among its tenants, procure garbage disposal services, signage, and waterway markers. He further stated that a restroom would be provided when funds become available.

In a follow-up meeting held on June 14, 2016, the DLNR Secretary informed OPA that DLNR is in the process of finalizing a Request for Proposal (RFP) for a multi-year contract to redevelop, maintain and operate marina facility concession to interested parties. A copy of the draft RFP was provided to OPA on June 15, 2016.

OPA’s Response : OPA considers this recommendation unresolved and will continue to follow-up on the status of the RFP.

Recommendation 5 : *Original:* Prior to making formal audit recommendations, generally accepted government auditing standards stresses that a cost/ benefit analysis be conducted. OPA is not, at this time, equipped to conduct engineering studies and calculations to determine the needed renovations to provide an adequate level of safety. Prior to any expenditure of funds an engineering study should be conducted to determine needed

repairs and the costs associated with such repairs. Only at that time can management make informed decisions.

However, DLNR needs to immediately affect policies and controls, which will enhance the operational safety of the dock. This will require day-to-day oversight of the dock itself. Further, any cost/benefit analysis should also consider that the OCM is the only facility that currently supports the majority of Saipan's marine tourism activities. If the facility closes or fails, the cost in related tourism revenues will be substantial.

Essentially, DLNR is faced with no easy solutions. Based upon the engineering study either (1) repairs must be performed, (2) the OCM closed, (3) a new facility is built, or (4) the OCM is transferred to a public or private entity, which has the expertise and capital to effectively operate the marina.

- Agency to Act** : Department of Lands and Natural Resources
- Status** : Unresolved
- Agency Response** : On September 14, 2015, the DLNR Secretary stated that DLNR will discuss this issue with the Administration and will work to address all findings with possible remedies.

In a follow-up meeting held on June 14, 2016, the DLNR Secretary informed OPA that GHD Global and the Department of Public Works, Building Safety Code Division (DPW) assessed the condition of docks on the Outer Cove Marina. The result of the assessments concluded that the conditions of the docks are potentially subject to failure. DPW recommended that DLNR prohibit the use of the docks; therefore, DLNR is no longer accepting berthing applications from commercial boat operators. However, DLNR granted authorization for commercial boat operators to berth at their own risk with the condition that the boat operators sign a "Waiver, Release of Liability, and Indemnification Agreement" at no charge. The DLNR Secretary further stated that the waiver agreement does not allow for loading and unloading of passengers at the docks. DLNR provided OPA copies of the signed waiver agreements and sent a request to DLNR Fish and Wildlife Director to have its enforcement personnel conduct routine patrol of OCM to ensure that no commercial vessel is loading and unloading passengers at the dock.

Furthermore, Mr. Seman stated that DLNR is in the process of finalizing a Request for Proposal (RFP) for a multi-year contract to redevelop, maintain and operate marina facility concession to interested parties. A copy of the draft RFP was provided to OPA on June 15, 2016.

In addition to OPA's follow-up efforts, the OAG is also conducting follow-up efforts pertaining to the Outer Cove and Smiling Cove Marina management issues.

Department of Public Safety

Report No. AR-15-01 issued March 11, 2015
Audit of the Department of Public Safety, Evidence Preservation,
Accountability and Control Section
For Calendar Years 2010 through July 2014

- Recommendation 1** : *Original:* DPS management needs to ensure that the ongoing improvements to the Evidence Facility continue and that funding sources are sufficient and dedicated to achieve this goal.
- Agency to Act** : Department of Public Safety
- Status** : Unresolved
- Agency Response** : In a follow-up meeting held on June 13, 2016, the DPS Commissioner stated that funding from the Federal Emergency Management Agency (FEMA) is currently being utilized to repair the damages to the Evidence Facility caused by Typhoon Soudelor. The Commissioner further stated that direct funding sources have not yet been identified and/or established for direct expenditure towards the Evidence Facility and its operations.
- OPA Response** : OPA considers this recommendation unresolved until repairs and improvements to the Evidence Facility have been made and direct funding sources has been identified and dedicated to achieve this goal.
-

- Recommendation 6** : *Original:* The Evidence Custodian must continuously update the inventory as conducted by OPA. Firearms not seized as evidence should be stored in the DPS Armory.
- Agency to Act** : Department of Public Safety
- Status** : Unresolved
- Agency Response** : In his letter response to OPA's draft audit report dated March 2, 2015, the DPS Commissioner informed OPA that the DPS has moved to a digital system to track the ownership of property held in the evidence room. The enhanced tracking system and improved organization of the evidence will reduce the likelihood that the present situation will not repeat itself in the future. Further, DPS is in the process of drafting and adopting regulations, which will allow for regular auditing, inventorying, and the disposal of firearms in DPS' custody. DPS also recognizes and agrees that its facility cannot be used for the indefinite storage of firearms or any other property.
- In a follow-up meeting held on June 13, 2016, the DPS Commissioner stated that damages caused by Typhoon Soudelor produced hazardous working conditions at the Evidence Facility. As a result, the Custodian is unable to perform complete and accurate inventory at this time. The DPS Commissioner further stated that the contract for the current digital tracking system cannot be found and that the Custodians are currently using Microsoft Excel to track inventory. The DPS Commissioner added that the firearms not seized as evidence still remain in the

Evidence Facility and will be removed as soon as DPS is able to perform a complete inventory of the facility.

OPA's Response : OPA considers this recommendation unresolved and will continue to conduct follow-ups until this recommendation has been addressed.

Recommendation 7 : *Original:* Specific written policies must be developed regarding the immediate submission of evidence to the Custodian, and all patrol persons, investigators and forensic technicians must be trained on the timely submission of evidence to the Evidence Facility.

Agency to Act : Department of Public Safety

Status : Unresolved

Agency Response : In his letter response to OPA's draft audit report dated March 2, 2015, the DPS Commissioner informed OPA that it had recently published a procedure manual for use by all police officers employed by DPS. The procedure manual requires the submission of evidence to the Evidence Facility as quickly as possible, but always before the end of the officer's shift. DPS is currently working to secure evidence lockers to be used for temporary evidence storage when the Evidence Facility is not accessible.

In a follow-up meeting held on June 13, 2016, OPA observed that the custodian currently uses a limited portion of the Evidence Facility for all incoming evidence due to the hazardous conditions caused by Typhoon Soudelor. As a result, OPA is unable to verify whether temporary evidence storages exist in other areas of the Evidence Facility.

OPA's Response : Due to the circumstances, surrounding the Evidence Facility, OPA considers this recommendation as unresolved.

Recommendation 8 : *Original:* DPS and the Office of the Attorney General must develop adequate procedures to address the disposal of outdated or irrelevant items retained as evidence.

Agency to Act : Department of Public Safety

Status : Unresolved

Agency Response : In his letter response to OPA's draft audit report dated March 2, 2015, the DPS Commissioner informed OPA that the department has drafted regulations, which will allow for the timely disposal of all evidence and property retained by the Evidence Facility. DPS anticipates the promulgation of its new evidence room regulations within the next ninety days or by June 2015.

In a follow-up meeting held on June 13, 2016, the DPS Commissioner informed OPA that DPS' legal counsel was recently replaced and that he has yet to receive information regarding the progress of the draft regulations.

OPA's Response : OPA considers this recommendation unresolved until regulations pertaining to the disposal of outdated or irrelevant items retained as evidence has been adopted and implemented.

Report No. AR-15-02 issued June 18, 2015
Audit of the Department of Public Safety's
Confidential Informant Fund
Covering the period of February 2014 through April 2015

Recommendation 1 : *Original:* The DPS should update and implement its existing Standard Operating Procedures (SOPs) to ensure that DPS fully complies with the Office of Justice Program, Office of the Chief Financial Officer Financial Guide (Guide). DPS should establish and maintain the completeness of each informant file to ensure that all informants are registered with DPS, and their files are secured to prevent loss and unauthorized access.

Agency to Act : Department of Public Safety

Status : Unresolved

Agency Response : In his letter response to OPA's draft audit report dated June 15, 2015, the DPS Commissioner informed OPA that he concurs with the findings and recommendations in its entirety. Accordingly, he will continue to work with the Commonwealth Bureau of Investigations (CBI) regarding the proper and secure registration of confidential informants. The DPS is also committed to reviewing, updating, implementing, distributing, and ensuring compliance with its SOPs.

In a follow-up meeting held on June 13, 2016, the CBI Commander stated that DPS is still in process of updating its SOPs and that all informants are registered with DPS and that each informant has a corresponding informant file containing copies of their finger prints, photo ID's, and other identifying information. He further stated that the informant files are kept within a secured room.

OPA Response : OPA considers this recommendation unresolved until DPS updates and implements its existing SOPs to ensure that DPS is in full compliance with the Office of Justice Program, Office of the Chief Financial Officer Guide.

Recommendation 2 : *Original:* The DPS should update and implement its existing SOPs to ensure that the CBI Commander is the exclusive authorizing official for fund requests as required by the Guide. Should the CBI Commander designate an employee to authorize fund requests, DPS should get the approval of the grantor agency, if necessary.

Agency to Act : Department of Public Safety

Status : Unresolved

Agency Response : In his letter response to OPA's draft audit report dated June 15, 2015, the DPS Commissioner informed OPA that he concurs with the findings and recommendations in its entirety. Accordingly, DPS is committed to reviewing, updating, implementing, distributing, and ensuring compliance with its SOPs.

In a follow-up meeting held on June 13, 2016, the CBI Commander stated that DPS is still in process of updating its SOPs. A review of randomly sampled fund advances indicated that the CBI Commander was the exclusive authorizing official for fund requests.

OPA's Response : This recommendation is considered unresolved until such time that DPS update and implements its existing SOPs to ensure that DPS is in full compliance with the Office of Justice Program, Office of the Chief Financial Officer Guide.

Recommendation 3 : *Original:* The DPS should update and implement its existing SOPs to comply with the Guide by requiring that:

- Informants payee receipt forms contain fields for all the required information; and
- Officers or case agents provide all the required information when preparing informant payee receipts.

Agency to Act : Department of Public Safety

Status : Unresolved

Agency Response : In his letter response to OPA's draft audit report dated June 15, 2015, the DPS Commissioner informed OPA that he concurs with the findings and recommendations in its entirety. Accordingly, DPS is committed to reviewing, updating, implementing, distributing, and ensuring compliance with its SOPs.

In a follow-up meeting held on June 13, 2016, the CBI Commander stated that DPS is still in process of updating its SOPs. A review of randomly sampled Confidential Fund Advances (CFA) indicated that informant payee receipt forms contained the fields for all the required information.

OPA's Response : This recommendation is considered unresolved until such time that DPS update and implements its existing SOPs to ensure that DPS is in full compliance with the Office of Justice Program, Office of the Chief Financial Officer Guide.

Recommendation 4 : *Original:* The DPS should update and implement its existing SOPs to include the Guide requirement of expending CI Funds in the same category indicated on the CFAs. Funds should not be used for another category without first returning them and repeating the authorization and advance process based on the new purpose.

Agency to Act : Department of Public Safety

Status : Unresolved

Agency Response : In his letter response to OPA's draft audit report dated June 15, 2015, the DPS Commissioner informed OPA that he concurs with the findings and recommendations in its entirety. Accordingly, DPS is committed to reviewing, updating, implementing, distributing, and ensuring compliance with its SOPs.

In a follow-up meeting held on June 13, 2016, the CBI Commander stated that DPS is still in process of updating its SOPs. A review of randomly sampled CFAs indicated that DPS personnel are expending CI Funds for the same categories as initially requested. OPA also observed that CFA forms contained a standard statement that holds the requestor of the funds liable for all amounts not expended in the same category as initially requested.

OPA's Response : This recommendation is considered unresolved until such time that DPS update and implements its existing SOPs to ensure that DPS is in full compliance with the Office of Justice Program, Office of the Chief Financial Officer Guide.

Recommendation 5 : *Original:* The DPS should update and implement its existing SOPs to require the Custodian to document the time and date on the CFAs and CFVs so that timely liquidation of fund advances are accurately monitored and achieved within the 48-hour limit according to the Guide. In addition, OPA recommends that the CBI Commander be notified if any advances remain outstanding for more than 48 hours.

Agency to Act : Department of Public Safety

Status : Unresolved

Agency Response : In his letter response to OPA's draft audit report dated June 15, 2015, the DPS Commissioner informed OPA that he concurs with the findings and recommendations in its entirety. Accordingly, DPS is committed to reviewing, updating, implementing, distributing, and ensuring compliance with its SOPs.

In a follow-up meeting held on June 13, 2016, the CBI Commander stated that DPS is still in process of updating its SOPs. A review of randomly sampled CFAs indicated that time is not consistently being documented on CFAs and CFVs.

OPA's Response : This recommendation is considered unresolved until such time that DPS update and implements its existing SOPs to ensure that DPS is in full compliance with the Office of Justice Program, Office of the Chief Financial Officer Guide.

Recommendation 6 : *Original:* The DPS should update and implement its existing SOPs to comply with the Guide, requiring the CBI Commander to prepare quarterly reconciliation reports on the CI Fund. Quarterly reconciliation reports should include the assumed name of each informant and to what extent each informant contributed to the investigation. The report shall be filed and made available for review.

Agency to Act : Department of Public Safety

Status : Unresolved

Agency Response : In his letter response to OPA's draft audit report dated June 15, 2015, the DPS Commissioner informed OPA that he concurs with the findings and recommendations in its entirety. Accordingly, DPS is committed to reviewing, updating, implementing, distributing, and ensuring compliance with its SOPs.

In a follow-up meeting held on June 13, 2016, the CBI Commander stated that DPS is still in process of updating its SOPs. The CBI Commander plans to begin preparing quarterly reconciliation reports.

OPA's Response : This recommendation is considered unresolved until such time that DPS update and implements its existing SOPs to ensure that DPS is in full compliance with the Office of Justice Program, Office of the Chief Financial Officer Guide.

Appendix A – Acronyms Used

CDA	Commonwealth Development Authority
CBI	Commonwealth Bureau of Investigation
CFA	Confidential Fund Advance
CFV	Confidential Fund Voucher
CI Fund	Confidential Informant Fund
CPA	Certified Public Accountant
CPA	Commonwealth Ports Authority
CNMI	Commonwealth of the Northern Mariana Islands
CUSTOMS	Division of Customs Service
DLNR	Department of Land & Natural Resources
DOF	Department of Finance
FEMA	Federal Emergency Management Agency
GUIDE	Office of Justice Program, Office of the Chief Financial Officer Guide
HTS	Harmonized Tariff Schedule
MPLT	Marianas Public Land Trust
MVA	Marianas Visitors Authority
OAG	Office of the Attorney General
OCM	Outer Cove Marina
P.L.	Public Law
SOP	Standard Operating Procedures

