

Department of Finance,
Division of Procurement and Supply

Audit of Government Vehicles





Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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February 26, 2020

David Atalig
Secretary of Finance
Department of Finance
P.O. Box 5234 CHRB
Saipan, MP 96950

Dear Secretary Atalig:

Report on the Audit of Government Vehicles

This report presents the Office of the Public Auditor's (OPA) audit of Government Vehicles. Our audit objective was to determine if the Department of Finance, Division of Procurement and Supply maintains an accurate inventory of government vehicles and enforces compliance with laws and regulations pertaining to government vehicles to detect and prevent unauthorized use and misuse of government vehicles.

Our audit offers five recommendations that encompasses communicating, enforcing, and monitoring agencies' compliance with policies and procedures, laws, and regulations, providing adequate training to staff, and obtaining clarification to determine whether "factory tint" is allowable. In addition, we believe that implementation of these recommendations will address the report findings, improve accountability, and reduce the risk of fraud, waste, and abuse.

We appreciate the response received from your office and based on our review of the response, OPA considers all recommendations unresolved. The law requires OPA to report semiannually on the audited entity's compliance with OPA's recommendations. OPA will make contact with DOF every June and December until all recommendations are resolved.

As required by law and the auditing standards, all reports issued by OPA are made public and can be found on OPA's website at www.opacnmi.com.

Sincerely,

Michael Pai, CPA
Public Auditor

Enclosures
MP/db/gt/waf

cc: Honorable Ralph DLG. Torres, Governor
David Blake, OPA
Geraldine Tenorio, OPA

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Results in Brief

Effective vehicle management ensures that the operation of government vehicles is aligned with each agency's goals and mission. Likewise, it allows management to account for all vehicles, prevent and detect government vehicle misuse, and ensure compliance with vehicle laws, regulations, and associated policies and procedures.

By law, the Department of Finance (DOF) has control and responsibility over the procurement and supply of goods and services for the Commonwealth government. Similarly, DOF's Procurement and Supply Division (P&S) bears the responsibility of maintaining a Master Inventory Control Record, as well as, conducting an annual inventory of properties held by each accountable person as reflected on DOF-P&S' records. In addition, regulations require that all leased or purchased vehicles conform to CNMI and Federal laws, including associated rules and regulations.

The Office of the Public Auditor (OPA) conducted an audit on government vehicles to determine if DOF-P&S maintains an accurate inventory of government vehicles and enforces compliance with the Government Vehicle Act of 1994 (Act), CNMI Vehicle Code, and Government Vehicle Regulations to detect and prevent unauthorized use and misuse of government vehicles. The Act defines government vehicles as those owned or leased by the Commonwealth government or any of its branches or political subdivisions, including autonomous agencies, government corporations, boards, and commissions using local or federal funds. The Act further defines government vehicles to include "any automobile, motorcycle, truck, tractor, or watercraft."

We found that DOF-P&S does not maintain an accurate inventory of government vehicles. Our review of DOF-P&S' inventory listing (Inventory Listing) and OPA's physical inspection of sampled vehicles revealed discrepancies found on the Inventory Listing. In addition, OPA learned that DOF-P&S does not enforce or monitor agencies' compliance with laws and regulations. Specifically, OPA found vehicles with:

- improper markings;
- prohibited window tinting;
- civilian license plates for non-law enforcement vehicles;
- no vehicle trip log;
- no written authorization for its use after normal business hours;
- no documentation evidencing an annual safety inspection; and
- no documentation evidencing periodic maintenance or service.

These violations were also found in OPA's 1998 audit report on government vehicles, which indicates that action was not taken to address those findings. The implementation of OPA's recommendation could reduce the risk of abuse, misuse, and non-compliance.

Introduction

Objective

The objective of the audit is to determine if the DOF-P&S maintains an accurate inventory list of government vehicles and enforces compliance with related laws and regulations to detect and prevent unauthorized use and misuse of government vehicles.

Please see *APPENDIX 1* for the scope and methodology of our audit.

Background

The N.M.I. Constitution, under Article X, established DOF to control and regulate the expenditure of public funds and promulgate regulations that require public officials to provide full and reasonable documentation that public funds are expended for public purposes. Subsequently, the Legislature enacted the Government Vehicle Act (Act) of 1994 to regulate the use of government vehicles. The Act defines government vehicles as those owned or leased by the Commonwealth government or any of its branches or political subdivisions, including autonomous agencies, government corporations, boards, and commissions using local or federal funds. The Act also includes watercraft and tractors under this definition of government vehicles. However, the Office of the Public Auditor (OPA) did not include tractors in its sample.

Pursuant to the Act, DOF-P&S adopted regulations to provide accountability, controls, and standards for the use of government vehicles. In addition, the CNMI Vehicle Code also regulates government vehicles as it pertains to vehicle registration and safety inspection.

NMIAC Title 70: Subchapter 70-30.2-005 Purpose:

The purpose of the regulations in this subchapter is to provide standards in which CNMI government vehicles are to be procured and maintained; to establish standards for control and accountability on the use of government vehicles; to provide for the efficient and proper use of such vehicles; to safeguard such assets from waste and abuse due to unauthorized or improper use, or mismanagement; to protect the government from any liability resulting from any unauthorized use or misuse and report any impropriety in the use of such vehicles; and to provide for the day to day record keeping on the use of government vehicles.

Prior Audit Coverage

OPA conducted an audit on government vehicles in 1998. The prior audit reported prevalent waste and abuse of government vehicles, as well as, noncompliance with applicable laws and regulations.

Please see *APPENDIX 2* for prior audit coverage.

Findings

Our audit found that the DOF-P&S does not have an accurate inventory of government vehicles. In addition, we found that DOF-P&S does not enforce compliance with applicable laws and regulations.

DOF-P&S Does Not Maintain Accurate Vehicle Records

DOF-P&S does not maintain an accurate inventory listing of government-owned vehicles, and does not track leased vehicles.

Pursuant to Section III of P&S' Property Management Policies and Procedures (SOP), DOF-P&S is responsible for maintaining the Master Inventory Control Record and for conducting an annual inventory of property held by each accountable person as reflected on DOF-P&S' records. In addition, agencies are required to report "immediately upon discovery" any lost, missing, damaged, or destroyed properties to DOF-P&S. Section IV further requires DOF-P&S to maintain detailed property records of all capitalized property, selected non-capitalized property, designated non-capitalized property, and infrastructure maintained in the J.D. Edwards System (JDE).

Leased Vehicles Are Not Tracked

In OPA's sample of 632 government vehicles, OPA identified six leased vehicles that were not recorded on DOF-P&S' Inventory Listing of Active Government Vehicles (Inventory Listing). Subsequently in May 2018, OPA obtained lists of leased vehicles from two auto dealerships on Saipan, which reported approximately 50 vehicles leased to the government. Leased vehicles are also subject to the Act and Government Vehicle Regulations and therefore, should be tracked to determine compliance. Tracking leased vehicles could potentially provide information to determine the cost-benefit of leasing versus purchasing vehicles.

DOF-P&S' Vehicle Records is Not Accurate

Of the 561 government vehicles inspected, OPA found 80 vehicles that were not recorded on the Inventory Listing, and 43 of the 80 vehicles did not bear CNMI property tag numbers. Of these 80 government vehicles, OPA found 17 on Rota, 47 on Saipan, and 16 on Tinian. As seen on Figure 1, OPA physically inspected a 24' Response/Safe Boat (Safe Boat) that was not recorded on the Inventory Listing and did not bear a property tag number. OPA also learned that the Safe Boat, which was acquired in 2016, had not been registered with the Bureau of Motor Vehicle (BMV), because it lacked documentation of ownership.



Figure 1: Unrecorded 24' Response/Safe Boat

Furthermore, OPA compared our sample agencies vehicle listing to the Inventory Listing and

identified approximately 165 vehicles on the Inventory Listing that were not reported by the agencies. During our physical inspection, OPA inquired with agencies about these vehicles; however, information regarding the status or condition of the vehicles were not provided.

Similarly, the physical inspection of government vehicles from our sample selection on Saipan, Rota, and Tinian revealed discrepancies found on the Inventory Listing. OPA found the following discrepancies:

- vehicles were recorded under the wrong agencies;
- license plate numbers were unrecorded and/or used on multiple vehicles;
- unique vehicle/hull identification numbers (VIN/HIN) were recorded under multiple vehicles;
- incorrect property tag numbers and vehicle descriptions (i.e.: Year, Make, Model); and
- incorrect or unrecorded vehicle data (i.e.: VIN).

Figure 2 below illustrates the number of discrepancies per category found on the Inventory Listing for the government vehicles we physically inspected.

Category	Number of Discrepancies per Category
License Plate No.	54
VIN/HIN	34
Agency Name	20
Property Tag No.	13
Year	8
Model	5
Make	2

Figure 2: Inventory Listing Discrepancies

In one example, we inspected a 2001 Chevrolet C6500 Bucket Truck where the VIN did not match the information recorded on the Inventory Listing. VINs contain 17 characters that are unique to each vehicle that could potentially provide information to identify vehicle theft or fraud. In another example, OPA found a 2004 Nissan Frontier on Rota; however, the inventory listing indicates the location of the vehicle as Saipan.

OPA also observed that the information recorded on the Inventory Listing was inconsistent. For example, vehicle license plate numbers were listed under various data fields like “Manufacturer,” “Model” and “Condition Code.” See Figure 3 for examples of errors found.

Date Acquired	Item No.	Property Tag No.	Description	Manufacturer	Model	Serial No.	Reference	Cost	Eq. Stat.	Condition Code	B/U I/L	Dept/Age ncy Physical Location
02/23/18	69293	MP-32529CM	TRAILER/PORTABLE/DEBRIS				651811-OP	\$ 1,400.00	WK	N-1	1484	Roads & Grounds Division
07/26/13	55706	FA-00932US	TRUCK/BUCKET/2001	CHEVROLET/GOVT-4168	C6500	1GBJ7H1C715504987	561688-OC	\$ 37,000.00	IV	E-1	3564A	Roads & Grounds Division
06/23/06	36451	ITEM-36451	WAGON/4DR/V6/GOLD	SUZUKI 1992	TROOPER	JACDH58V3N7906487	IPU/T-7968	\$ -	WK	GOVT-3758	472	Roads & Grounds Division
05/23/13	54983	FA-00614US	SUV/5DR/WAGON/GRAY	HYUNDAI	TUCSON/2013/TEMP:3291	SM8JT3AC7DU721321	560005-OC	\$ 20,189.00	IV	N-1	H20441	Rota Aging Program
01/18/05	32758	FA-00201US	PICK-UP/4WD XE/CCAB	NISSAN	FRONTIER	1N6ED27Y94C480820	431270-OC	\$ 26,431.00	IV	X-4	A46640	DPS Fire Division Saipan

Figure 3: Errors (in red) found on DOF-P&S' Inventory Listing.

These occurred because DOF-P&S did not enforce its policies and procedures to ensure all government vehicles are properly recorded, tagged, and marked. In addition, DOF-P&S Saipan does not perform annual physical inventory or random audits to validate the integrity of its property control process.

DOF-Rota Office stated that they have not conducted a physical inventory since 2010. DOF-Tinian stated that their office conducts physical inventory of all assets reported on the Physical Inventory Sheet (PIS) completed and submitted by the agencies annually. However, DOF-Tinian did not reconcile the information provided by the agencies against the data maintained on JDE to ensure that the PIS form captures all inventoried assets assigned to an agency and detect any variances in the inventory due to theft or misappropriation of assets.



Figure 4: 1997 Dodge Ram Maxi Passenger Van (CNMI-FA-000459)

Delaying the physical inventory, impedes the opportunity for DOF-P&S to take immediate corrective actions to address any discrepancies or issues found. For instance, OPA found an inoperable 1997 Dodge Ram Maxi Passenger Van parked on the agency's premises that was beyond repair but remains active on the Inventory Listing. Had DOF-P&S conducted its annual inventory, these discrepancies may have been addressed timely.

In addition, OPA located a 2007 Kia Sedona Passenger Van that was abandoned at an auto repair shop prior to Typhoon Soudelor. As a result of the responsible agency's negligence, the vehicle sustained damages from both Typhoon Soudelor and Typhoon Yutu. OPA also noted that the responsible agency did not take action to safeguard, repossess, or report the condition of the vehicle to DOF-P&S. OPA brought this matter to DOF-P&S' attention; however, as of November 18, 2019, OPA observed that the vehicle remains parked at the auto shop.



Figure 5: 2007 Kia Sedona Passenger Van (FA-00386CM)

An inaccurate inventory record could potentially (1) inhibit management's ability to detect occurrences of fraud or theft, (2) financially overstate or understate the value of government properties, and (3) impede management from making informed and timely decisions.

OPA recommends that DOF-P&S:

1. Enforce its Property Management Policies and Procedures to ensure the accuracy and completeness of records, such as:
 - review and reconcile inventory records on the JDE System;
 - conduct annual physical inventory; and
 - perform random audits to validate the integrity of the property control process.
2. Provide adequate training to staff to ensure that staff are knowledgeable of the laws, regulations, and policies and procedures as it relates to their duties and responsibilities.

Compliance with Vehicle Laws and Regulations Are Not Monitored or Enforced

OPA found that DOF-P&S is not monitoring or enforcing agencies' compliance with applicable laws and regulations. Specifically, OPA found vehicles with:

- improper markings;
- prohibited window tinting;
- civilian license plates for non-law enforcement vehicles;
- no vehicle trip log;
- no written authorization for its use after normal business hours;
- no documentation evidencing an annual safety inspection; and
- no documentation evidencing periodic maintenance or service.

DOF-P&S has a duty and responsibility to exercise general supervision and control over all inventories of supplies belonging to the government and to exercise general oversight and control on the use of physical assets and other equipment to prevent waste, abuse, or other unauthorized use.

OPA learned that DOF-P&S staff have not read and/or are unaware of the requirements of the applicable laws and regulations pertaining to government vehicles. Consequently, DOF-P&S has not monitored or enforced compliance with the Act and regulations. Unauthorized use and misuse of government vehicles could lead to waste of public funds, jeopardize public trust, and diminish employee morale.

The chart below illustrates the number of government vehicle violations found during OPA's physical inspection of 567 vehicles. The first four categories are not applicable to the 179 vehicles assigned to law enforcement and elected officials.

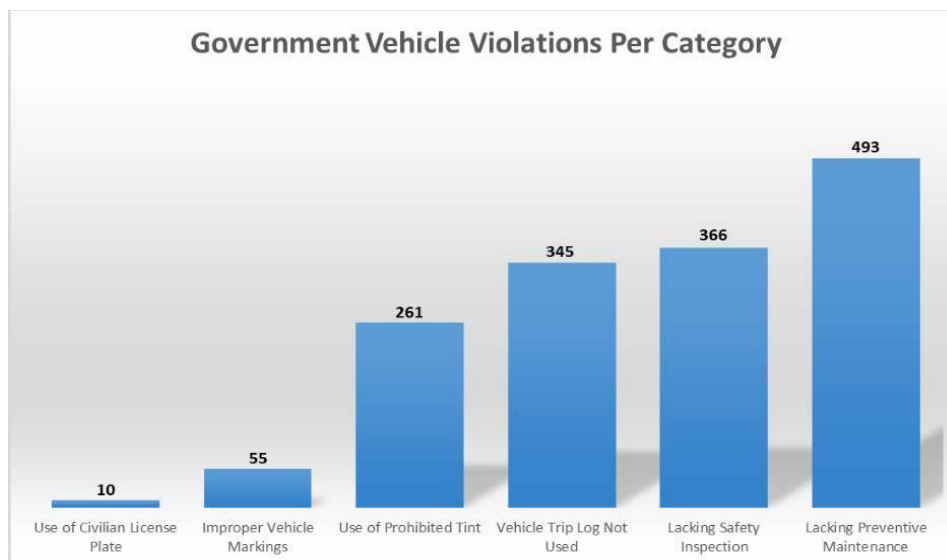


Figure 6: Government Vehicle Violations Per Category

To illustrate further, below are instances found during OPA’s physical inspection of government vehicles.

Civilian License Plates Were Issued to Non-Law Enforcement Vehicles, as defined by the Act

The Act requires that all government vehicles, except for law enforcement vehicles, bear a government license plate. Contrary to the requirements of the Act, OPA found 10 (three percent) vehicles with civilian license plates on non-law enforcement vehicles.

OPA noted that the Enforcement Section of the DOF-Division of Revenue & Taxation and the Investigative Division of the Office of the Attorney General have law enforcement responsibilities but are not exempted by the Act. The Act defines law enforcement vehicles as “police cars and other such government vehicles operated by the Department of Public Safety (DPS) or the Division of Customs and used primarily for the enforcement of Commonwealth and federal laws and regulations.” OPA notes that the 21st Legislature introduced House Bill (HB) 21-9 to “amend 1 CMC § 7406(a)(4) to include all unmarked vehicles used by law enforcement officers to the definition of law enforcement vehicles.” However, HB 21-9 was vetoed because “it did not present any form of limitations as to the types of enforcement vehicles that would be exempted, what work-related duties, who is allowed to drive, and the restrictions for which these vehicles may be used.”

Other Matters Relating to License Plate

In addition to civilian license plates being issued to non-law enforcement vehicles, OPA also found two vehicles, as shown on Figures 7 and 8, bearing the same government license plate. OPA inquired with BMV about the identical license plate numbers and was advised that no two vehicles



Figure 7: 2009 Ford Super Duty Extended Van (Ambulance) (FA-00496US)



Figure 8: 2011 Ford Escape XLS SUV (FA-00973US)

should have the same license plate number. BMV added that they do not reissue old license plates that have been turned in or replaced. BMV forwards old license plates to DOF-P&S for disposal at a recycling center in Lower Base, Saipan. OPA, then provided BMV with photos of the two government vehicles evidencing the same license plate numbers. BMV stated that this may have been an oversight on their part. OPA noted that BMV on Saipan provides Rota and Tinian with license plates.

Government Vehicles Were Not Properly Marked

OPA found 55 (14 percent) vehicles that were either not properly marked or had no markings at all. The Act requires all government vehicles to be clearly marked on both front doors and for watercrafts, both sides of hull above the waterline.



Figure 9: 2004 Nissan Frontier (FA-00193US)

OPA found that some vehicles were marked on areas other than the two front doors. For example, as seen on Figure 9, the markings on a 2004 Nissan Frontier vehicle was placed on the tailgate of the vehicle. In another example, OPA found a 2017 Nissan Frontier vehicle without agency markings on both front doors (see Figure 10).



Figure 10: 2017 Nissan Frontier SV (FA-01271US)

Prohibited Window Tinting Found on Government Vehicles



Figure 11: 2004 Rav4 SUV (FA-00228CM)

OPA found 54 vehicles with aftermarket tint and 207 vehicles with “factory tint.” Vehicles with “factory tint” have darkened windows except for the driver, front passenger, and front windshield windows. The Act and Government Vehicle Regulations prohibit the use of government vehicles with any tint, reflective, or darkened window glass that might interfere with outside visibility of vehicle’s interior or the operator at any time. Despite the prohibition on tinting material, OPA learned that agencies were allowed to purchase vehicles with “factory tint” or “aftermarket tint” as long as the DOF-P&S Director approved an agency’s request for a tinted vehicle. The law only allows window tint for law enforcement vehicles and those driven by elected officials as defined by the Act. There is no discretion under the law for the DOF-P&S Director to grant exemptions. Also, DOF should clarify whether the law.

OPA found 54 vehicles with aftermarket tint and 207 vehicles with “factory tint.” Vehicles with “factory tint” have darkened windows except for the driver, front passenger, and front windshield windows. The Act and Government Vehicle Regulations prohibit the use of government vehicles with any tint, reflective, or darkened window glass that might interfere with outside visibility of



Figure 12: 2016 Kia Sportage LX SUV (FA-01190US)

Figure 11 illustrates a vehicle with “aftermarket tint” and Figure 12 shows a vehicle equipped with “factory tint”.

Vehicle Trip Logs Were Not Being Utilized

OPA found 345 (89 percent) vehicles that did not use vehicle trip logs. Trip logs provide information that could be used to track vehicle usage, mileage, and fuel consumption. OPA also noted that the vehicles with trip logs were not consistently filled and were not reviewed or signed by the expenditure authority or submitted to DOF-P&S monthly as required by regulations.

Moreover, some agencies from our sample selection have stated that they just started implementing the use of vehicle trip logs in June 2019.

During the audit, OPA noted two agencies from our sample that requested exemption through DOF-P&S from the vehicle trip log requirement. However, the regulations exempts “government officials, official government guests, DPS emergency vehicles, Civil Defense, the Commonwealth Utilities Corporation, Department of Public Health, and other authorized law enforcement officers.” The two agencies are not included on this list and could not provide OPA with documentation of approval of the exemption.

Government Vehicles did not Undergo Annual Safety Inspections

OPA did not receive safety inspection documentation for 366 (65 percent) government vehicles in its sample. Agencies were not aware that their vehicles are required to pass a safety inspection annually. Agencies confirmed that it was at OPA’s request for copies of vehicle safety inspection reports that prompted them to have their vehicles inspected prior to OPA’s scheduled visit. In an interview, BMV stated that because the CNMI Vehicle Code waives the annual vehicle registration requirement, most agencies assume that the waiver also applies to the annual safety inspection requirement.

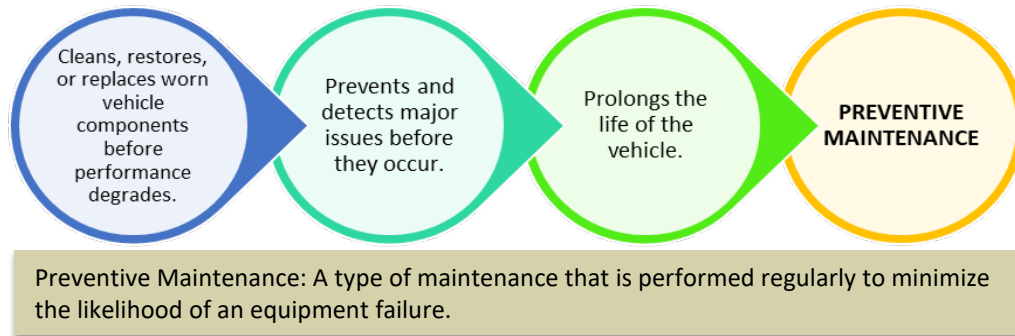
Fulfilling this requirement continues to be a challenge for the islands of Rota and Tinian. During our visits, OPA learned that Tinian does not have an approved motor vehicle inspection station facility. Therefore, inspections are conducted by DPS and DFEMS staff without the proper equipment or facility.

Similarly, this was also a challenge on Rota prior to September 13, 2018, at which time BMV certified one business establishment to operate a motor vehicle inspection station facility. Prior to this time, OPA was informed that registrations for government vehicles were issued without safety inspections. Safety inspections alleviates the potential financial liability on the government and reduces the safety risks of motorists.

Government Vehicles did not Undergo Timely Preventive Maintenance and Upkeep

OPA did not receive preventive maintenance documentation for 493 (87 percent) government vehicles in its sample. The Government Vehicle Regulations state that every government official or expenditure authority shall be responsible for the maintenance and upkeep of all vehicles assigned to his or her agency.

OPA noted that some agencies, like DLNR and DPW, have designated employees responsible for the preventive maintenance and minor repairs of their agency vehicles. For the islands of Rota and Tinian, OPA also noted that agencies are highly dependent on DPW staff to conduct these upkeeps because of the lack of available resources on these islands. Preventive maintenance increases the life expectancy of the vehicle and serves as a detection mechanism for major issues.



Source: <https://www.getmaintainx.com/what-is-preventative-maintenance/>

Written Vehicle Authorizations Were Not Found in Vehicles

The Act and Government Vehicle Regulations state that no government vehicle shall be operated after normal business hours unless the operator has a written authorization from the expenditure authority with concurrence from the director of DOF-P&S. A copy of the written authorization must be provided to DPS. We noted that about 79 written authorizations provided for review did not always indicate a specific reason, time, and date, or that the employee agrees to assume responsibility for maintaining the safety and security of the vehicle during those hours. OPA also found seven vehicles, that were being used after normal business hours without written authorization forms. In addition, OPA could not determine if copies of written authorization forms were provided to the director of DOF-P&S and DPS.

- OPA recommends that DOF-P&S:**
1. Monitor or enforce agencies’ compliance with laws and regulations pertaining to government vehicles.
 2. Hold agencies accountable for properties in their control.
 3. Make a determination whether “factory tint” is allowable under 1 CMC §7406(e). This may include obtaining clarification from the Office of the Attorney General or the Legislature.

Conclusion and Recommendations

Inventory management for government vehicles remains a long-standing challenge for many governments. Hence, government vehicle laws, regulations, including policies and procedures were established to provide a framework or guide for government vehicle use, property management, and oversight over such property. However, OPA found that P&S: (1) does not have an accurate inventory listing for government vehicles; and (2) does not monitor or enforce compliance with laws, regulations, or policies and procedures pertaining to government vehicles.

An inaccurate inventory record could potentially impede management from making informed decisions, detecting the occurrence of fraud or theft, and recognizing the financial value of government property. In addition, non-compliance with the laws, regulations, and policies and procedures could increase the risk of government liabilities.

Recommendation Summary

We recommend that DOF-P&S:

1. Enforce its Property Management Policies and Procedures to ensure the accuracy and completeness of records, such as:
 - review and reconcile inventory records on the JDE System;
 - conduct annual physical inventory; and
 - perform random audits to validate the integrity of the property control process.
2. Provide adequate training to staff to ensure that staff are knowledgeable of the laws, regulations, and policies and procedures as it relates to their duties and responsibilities.
3. Monitor or enforce agencies' compliance with laws and regulations pertaining to government vehicles.
4. Hold agencies accountable for property in their control.
5. Make a determination whether "factory tint" is allowable under 1 CMC §7406(e). This may include obtaining clarification from the Office of the Attorney General or the Legislature.

Summary of Responses

Please see *APPENDIX 3* for DOF-P&S' response.

Appendix 1. Scope and Methodology

The scope of our audit covered active government vehicles on Saipan, Rota, and Tinian recorded on DOF-P&S' inventory from fiscal years 2014 through 2018. To achieve our objective, we performed the following:

- Gained an understanding of:
 - Laws and regulations, policies and procedures applicable to government vehicles such as
 - 1 CMC § 7406 *et seq.*, The Government Vehicle Act of 1994
 - 9 CMC § 2109, Registration: Government Vehicles
 - 9 CMC § 8217, Liability Insurance: Exemptions for U.S. and CNMI Government Vehicles
 - 9 CMC § 3102, Safety Inspection: Government Owned Motor Vehicles
 - NMIAC § 70-30.2, Government Vehicle Regulations
 - NMIAC § 70-30.3, Procurement Regulations
 - DOF-P&S Property Management Policies and Procedures
- Interviewed staff and conducted a walk-through of DOF-P&S' processes and internal control procedures for the islands of Saipan, Tinian, and Rota.
- Reviewed DOF-P&S' Inventory Listing of Active Government Vehicles.
- Obtained, reviewed, and created an inventory listing from the data provided by government agencies within the executive branch.
- Selected the top 17 agencies with 15 vehicles or more, with the exception of the Offices of the Mayor and satellite offices on Rota and Tinian. OPA sampled 632 government vehicles. Of the 632 vehicles, 567 (includes lease vehicles) were physically inspected (Saipan-419, Tinian-63, Rota-85), 26 were not available at the time of inspection, 31 were not within our audit scope, and eight were surveyed prior to our inspection. Our agency samples are as follows:
 1. Bureau of Environmental and Coastal Quality (BECQ)
 2. CNMI Homeland Security and Emergency Management (HSEM)
 3. Department of Commerce (Commerce-Rota/Tinian)
 4. Department of Community and Cultural Affairs (DCCA)
 5. Department of Finance (DOF)
 6. Department of Fire and Emergency Management Services (DFEMS)
 7. Department of Labor (Labor-Rota/Tinian)
 8. Department of Lands and Natural Resources (DLNR)
 9. Department of Public Lands (DPL)
 10. Department of Public Safety (DPS)
 11. Department of Public Works (DPW)
 12. Office of Personnel Management (OPM-Rota/Tinian)
 13. Office of the Attorney General

14. Office of the Mayor – Northern Islands
15. Office of the Mayor – Saipan
16. Office of the Mayor – Tinian & Aguigan
17. Office of the Mayor – Rota

- Conducted physical inspection of all sampled vehicles to compare the data collected against DOF-P&S' Inventory Listing of Active Government Vehicles and to determine agencies' adherence to applicable vehicle laws and regulations.
- Summarized audit results.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix 2. Prior Audit Coverage

The Office of the Public Auditor (OPA) last published an audit report on government vehicles in 1998, AR-98-02 (Report). The report indicated that of 375 government vehicles that were inspected, 534 violations were found. OPA found noncompliance with the law and regulations as well as misuse of government vehicles. Specifically, OPA found instances of:

- Noncompliance with Standard Vehicle Specifications
- Lack of Continuous Vehicle Trip Log Forms
- Lack of Complete Written Authorization Forms
- Lack of Written Acknowledgment of Responsibility Forms
- Government Vehicles Not Bearing Government License Plates
- Unmarked Government Vehicles
- Violations of Prohibition to Tint
- Misuse of Government Vehicles
- Inspections were Noncompliant with Government Vehicle Requirements

OPA concluded in its report that government officials should continually discourage and prevent abuse by ensuring that their agencies comply with all applicable laws, rules, and regulations on the use of government vehicles. In addition, The Bureau of Motor Vehicles should enforce compliance when government vehicles are registered, by ensuring that they have proper markings, government license plates, and are not tinted.

Appendix 3. Agency Response



Office of the Secretary
Department of Finance

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February 14, 2020

SFL 2020-286

Michael Pai, OPA
Public Auditor
Office of the Public Auditor
1236 Yap Drive, Capitol Hill
Saipan, MP 96950



RE: Audit of Government Vehicles

Dear Mr. Pai:

Management of Department of Finance, Division of Procurement and Supply has reviewed the draft report on the Audit of Government Vehicles. The following is a response to the findings identified in the audit report.

Finding:	DOF does not maintain accurate vehicle records
Contact Person:	David Dlg. Atalig, Secretary of Finance
Corrective Action:	DOF agrees with this finding. Staff of Division of Procurement and Supply (P&S) has started work to reconcile the vehicle information database/spreadsheet to ensure accurate and updated information. We have recently been awarded federal grants to address similar issues with our fixed asset inventory, and this will allow us to obtain the necessary resources and capacity to conduct physical inventory and provide the verification of our records.
Estimated Completion Time:	Ongoing

Finding:	Compliance with Vehicle Laws and Regulations are not enforced and monitored.
Contact Person:	David Dlg. Atalig, Secretary of Finance
Corrective Action:	DOF agrees with this finding. P&S staffers are reviewing the pertinent laws, rules, and regulations of property management. The Division is working to procure a stencil machine to properly mark government vehicles before being released to the individual agency. As part of our goals for FY 2021, we endeavor to implement a more user-friendly and efficient system by formulating standard operating procedures and user-friendly forms for government offices and

	agencies to comply. We also plan to revise current laws and regulations with consultation from the Office of the Attorney General, if necessary, to meet the demands of the current work environment, while still maintaining controls to ensure public accountability.
Estimated Completion Time:	Ongoing

As previously stated, the department of Finance is making efforts to improve procurement regulations and effectively manage inventory while still providing the support and flexibility for agencies to efficiently carry-out government and community services. The Division of Procurement is currently performing process improvement review and these concerns will be implemented in the system design, both in technology and process.

Please contact me or Margaret Bertha Torres at 670-664-1100 if you have any questions or concerns.

Sincerely,



David Dlg. Atalig
Secretary of Finance

Appendix 4: Status of Recommendation

No.	Recommendation	Status
1.	<p>DOF-P&S should:</p> <ul style="list-style-type: none"> a) Enforce its Property Management Policies and Procedures to ensure the accuracy and completeness of records, such as: <ul style="list-style-type: none"> • review and reconcile inventory records on the JDE System; • conduct annual physical inventory; and • perform random audits to validate the integrity of the property control process. b) Provide adequate training to staff to ensure that staff are knowledgeable of the laws, regulations, and policies and procedures as it relates to their duties and responsibilities. 	Unresolved
2.	<p>DOF-P&S should:</p> <ul style="list-style-type: none"> a) Monitor or enforce agencies' compliance with laws and regulations pertaining to government vehicles. b) Hold agencies accountable for properties in their control. c) Make a determination whether "factory tint" is allowable under 1 CMC §7406(e). This may include obtaining clarification from the Office of the Attorney General or the Legislature. 	Unresolved



**Department of Finance, Division of Procurement and Supply
Audit of Government Vehicles
Report No. 20-03, February 2020**

CONSTITUTIONAL MANDATE

Article III, Section 12 of the CNMI Constitution and the Commonwealth Auditing Act (1 CMC, 2301, 7812 et. seq. of the Commonwealth Code) established the Office of the Public Auditor as an independent agency of the Commonwealth Government to audit the receipt, possession, and disbursement of public funds and to perform such other duties as required by law.

REPORTING FRAUD, WASTE, AND ABUSE

- Call the OPA HOTLINE at (670) 235-3937
- Visit our website and fill out our online form at www.opacnmi.com
- Contact the OPA Investigators at 322-3937/8/9
- OR visit our office on 1236 Yap Drive, Capitol Hill