



# Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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January 28, 2019

Interagency Audit Coordinating Advisory Group:  
The Honorable Victor B. Hocog, Senate President  
The Honorable Blas Jonathan T. Attao, Speaker of the House of Representatives  
The Honorable Edwin K. Propst, Minority Leader for the House of Representatives  
Ms. Larrisa C. Larson, Secretary of Finance  
Ms. Virginia C. Villagomez, Special Assistant for the Office of Management and Budget  
Saipan, MP 96950

Dear Interagency Audit Coordinating Advisory Group:

## Report on CNMI Agencies' Implementation of Audit Recommendations

Enclosed is a copy of the status report on CNMI agencies' implementation of audit recommendations reported in audit reports issued by the Office of the Public Auditor (OPA) for the calendar year ending 2018. OPA tracked 22 audit recommendations from June 2018 to present.

OPA sent follow-up emails and called government agencies with unresolved audit recommendations as of December 2018. Based upon our review, three audit recommendations were resolved. This report incorporates agency responses to our follow-up emails and responses based on requested documents obtained by OPA on or before December 31, 2018.

In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals in the audits are not disclosed in this report. All OPA audit reports can be found on [www.opacnmi.com](http://www.opacnmi.com).

Sincerely,

Michael Pai, CPA  
Public Auditor

Enclosures  
MP/db/gt/jb

Cc: Honorable Ralph DLG. Torres, Governor  
David Blake, OPA  
Geraldine Tenorio, OPA  
Joaquin Borja, OPA  
Ashley Kost, OPA

# Executive Summary

## Report on CNMI Agencies' Implementation of Audit Recommendations, As of December 2018 Report No. TR-18-02, January 28, 2019

### 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*, commonly referred to as the Audit Recommendations Tracking System (ARTS) report, which presents the audited agencies' implementation of 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.

Since 2000, OPA has not received any request for consultation from the Coordinating Group. 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 December 31, 2018. In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals are not disclosed in OPA's ARTS 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 a total of 22 audit recommendations as of December 2018. Of the 22 audit recommendations, three were resolved.

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

Agency	Report No.	Unresolved as of June 2018	Resolved	Unresolved as of Dec. 2018
Department of Public Land	AR-18-01	6	1	5
Commonwealth Utilities Corporation	AR-17-02	1	0	1
Commonwealth Healthcare Corporation	AR-17-01	8	2	6
Department of Lands and Natural Resources	AR-15-03	4	0	4
Department of Public Safety	AR-15-01	1	0	1
Department of Finance, Division of Customs	AR-14-01	2	0	2
<b>Total</b>		<b>22</b>	<b>3</b>	<b>19</b>

## Department of Public Lands

Audit of the Management of Land Leases and Temporary Permits Report No. AR-18-01, Issued May 18, 2018 (Link to Audit Report: <a href="http://www.opacnmi.com/resources/files/reports/audit/AR-18-01%20DEPARTMENT%20OF%20PUBLIC%20LANDS.pdf">http://www.opacnmi.com/resources/files/reports/audit/AR-18-01%20DEPARTMENT%20OF%20PUBLIC%20LANDS.pdf</a> )			
		<i>5 unresolved; 1 resolved</i>	
Findings	Recommendations	Current Status	Agency Response
1. DPL did not adopt an updated comprehensive land use plan required by law.	Adopt and implement a comprehensive land use plan as required by law.	Unresolved	<p><b>DPL's response 12/14/18:</b> Although the comprehensive land use plan (LUP) was expected to be completed in August 2018, DPL now expects the final plan to be completed by February 2019.</p> <p><b>OPA's response:</b> OPA will continue to keep this recommendation unresolved until the LUP is finalized and adopted.</p>
2. DPL did not renew lease agreements and temporary permits in a timely manner.	Develop written guidelines that establish clear lines of responsibility and coordination among the divisions for the execution of timely lease and permit renewals. Furthermore, the Secretary or the designee should monitor these functions and hold employees accountable for their work.	Unresolved	<p><b>DPL's response 12/14/18:</b> According to DPL, some lessees who have requested for extension have been noncompliant with payments and submission of appraisal reports. These leases have been forwarded to the appropriate division for review to determine uncured violations and take appropriate action.</p> <p><b>OPA's response:</b> OPA is concerned as some of these leases have expired anytime between 4 to 12 years and have been on holdover status since that time. OPA acknowledges the recent adoption of standard operating procedures (SOPs) for all divisions, however, OPA will keep this recommendation unresolved and conduct a follow-up review in June to determine if SOPs have been fully implemented and progress towards lease and temporary occupancy authorization (TOA) renewals have improved.</p>
3. DPL did not closely monitor compliance with lease agreements and permits.	Develop a tracking system to monitor the submission of required documents when due and adopt policies and procedures to ensure lessee's/permittee's compliance with the terms and conditions of its agreement, applicable laws and regulations.	Unresolved	<p><b>DPL's response 12/14/18:</b> DPL started a checklist (shared by the Accounting and Compliance divisions) of documents required from lessees. In addition, the Compliance Division adopted SOPs wherein they maintain a master list of all leases and TOAs that includes</p>

Audit of the Management of Land Leases and Temporary Permits Report No. AR-18-01, Issued May 18, 2018 (Link to Audit Report: <a href="http://www.opacnmi.com/resources/files/reports/audit/AR-18-01%20DEPARTMENT%20OF%20PUBLIC%20LANDS.pdf">http://www.opacnmi.com/resources/files/reports/audit/AR-18-01%20DEPARTMENT%20OF%20PUBLIC%20LANDS.pdf</a> )			<i>5 unresolved; 1 resolved</i>
Findings	Recommendations	Current Status	Agency Response
			<p>all required documents to be submitted periodically (updated appraisal reports, financial statements, etc.).</p> <p><b>OPA's response:</b> OPA reviewed the checklist and the tracking system and could not determine what documents are required and when due. OPA will keep this recommendation unresolved and conduct follow-up review in June to determine improvements to the checklist and master list.</p>
<p><b>4.</b> DPL did not prepare billing records, accurately assess fees and keep reliable accounting records.</p>	<p>(a) Review and monitor all leases and permits to ensure that fees are properly assessed;</p> <p>(b) Develop and implement written policies and procedures governing the assessment and collection of rental payments;</p> <p>(c) Assist and provide adequate training for accounting staff; and</p> <p>(d) Utilize a reliable accounting software to eliminate redundant tasks and process transactions efficiently.</p>	Unresolved	<p><b>DPL's response 12/14/18:</b> DPL has adopted SOPs to monitor the collection of revenues in addition to billing and sending delinquency notices. In addition, the Finance Division has initiated a checklist shared with the Compliance Division to monitor lessee's and permittee's compliance with the submission of appraisal reports, financial statements, gross revenue reports, royalty reports, etc. DPL hired new staff members and continues to work on obtaining technical support for a new accounting software, aside from attending conferences provided by APIPA and AGA.</p> <p><b>OPA's response:</b> OPA acknowledges the adoption of SOPs and commends DPL for their efforts to provide more training to their staff. However, OPA will conduct a follow-up in June to determine the progress of obtaining technical support for the accounting software and the monitoring of leases and TOAs.</p>
<p><b>5.</b> DPL did not effectively communicate with the Tinian and Rota District Offices.</p>	<p>DPL should (1) consistently communicate and monitor the operation in Tinian and Rota to ensure that public land leases are being monitored for compliance; and (2) establish and implement written procedures that guide coordination between its offices and clearly delineate</p>	Unresolved	<p><b>DPL's response 12/14/18:</b> According to DPL, a system is in place wherein Resident Directors from Tinian and Rota submit status updates and reports to the Secretary for review and response on a monthly basis. DPL also holds monthly meetings with Resident Directors via</p>

Audit of the Management of Land Leases and Temporary Permits Report No. AR-18-01, Issued May 18, 2018 (Link to Audit Report: <a href="http://www.opacnmi.com/resources/files/reports/audit/AR-18-01%20DEPARTMENT%20OF%20PUBLIC%20LANDS.pdf">http://www.opacnmi.com/resources/files/reports/audit/AR-18-01%20DEPARTMENT%20OF%20PUBLIC%20LANDS.pdf</a> )		<i>5 unresolved; 1 resolved</i>	
Findings	Recommendations	Current Status	Agency Response
	responsibility for maintaining adequate land lease records.		<p>teleconference. In addition, DPL has adopted SOPs for Tinian and Rota.</p> <p><b>OPA’s response:</b> OPA acknowledges the adoption of SOPs for Tinian and Rota District Offices and commends DPL’s efforts to communicate with Resident Directors. OPA reviewed the Tinian District Office SOPs and found that there were no procedures for processing applications for new and renewals of leases and TOAs. However, OPA will follow-up in June to determine the progress of communication with Tinian and Rota District Offices and the adoption of additional procedures by the Tinian district office.</p>
<p><b>6.</b> DPL did not adopt a standard of operating procedures for the management of public land leases and permits.</p>	Should adequately develop and adopt administrative policies and update its SOPs to ensure accountability, compliance with laws and regulations, guidance for decision-making and streamline its internal processes.	Resolved	<p><b>DPL response 12/14/18:</b> DPL provided copies of recently adopted SOPs for all divisions on Saipan, Tinian, and Rota.</p> <p><b>OPA’s response:</b> OPA has considered this recommendation resolved. However, OPA will revisit the SOPs for Tinian, because procedures for processing leases and TOAs were not included.</p>

**Commonwealth Utilities Corporation (CUC)**

Audit of the Commonwealth Utilities Corporation’s Organizational Structure Report No. AR-17-02, Issued April 27, 2017 (Link to Audit Report: <a href="http://opacnmi.com/resources/files/reports/audit/AR-17-02%20CUC%20Organizational%20Structure.pdf">http://opacnmi.com/resources/files/reports/audit/AR-17-02%20CUC%20Organizational%20Structure.pdf</a> )			<i>1 unresolved; 0 resolved</i>
Findings	Recommendations	Current Status	Agency Response Update
<p><b>1.</b> The Commonwealth Utilities Corporation (CUC) did not achieve its purpose to operate as an independent public agency with the legal and political independence to perform as a non-subsidized, autonomous corporation due to interferences by the legislature, various governors, and the boards of directors throughout the history of CUC.</p>	<p>CUC should collaborate with the Administration and the legislature to promptly and diligently consider a revised corporate form for CUC.</p> <p>Three proven models that could be considered to replace the current political structure of CUC are Cooperatives, Municipal Corporation, and Privatization.</p>	<p>Unresolved  <b>Note:</b> See comments below.</p>	<p>Although CUC has expressed its commitment to considering the alternatives to its organizational structure, the recommendation will remain open as it involves collaboration with the Administration and the Legislature.</p> <p>Because of the change in leadership at the Legislature from the 2018 election, the unresolved recommendation will be addressed to both the Administration and the Legislature for future follow-up in June 2019.</p>

*\* The audit report gained some traction with the Legislature’s introduction of Senate Bill 20-39 on May 8, 2017. The bill aims to “replace the Commonwealth Utilities Corporation with two independent autonomous public corporations to separately manage and control the power service and water service systems, and to create only one elected consolidated Commonwealth Utilities Board for the two public corporations, and for other purposes.”*

## Commonwealth Healthcare Corporation (CHCC)

Audit of the Commonwealth Healthcare Corporation's Patient Revenue Cycle Management Report No. AR-17-01, Issued March 16, 2017 (Link to Audit Report: <a href="http://opacnmi.com/resources/files/reports/audit/AR-17-01%20CHCC%20Patient%20Revenue%20Cycle.pdf">http://opacnmi.com/resources/files/reports/audit/AR-17-01%20CHCC%20Patient%20Revenue%20Cycle.pdf</a> )		<i>6 unresolved; 2 resolved</i>	
Findings	Recommendations	Current Status	Agency Response Update
1. Failure to manage patient accounts receivable.	Collect upfront payments from all patients regardless of coverage, unless it is certain that the insurance or guarantor will pay the bill in full. If patients are unable to make payment, CHCC should discuss payment options with the patients and ensure that follow-up procedures are performed.	Unresolved	<p><b>CHCC response 12/21/18:</b> An updated report has been attached to include receipt dates where payment was received.</p> <p>If a payment was not received, a comment has been entered to justify why no payment was collected. If a payment agreement was prepared, a payment agreement number is noted on the report.</p> <p>Please be advised of the NHSC (National Health Service Core) and EMTALA rules that restrict the CHCC from requiring payment or discussing payment (in emergency circumstances) prior to service.</p> <p><b>OPA's response:</b> OPA received a report which only reflects inpatient discharges and related payments; however, OPA also requested for outpatient discharges and related payments to review CHCC's overall collection efforts. Until OPA receives the report for outpatient discharges and determines that payments are being collected upfront or a payment plan has been executed, this recommendation will remain unresolved.</p>
	Develop a plan of action that is effective and timely, and addresses the current backlog related to coding, billing, collection, and posting payments.	Unresolved	<p><b>CHCC response 12/21/18: Coding/Billing</b> An updated report has been attached to show how many visits have not been coded and/or billed.</p> <p>As stated in our previous response, the backlog has been minimized significantly. For instance, for FY18 inpatient claims, we have 91% less uncoded claims compared to FY17. For day surgery claims, we have 23% less uncoded claims compared to FY17. And finally, for observation claims, we have 67% less uncoded claims compared to FY17.</p> <p>CHCC has hired more staff to ensure improved outcome and productivity. Moreover, we have evaluated the structure of coding and billing to allow for more efficiency when working the claims. Such as, having the staff code <i>and</i> bill their</p>

Audit of the Commonwealth Healthcare Corporation’s Patient Revenue Cycle Management  
 Report No. AR-17-01, Issued March 16, 2017  
 (Link to Audit Report: <http://opacnmi.com/resources/files/reports/audit/AR-17-01%20CHCC%20Patient%20Revenue%20Cycle.pdf>)

6 unresolved; 2 resolved

Findings	Recommendations	Current Status	Agency Response Update
			<p>claims; as opposed to one employee code, then having another employee bill the claim.</p> <p>Note that CHCC has one year to bill private insurances, while we have a six-year statute of limitation to bill self-pay patients.</p> <p><u>Collection</u>                      When determining collection rates, please consider Medicare and Private Insurance contractual adjustments, uncompensated care costs, no local share for Medicaid reimbursement, and debts occurred from other government agencies, such as DOC. A true collection rate formula should factor in adjustments, unposted payments, etc.</p> <p><u>Posting Payments</u>                      Some payments received have inflated the payment posting backlog. However, this should not be the perception since Medicare bonuses and settlements should not be factored in. An updated report to reflect a true payment posting backlog is attached.</p> <p><b>OPA’s response:</b> OPA did not receive a plan of action that addresses the current backlog in coding, billing, and payment posting. In lieu of a plan of action, OPA requested to see a report on the billing status for discharges for the past six years. CHCC responded saying that their Business Office is short staffed and would be impossible to provide the report in the short amount of time given. OPA then requested for a report that management currently uses to track billings to make sure that CHCC meets the one-year deadline to bill insurance agencies or the six-year statute of limitation to bill self-pay customers.</p> <p>CHCC has yet to respond to OPA’s request for documents. Until CHCC provides sufficient documentation, OPA will keep this recommendation unresolved.</p>

Audit of the Commonwealth Healthcare Corporation’s Patient Revenue Cycle Management

6 unresolved; 2 resolved

Report No. AR-17-01, Issued March 16, 2017

(Link to Audit Report: <http://opacnmi.com/resources/files/reports/audit/AR-17-01%20CHCC%20Patient%20Revenue%20Cycle.pdf>)

Findings	Recommendations	Current Status	Agency Response Update
	<p>Seek technical assistance that would result in the assessment of the current IT structure and the acquisition of a comprehensive accounting and billing system.</p>	<p>Unresolved</p>	<p><b>CHCC response 12/21/18:</b> CHCC has been seeking technical assistance for the current IT infrastructure. The issues impacting billing backlogs are not clearly understood. A comprehensive assessment must be undertaken to evaluate existing policy, procedures, workflow and systems to identify process inefficiencies due to the number of individuals and tasks involved in the provision of healthcare including clerks, nurses, doctors, ancillary and support staff. Implementing performance indicators across the revenue cycle spectrum will provide meaningful insights on ways CHCC can further improve the timeliness of generating claims.</p> <p>Discussions are on-going to streamline the cash receipts process. No solution has been identified yet.</p> <p>Finally, CHCC does not agree that this is a finding. There are no criteria being presented that requires CHCC to have a comprehensive accounting and billing system. Although this is what CHCC desires, there is nothing that requires this and thus, this should not be a finding. This appears more of a subjective opinion. Moreover, acquisition of a comprehensive’ accounting and billing system requires millions of dollars. CHCC does not have the free cash to acquire such system. Perhaps this should be removed from the report.</p> <p><b>OPA’s response:</b> OPA acknowledges that CHCC is making efforts to seek assistance for their current IT infrastructure. OPA would like to receive further updates and will keep this recommendation unresolved until further development has been made.</p>
	<p>Provide staff with relevant documentation and training; and develop and implement policies and procedures effectively to review third party reimbursements.</p>	<p>Unresolved</p>	<p><b>CHCC response 12/21/18:</b> Although the concept of reviewing third party payers is the same, the actual reimbursement differs by payer. CHCC will develop a general policy to effectively review reimbursements and methods on how to respond and resolve inaccuracies. However, <i>contacting</i> third party payers to address inaccurate reimbursement and non-compliance may differ as well. For instance, Medicare may require that we submit an appeal through their system, while Aetna request that we call them directly.</p>

Audit of the Commonwealth Healthcare Corporation’s Patient Revenue Cycle Management Report No. AR-17-01, Issued March 16, 2017 (Link to Audit Report: <a href="http://opacnmi.com/resources/files/reports/audit/AR-17-01%20CHCC%20Patient%20Revenue%20Cycle.pdf">http://opacnmi.com/resources/files/reports/audit/AR-17-01%20CHCC%20Patient%20Revenue%20Cycle.pdf</a> )		<i>6 unresolved; 2 resolved</i>	
Findings	Recommendations	Current Status	Agency Response Update
			<p><b>OPA’s response:</b> CHCC, through a memo, has communicated to staff on how to review reimbursement; however, CHCC is currently working on drafting official policies and procedures. OPA considers this recommendation unresolved until CHCC finalizes and implements policies and procedures to effectively review third party reimbursements.</p>
	Properly adopt and publish a listing of all procedures and related fees in one complete schedule.	Resolved	<p><b>CHCC response 11/22/17:</b> We will be contracting with a chargemaster company who is experienced and successful in reviewing Fee Schedules to ensure all procedures are included and listed. This updated Charge Description Master will then be published according to the Administrative Procedures Act, as required, but will also be published on CHCC's website. The current chargemaster (all fees) was duly adopted and is published in the CNMI Administrative Code, as required. CHCC does not agree that adoption and publication of fees should be a finding when CHCC's fee schedule is adopted and published as required by law.</p> <p><b>CHCC response 12/21/18:</b> CHCC provided OPA a copy of their Chargemaster and Fee Schedule.</p> <p><b>OPA’s response:</b> At the time of OPA’s review in 2016, OPA found that the fee schedule was proposed but not properly adopted in the Commonwealth Register. As a result, CHCC was not fully reimbursed for what it billed. In addition, OPA found it difficult to locate all fees in one complete schedule.</p> <p>OPA acknowledges CHCC’s efforts in adopting a complete schedule starting with the adoption of medical fees on October 28, 2017. Further, in November 2018, CHCC has proposed to repeal and replace its entire fee schedule. In light of these efforts, OPA considers this recommendation resolved.</p>
	Update contracts with insurance companies.	Unresolved	<p><b>CHCC response 12/21/18:</b> Contracts are still in negotiation with the payers.</p> <p>Additionally, CHCC is not required to execute payer contracts with insurance companies. Though our goal is to have these in place, it is not required. There are no criteria referenced that mandates this condition.</p>

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Findings	Recommendations	Current Status	Agency Response Update
			<b>OPA's response:</b> Although it is not a requirement to execute contracts with insurance providers, in general, contracts would establish comprehensive agreements and rights granted to each party. Contracts can also be utilized in court to settle insurance disputes and litigations. Hence executing contracts with each insurance company would benefit CHCC. OPA will keep this recommendation unresolved until CHCC executes a contract with each insurance company.
2. Noncompliance with procurement regulations in CHCC's use of an independent billing and collection firm and inadequate reconciliation of forwarded accounts.	Reconcile all billings created and payments received from the contractor. Any discrepancy should be resolved and the overall effect should be analyzed and documented.	Unresolved	<b>CHCC response 12/21/18:</b> On October 12, 2018, GMCA provided their "Medical Billing Accounts Inventory" report which is also attached.  <b>OPA's response:</b> OPA acknowledges the efforts made to begin the reconciliation process and OPA will keep this recommendation unresolved until reconciliations are complete.
	Comply with CHCC's Procurement Regulations when seeking the services of an outside billing and collection agency.	Resolved	<b>CHCC response 12/21/18:</b> Requested information attached.  <b>OPA's response:</b> CHCC confirmed that GMCA does not have access to CHCC's billing system. GMCA continues to collect payments from individuals who have payment plans that were executed before the contract expired.  OPA considers this recommendation resolved.

**Department of Lands and Natural Resources, Outer Cover Marina (DLNR)**

Audit of the Outer Cove Marina for Calendar Year 2014 Report No. AR-15-03, Issued October 5, 2015 (Link to Audit Report: <a href="http://www.opacnmi.com/resources/files/reports/audit/AR-15-03%20DLNR-OCM.pdf">http://www.opacnmi.com/resources/files/reports/audit/AR-15-03%20DLNR-OCM.pdf</a> )		<i>4 unresolved; 0 resolved</i>	
Findings	Recommendations	Current Status	Agency Response Update
<p><b>1.</b> DLNR did not properly assess and collect all required fees and fines.</p>	<p>DLNR should enforce the Outer Cove Marina Regulations (Regulations) by conducting the following:</p> <ul style="list-style-type: none"> <li>(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.</li> <li>(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.</li> <li>(c) Assess and collect the proper delinquency fees. Management should consistently review and monitor the assessment, billing, and collection of penalty fees.</li> <li>(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.</li> </ul>	<p>Unresolved</p>	<p>OPA recognizes that the closure of OCM has rendered this recommendation inapplicable at this time and will remain unresolved until circumstances at OCM enables OPA to make a detailed evaluation.</p> <p><i>See OPA response to Recommendation 5.</i></p>
<p><b>2.</b> Lack of enforcement activity made it easy for illegally berthed vessels to park.</p>	<p>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.</p>	<p>Unresolved</p>	<p>OPA recognizes that the closure of OCM has rendered this recommendation inapplicable at this time and will remain unresolved until circumstances at OCM enables OPA to make a detailed evaluation.</p> <p><i>See OPA response to Recommendation 5.</i></p>

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Findings	Recommendations	Current Status	Agency Response Update
<p><b>4.</b> OCM lacks adequate security, basic amenities and signage.</p>	<p>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:</p> <p>(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;</p> <p>(b) DLNR should find the necessary funds to provide, at the very least, basic amenities for users of the marina; and</p> <p>(c) Find necessary funds to maintain standard operational features to protect the passengers and vessel operators.</p>	<p>Unresolved</p>	<p>OPA recognizes that the closure of OCM has rendered this recommendation inapplicable at this time and will remain unresolved until circumstances at OCM enables OPA to make a detailed evaluation.</p> <p><i>See OPA response to Recommendation 5.</i></p>
<p><b>5.</b> OCM’s overall structure is unsafe.</p>	<p>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.</p> <p>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.</p>	<p>Unresolved</p>	<p>On December 13, 2018, DLNR provided OPA a request to the Office of the Attorney General for guidance as DLNR plans to stop all operations at the Marina and notify operators that loading and off-loading of passengers will be banned. OPA is concerned that enforcement of the <i>Indemnification Agreement</i> with marina operators is lacking. This agreement already prohibits the loading and off-loading of passengers. In our last review in June 2018, OPA made observations at the Marina which also confirmed loading of passengers.</p> <p>In addition, DLNR also provided OPA a draft RFP to fund, redevelop, maintain, and operate the Marina concession. OPA will follow-up in June to confirm whether DLNR’s plans were executed in order to resolve this finding.</p> <p>In the meantime, the Marina continues to be utilized by private and commercial boaters despite its current</p>

Audit of the Outer Cove Marina for Calendar Year 2014 *4 unresolved; 0 resolved*  
 Report No. AR-15-03, Issued October 5, 2015  
 (Link to Audit Report: <http://www.opacnmi.com/resources/files/reports/audit/AR-15-03%20DLNR-OCM.pdf>)

<b>Findings</b>	<b>Recommendations</b>	<b>Current Status</b>	<b>Agency Response Update</b>
	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.		condition. OPA strongly advises DLNR to take all necessary measures to ensure the safety of occupants and visitors at OCM; and mitigate the potential liabilities to the CNMI that are associated with the continued use, but unsafe conditions of the OCM.

**Department of Public Safety (DPS)**

Audit of the Department of Public Safety, Evidence Preservation, Accountability and Control Section *1 unresolved; 0 resolved*  
 Report No. AR-15-01, Issued March 11, 2015  
 (Link to Audit Report: <http://opacnmi.com/resources/files/reports/audit/AU-DPS-1501.pdf>)

Findings	Recommendations	Current Status	Agency Response Update
1. The physical security of the facility is inadequate.	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.	Unresolved	<p>OPA conducted a site visit on December 4, 2018 to observe both the Evidence Facility and temporary evidence facility. OPA noted that evidence was still being stored in the temporary facility which has a two-step security system to enter and exit and a total of two security cameras to monitor the exit. In regards to improvements to the Evidence Facility, DPS informed OPA that the design and construction of the evidence room had started prior to the Super Typhoon Yutu, but the project has been placed on hold due to the recovery.</p> <p><b>OPA’s response:</b> Based on our observation, OPA will keep this recommendation unresolved, and a follow-up will be conducted in June 2019.</p>

**Department of Finance, Division of Customs (DOF, Customs)**

Audit of the Division of Customs Service on Assessment and Collection of Excise Taxes for Calendar Year 2013 Report No. AR-14-01, Issued September 29, 2014 (Link to Audit Report: <a href="http://opacnmi.com/resources/files/reports/audit/Customs_AR1401.pdf">http://opacnmi.com/resources/files/reports/audit/Customs_AR1401.pdf</a> )		2 unresolved; 0 resolved	
Findings	Recommendations	Current Status	Agency Response Update
<b>A3.</b> Failure to hold cargo of delinquent taxpayers.	<p>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.</p> <p>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.</p>	Unresolved	<p><b>OPA's response:</b> Division of Customs Services' regulations state that cargo may be released prior to payment of excise tax as prescribed by 4 CMC § 1407, and § 1407 states that no cargo is allowed to be released without prior customs clearance when required. Customs regulations also state that consignees with excise taxes not paid within 30 days after the entry of cargo shall be denied clearance and release on future taxable cargo, and consignees are required to pay all outstanding taxes and fees prior to the release of such cargo.</p> <p>OPA sampled clearance documents and found that Customs has released cargo to vendors with overdue balances without adequate documentation to justify release of cargo and authorization from the Director. Therefore, this recommendation will remain unresolved, and OPA will conduct another follow-up review in June.</p>
<b>B2.</b> Failure to collect on overdue balances.	<p>OPA recommends that written procedures be developed to immediately pursue importers with outstanding receivable balances that are greater than 30 days past due. <del>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.</del></p>	Unresolved	<p><b>OPA's response:</b> OPA acknowledges and commends Customs for the adoption of standard operating procedures on August 17, 2018. Due to the recent adoption, OPA will be conducting a follow-up review in June to determine if collection procedures were implemented and adequately documented.</p>

*OPA's comments: OPA determined that the part stricken above is no longer applicable due to an amendment in Customs Service Regulation.*