



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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January 29, 2018

Interagency Audit Coordinating Advisory Group:
The Honorable Arnold I. Palacios, Senate President
The Honorable Rafael S. Demapan, Speaker of the House of Representatives
The Honorable Edmund S. Villagomez, 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) as of December 31, 2017. OPA tracked 24 audit recommendations as of December 31, 2017.

OPA sent follow-up emails and called government agencies with unresolved audit recommendations as of December 31, 2017. This report incorporates agency responses to our follow-up emails and responses based on requested documents obtained by OPA on or before December 31, 2017.

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.

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 2017

Report No. TR-17-02, December 31, 2017

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' 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.

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, 2017. 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 24 audit recommendations as of December 31, 2017. Of the 24 audit recommendations, 4 were resolved.

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

Agency	Report No.	Unresolved	Resolved	Total as of December 2017
Commonwealth Utilities Corporation	AR-17-02	1	0	1
Commonwealth Healthcare Corporation	AR-17-01	11	0	11
Department of Lands and Natural Resources	AR-15-03	4	0	4
Department of Public Safety	AR-15-02	0	3	3
Department of Public Safety	AR-15-01	2	1	3
Department of Finance, Division of Customs	AR-14-01	2	0	2
Total		20	4	24

Commonwealth Utilities Corporation (CUC)

Audit of the Commonwealth Utilities Corporation’s Organizational Structure *1 unresolved; 0 resolved.*
 Report No. AR-17-02, Issued April 27, 2017
 (Link to Audit Report: <http://opacnmi.com/resources/files/reports/audit/AR-17-02%20CUC%20Organizational%20Structure.pdf>)

Findings	Recommendations	Current Status	Agency Response Update
<p>1. 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 Note: See comments below.</p>	<p>No response was received.</p>

** However, the audit report gained some traction with the Legislature. With the introduction of Senate Bill 20-39 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

11 unresolved; 0 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
1.	Failure to manage patient accounts receivable.	1. Develop and implement policies and procedures to promptly verify patient's insurance coverage and eligibility; discuss payment requirements, payment reminders and options with patients at the time of registration.	Unresolved	<p>CHCC has access to verify eligibility for Medicare, Aetna, and all Guam based insurances. Payment is being requested for, payment reminders, and payment options are all discussed at the time of registration or checkout. Policy 7036 Patient Registration is pending as it is routing for signatures.</p> <p>OPA's response: OPA reviewed and confirmed that the draft policy contains procedures that would provide staff with the necessary guidance for performing prompt verification of patient insurance coverages and eligibility and addressing payment requirements. OPA considers this recommendation unresolved until the policy is approved and implemented.</p>
		2. 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>Upfront payments are being done at the time of Registration and/or Checkout depending on the patient's medical condition. Payment options, such as a payment plan, is being discussed when patients are unable to make a payment.</p> <p>OPA's response: CHCC provided the requested documents for OPA to determine the extent of implementation; however, OPA considers this recommendation unresolved until we can make a proper determination in the June 2018 ARTS report.</p>
		3. Where applicable, require that doctors and nurses prepare the information necessary to estimate a bill at the time a patient is discharged.	Unresolved	<p>Estimates are provided to patients upon discharge based on the level of care received and documented by the provider. Policy 9503 includes the Documentation Time Table for Medical Records.</p> <p>OPA's response: OPA reviewed and confirmed that this policy was approved in March 2016. However, despite the existence of the policy, OPA noted indications of non-compliance during the audit. OPA considers this</p>

				recommendation unresolved until we can make a proper determination in the June 2018 ARTS report.
	4. 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>The backlog has been minimized significantly. For all inpatient insured claims, we are currently caught up; whereas, outpatient insured claims are 5-6 months behind. At the time of this performance review, CHCC had no Director of Revenue Cycle to lead the Business Office and provide guidance. Currently, as can be seen, the backlog has been reduced tremendously. At the time of this review, outpatient and inpatient claims were both over 12 months behind. Thus, action plans and actions have led to positive results.</p> <p>OPA's response: CHCC provided the requested documents for OPA to determine the extent of implementation; however, OPA considers this recommendation unresolved until we can make a proper determination in the June 2018 ARTS report.</p>	
	5. Seek technical assistance that would result in the assessment of the current IT structure and the acquisition of a comprehensive accounting and billing system.	Unresolved	<p>Medisphere is currently working with CHCC to assess any downfalls with the current IT structure. The acquisition of a comprehensive accounting and billing system requires significant funding. Lack of adequate funding to acquire new infrastructure is not an objective finding, especially when dealing with the reality of tens of millions of dollars in uncompensated care losses and CHCC's financial situation as a result.</p> <p>OPA's response: CHCC provided the requested documents for OPA to determine the extent of implementation; however, OPA considers this recommendation unresolved until we can make a proper determination in the June 2018 ARTS report.</p>	

		6. Develop and implement policies and procedures effectively to address claim denials and rejections.	Unresolved	<p>Review policy 0000 Billing & Collections Policy. This new policy is currently routing for signatures. A draft was provided months ago when CHCC initially responded to this review. Another draft is provided with this updated response.</p> <p>OPA's response: OPA reviewed and confirmed that the draft policy contained procedures that require and guide staff in addressing and monitoring the frequency of claim denials and rejections. OPA considers this recommendation unresolved until the policy is approved and implemented.</p>
		7. Provide staff with relevant documentation and training; and develop and implement policies and procedures effectively to review third party reimbursements.	Unresolved	<p>Training will be provided once the appropriate trainer/company is identified. Unfortunately, we were unable to find a Coder Educator, however, we are looking into available training sessions for this area. Publications for 2017 involving CPT codes, HCPCS Codes, and ICD 10 codes have been purchased providing staff with all current codes for billing/coding purposes. 2018 publications will also be ordered when available.</p> <p>OPA's response: CHCC provided the requested documents for OPA to determine the extent of implementation; however, OPA considers this recommendation unresolved until we can make a proper determination in the June 2018 ARTS report.</p>
		8. Properly adopt and publish a listing of all procedures and related fees in one complete schedule.	Unresolved	<p>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>OPA's response: A review of prior publications, relevant to the scope of the audit, revealed instances where CHCC published <i>Proposed</i> changes to fee</p>

				<p>schedules, but 1) failed to publish the required <i>Notice of Adoption</i> and 2) has published the <i>Notice of Adoption</i> months and even years later. Therefore, OPA finds this recommendation necessary. CHCC provided the requested documents for OPA to determine the extent of implementation; however, OPA considers this recommendation unresolved until we can make a proper determination in the June 2018 ARTS report.</p>
		9. Update contracts with insurance companies.	Unresolved	<p>Contracts are currently being reviewed and updated and negotiations with Insurance Plans are taking place. Insurance Plans are not required to execute Payer Contracts with CHCC. This should not be a finding as there is no criteria mandating or requiring Insurance Plans to execute contracts with CHCC.</p> <p>OPA’s response: OPA does not recommend that CHCC execute payer contracts. The recommendation referred to CHCC’s existing contracts with various insurance providers. These agreements have been collectively negotiated in a 2013 memo which is currently being enforced and has not been updated since. Given the existence of these agreements and the inherent automatic renewal clauses, best practices suggest that healthcare providers perform continuous assessments of current operations in order to periodically update or renegotiate payer contract terms in an attempt to maximize revenue. The 2013 memos further implied that new agreements were contingent upon CHCC’s review of its fees. OPA considers this recommendation unresolved until negotiations are finalized and contracts have been updated.</p>
2.	Noncompliance with procurement regulations in CHCC’s use of an independent billing and collection firm and inadequate reconciliation of forwarded accounts.	10. 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	<p>Reconciliation reports have been provided to the insurances. They have responded to the list and we are reviewing and addressing any discrepancies. Moreover, multiple requests have been sent to GMCA for a reconciliation of payments received. This effort continues today. Another follow-up was sent November 21, 2017. CHCC will continue to communicate with the contractor in order to reconcile.</p> <p>OPA’s response: CHCC has not yet obtained the data</p>

				<p>necessary to begin their reconciliation of their transactions with the independent billing and collection firm. OPA considers this recommendation unresolved until we can make a proper determination in the June 2018 ARTS report.</p>
		<p>11. Comply with CHCC’s Procurement Regulations when seeking the services of an outside billing and collection agency.</p>	<p>Unresolved</p>	<p>CHCC is complying with its procurement regulations. CHCC has not contracted the services of an outside collections agency dating back to 2015. Upon pursuit of a new collections contractor CHCC will perform necessary solicitation/bidding procedures as required by our Procurement regulations which were adopted in September 2015 one month before this report was initiated.</p> <p>OPA’s response: OPA requested copies of correspondences between CHCC and its independent billing and collection firm documenting CHCC’s instruction to end billing and collection services. The documents provided to OPA did not indicate such instruction. OPA considers this recommendation unresolved until we can make a proper determination in the June 2018 ARTS report</p>

**CHCC, through the new CFO and Revenue Director, is diligently working on resolving the recommendations. Although progress has been made, more time and evaluation will be needed before OPA can make proper determinations. OPA will keep these recommendations open until we can verify implementation in the June 2018 ARTS report.*

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

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>)

Findings	Recommendations	Current Status	Agency Response Update
<p>1. 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"> (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. 	<p>Unresolved</p>	<p>As of December 31, 2017, DLNR has not begun its collection of amounts owed to the CNMI as provided in sub-recommendation (c). OPA considers this portion of the recommendation unresolved.</p> <p>OPA recognizes that the closure of the OCM has rendered sub-recommendations (a), (b), and (d) to be inapplicable at this time and will remain unresolved until circumstances at OCM enables OPA to make a proper determination.</p> <p><i>See OPA response to Recommendation 5.</i></p>
<p>2. 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>According to DLNR, it lacks the budget needed to hire staff to manage the marina and provide enforcement to prevent illegal berthing at the marina.</p> <p>OPA's response: OPA recognizes that the closure of the OCM has rendered this recommendation inapplicable at this time and will remain unresolved until circumstances at OCM enables OPA to make a proper determination.</p>

			<p><i>See OPA response to Recommendation 5.</i></p>
<p>4. 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> <ul style="list-style-type: none"> (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. 	<p>Unresolved</p>	<p>The Department is hoping that with a newly built facility, issues with security, basic amenities and signage will be resolved when a new agency takes over operation of the marina.</p> <p>OPA’s response: OPA recognizes that the closure of the OCM has rendered this recommendation inapplicable at this time and will remain unresolved until circumstances at OCM enables OPA to make a proper determination.</p> <p><i>See OPA response to Recommendation 5.</i></p>
<p>5. 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>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</p>	<p>Unresolved</p>	<p>DLNR has informed OPA that they have been working with the Department of Public Works in drafting an RFP that would require a developer to design, construct, and operate a new and safer facility.</p> <p>OPA’s response: OPA recognizes that the closure of the OCM has rendered this recommendation inapplicable at this time and will remain unresolved until circumstances at OCM enables OPA to make a proper determination.</p> <p>DLNR has closed the OCM due to its unsafe condition, but continues to allow vessels to berth at no charge subject to conditions under DLNR’s <i>Waiver, Release of Liability, and Indemnification Agreement</i> which also prohibits the loading and unloading of passengers or equipment.</p> <p>However, due to the lack of enforcement of its waivers, vessel operators continue to load and unload passengers and DLNR is uncertain if</p>

	<p>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.</p>	<p>there are any illegally berthed vessels at the OCM. Further, the OCM lacks necessary signage to keep the public on notice of its condemnation and fencing to restrict access.</p> <p>The OAG has communicated their concerns about the current conditions and operations at OCM to DLNR; however, there is no indication that DLNR has made significant progress towards addressing these concerns.</p> <p>Based on the current circumstances, 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.</p>
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Department of Public Safety (DPS)

Audit of the Department of Public Safety's Confidential Informant Fund

0 unresolved; 3 resolved.

Report No. AR-15-02, Issued June 18, 2015

(Link to Audit Report: http://www.opacnmi.com/resources/files/reports/audit/DPS_ConfidentialInformantFund_AR-15-02.pdf)

	Findings	Recommendations	Current Status	Agency Response Update
3.	Informant payee receipts did not conform to the Guide requirements.	<p>The DPS should update and implement its existing SOPs to comply with the Guide by requiring that:</p> <ul style="list-style-type: none"> • 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. 	Resolved	<p>DPS provided OPA with a copy of the SOP which was signed and approved by the DPS Commissioner. OPA reviewed the revised copy of the informant payee receipt and confirmed that it contained the entry field for the description of evidence/information as required by the Office of Justice Program's Financial Guide.</p> <p>OPA's response: OPA considers this recommendation resolved.</p>
5.	Funds were not always returned or liquidated with 48 hours.	<p>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.</p>	Resolved	<p>DPS provided OPA with a copy of the SOP which was signed and approved by the Commissioner. OPA reviewed the revised copies of the CFA and CFV and confirmed that they contained entry fields that require the documentation of the time and date to ensure that timely liquidation of fund advances are monitored as required by the Office of Justice Program's Financial Guide.</p> <p>OPA's response: OPA considers this recommendation resolved.</p>
6.	Quarterly reconciliation reports are not being prepared.	<p>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.</p>	Resolved	<p>DPS provided OPA with a copy of their SOP which was signed and approved by the DPS Commissioner. OPA also reviewed a copy of DPS' most recent quarterly reconciliation report and noted that it included assigned numbers of each informant and a brief description of the extent each informant contributed to the investigation.</p>

			<p>OPA’s response: OPA considers this recommendation resolved.</p>
<p>Audit of the Department of Public Safety, Evidence Preservation, Accountability and Control Section Report No. AR-15-01, Issued March 11, 2015 (Link to Audit Report: http://opacnmi.com/resources/files/reports/audit/AU-DPS-1501.pdf)</p>			<p><i>2 unresolved; 1 resolved.</i></p>
Findings	Recommendations	Current Status	Agency Response Update
<p>1. The physical security of the facility is inadequate.</p>	<p>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.</p>	<p>Unresolved</p>	<p>Evidence is still being stored at the Temporary Evidence Room. DPS has not begun renovations to the original location until FEMA provides funding from the Public Assistance Grant.</p> <p>OPA’s response: Until renovations to the original facility have been made and the evidence is moved back, OPA considers this recommendation unresolved.</p>
<p>6. Firearms seized and weapons submitted for safekeeping are inadequately documented, and in some cases records are non-existent.</p>	<p>The Evidence Custodian must continuously update the inventory as conducted by OPA. Firearms not seized as evidence should be stored in the DPS Armory.</p>	<p>Unresolved</p>	<p>DPS has not been able to procure hardware and software necessary to follow through on the digital tracking system. However, the DPS Custodian continues to maintain and update its inventory listing of all items in the Temporary Evidence Room, including non-evidence firearms.</p> <p>OPA's response: OPA has determined DPS' current practice of maintaining its inventory records of non-evidence firearms to be adequate and therefore considers this portion of the recommendation resolved.</p> <p>OPA considers management's preference not to store non-evidence firearms in the DPS Armory due to factors making it an unsuitable location. However, OPA still recommends that DPS store its non-evidence firearms in a separate location or in a way that physically secures them from other items retained as evidence. This portion of the recommendation remains unresolved.</p>

<p>8. The Evidence Section has failed to dispose of outdated items or irrelevant items retained as evidence.</p>	<p>DPS and the Office of the Attorney General must develop adequate procedures to address the disposal of outdated or irrelevant items retained as evidence.</p>	<p>Resolved</p>	<p>In a follow-up interview on December 22, 2017, the DPS Custodian provided memos documenting the OAG's approval and DPS' disposal of items retained as evidence between the 1980s and 2000s in July 2015 and January 2016. Additionally, items retained as evidence in 2014 and 2016 are currently being reviewed for disposal by the OAG.</p> <p>OPA's response: OPA has determined that DPS has initiated the process of gradually disposing outdated and irrelevant items retained as evidence and therefore considers this recommendation resolved. OPA will periodically contact DPS to verify this continued practice.</p>
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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

2 unresolved; 0 resolved.

Report No. AR-14-01, Issued September 29, 2014

(Link to Audit Report: http://opacnmi.com/resources/files/reports/audit/Customs_AR1401.pdf)

Findings	Recommendations	Current Status	Agency Response Update
<p>A3. Failure to hold cargo of delinquent taxpayers.</p>	<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>In a follow-up review on December 21, 2017, OPA noted that although the CNMI Tax system flags importers with outstanding taxes during assessment, cargoes are still being released without full payment of outstanding taxes or approved payment plans, and without adequate documentation of approval for such practices from the Director.</p> <p>OPA's response: OPA considers this recommendation unresolved.</p>
<p>B2. Failure to collect on overdue balances.</p>	<p>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.</p>	Unresolved	<p>In a follow-up review on December 21, 2017, the Division informed OPA that SOPs to address the collection of outstanding receivable balances greater than 30 days will be drafted during the coming months.</p> <p>OPA's response: Given that the SOPs have not yet been implemented, OPA considers this recommendation unresolved.</p> <p>The Division has formally adopted its revised Customs Service Regulations on September 28, 2017 which allows the Division to collect its own receivables that are greater than 90 days. OPA considers this portion of the recommendation as not implemented, but resolved.</p>