

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2018

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Ralph DLG. Torres
Governor
Commonwealth of the Northern Mariana Islands:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands (CNMI) as of and for the year ended September 30, 2018, and the related notes to the financial statements. These financial statements collectively comprise the CNMI's basic financial statements, and we have issued our report thereon dated August 16, 2019. Our report includes explanatory paragraphs concerning the correction of errors and going concern, and contains adverse opinions due to the lack of adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; and due to the financial statements of the Commonwealth Healthcare Corporation and the Northern Mariana Islands Settlement Fund not being included in the financial statements. Our report includes a reference to other auditors who audited the financial statements of the Commonwealth Utilities Corporation, the Northern Marianas College, the Public School System and the Marianas Visitors Authority, as described in our report on the CNMI's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include the Commonwealth Ports Authority, the Commonwealth Development Authority, the Marianas Public Land Trust and the Northern Mariana Islands Retirement Fund which was audited by us. We have issued a separate report on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the entity that was audited by us. Other auditors issued separate reports on their consideration of internal control over financial reporting and their tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the Commonwealth Utilities Corporation, the Northern Marianas College, the Public School System and the Marianas Visitors Authority. The findings, if any, included in those reports are not included herein.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CNMI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CNMI's internal control. Accordingly, we do not express an opinion on the effectiveness of the CNMI's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 through 2018-003, 2018-007, 2018-012 and 2018-013 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2018-004 through 2018-006, 2018-008 through 2018-011 and 2018-014 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CNMI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-015.

The CNMI's Response to Findings

The CNMI's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The CNMI's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLC

August 16, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

Honorable Ralph DLG. Torres
Governor
Commonwealth of the Northern Mariana Islands:

Report on Compliance for Each Major Federal Program

We have audited the Commonwealth of the Northern Mariana Islands' (the CNMI's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the CNMI's major federal programs for the year ended September 30, 2018. The CNMI's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

As discussed in Note 3b to the Schedule of Expenditures of Federal Awards, the CNMI's financial statements include the operations of certain entities whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2018. Our audit, described below, did not include the operations of the entities identified in Note 3b as these entities conducted separate audits in accordance with the Uniform Guidance, if required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the CNMI's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the CNMI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for each major federal programs. However, our audit does not provide a legal determination of the CNMI's compliance.

Basis for Qualified Opinion on Each Major Federal Program

As described in items 2018-016 through 2018-021 and 2018-024 in the accompanying Schedule of Findings and Questioned Costs, the CNMI did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2018-016	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Equipment and Real Property Management
2018-017	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Subrecipient Monitoring
2018-018	20.205	Highway Planning and Construction	Equipment and Real Property Management
2018-019	20.509	Formula Grants for Rural Areas	Equipment and Real Property Management
2018-020	93.767	Children's Health Insurance Program	Eligibility
2018-020	93.778	Medical Assistance Program	Eligibility
2018-021	93.778	Medical Assistance Program	Special Tests and Provisions - ADP
2018-024	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring

Compliance with such requirements is necessary, in our opinion, for the CNMI to comply with the requirements applicable to each program.

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the CNMI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-015, 2018-022 and 2018-023. Our opinion on each major federal program is not modified with respect to these matters.

The CNMI's response to the noncompliance findings identified in our audit is described in the corrective action plan. The CNMI's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the CNMI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the CNMI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the CNMI's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2018-016 through 2018-021 and 2018-024 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2018-015, 2018-022 and 2018-023 to be significant deficiencies.

The CNMI's response to the internal control over compliance findings identified in our audit is described in the corrective action plan. The CNMI's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the CNMI as of and for the year ended September 30, 2018, and the related notes to the financial statements. These financial statements collectively comprise the CNMI's basic financial statements. We issued our report thereon dated August 16, 2019, which contained explanatory paragraphs concerning the correction of errors and going concern, and contained adverse opinions due to the lack of adoption of GASB Statement No. 68; and to the financial statements of the Commonwealth Healthcare Corporation and the Northern Mariana Islands Settlement Fund not being included in the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Because of the significance of the matters discussed above, it is inappropriate to, and we do not, express an opinion on the Schedule of Expenditures of Federal Awards.

Deloitte & Touche LLC

August 16, 2019

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Summary of Schedule of Expenditures of Federal Awards by Grantor
Year Ended September 30, 2018

Federal Grantor	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture	\$ -	\$ 18,366,213
U.S. Department of Commerce	-	3,169,779
U.S. Department of Defense	-	236,074
U.S. Department of the Interior	1,225,489	7,906,066
U.S. Department of Justice	-	1,705,113
U.S. Department of Labor	-	1,795,021
U.S. Department of Transportation	-	2,167,096
U.S. Institute of Museum and Library Services	-	127,812
U.S. Environmental Protection Agency	-	2,090,424
U.S. Department of Energy	-	415,339
U.S. Department of Education	-	842,215
U.S. Department of Health and Human Services	-	41,062,363
U.S. Department of Homeland Security	2,846,490	7,630,639
U.S. Small Business Administration	-	19,715
TOTAL FEDERAL GRANTS FUND	4,071,979	87,533,869
TOTAL CAPITAL PROJECTS FUND	1,130,914	6,455,302
TOTAL PUBLIC WORKS FUND	-	4,135,169
Unallocated expenditures	-	14,700
TOTAL EXPENDITURES OF FEDERAL AWARDS	<u>\$ 5,202,893</u>	<u>\$ 98,139,040</u>

Note: All awards are received direct from the Federal agency.

Reconciliation:

Expenditures per above	\$ 98,139,040
Local match	11,147,229
Amount of Compact Impact grants recorded in operating transfers out	(1,004,817)
Public Works Grants (CFDA No. 20.205) recorded in Other Governmental Funds	(4,135,170)
Unreconciled difference	<u>2,744</u>
	<u>\$ 104,149,026</u>

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
10.170	Specialty Crop Block Grant Program - Farm Bill SNAP Cluster:	\$ -	\$ 218,886
10.551	Supplemental Nutrition Assistance Program	-	11,641,059
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	-	6,265,851
	Subtotal SNAP Cluster	-	17,906,910
10.664	Cooperative Forestry Assistance	-	136,255
10.766	Community Facilities Loans and Grants Cluster: Community Facilities Loans and Grants	-	104,106
	Subtotal Community Facilities Loans and Grants Cluster	-	104,106
10.890	Rural Development Cooperative Agreement Program	-	56
	TOTAL U.S. DEPARTMENT OF AGRICULTURE	-	18,366,213
U.S. DEPARTMENT OF COMMERCE			
11.016	Statistical, Research, and Methodology Assistance Economic Development Cluster:	-	67,970
11.307	Economic Adjustment Assistance	-	38,967
	Subtotal Economic Development Cluster	-	38,967
11.407	Interjurisdictional Fisheries Act of 1986	-	11,309
11.419	Coastal Zone Management Administration Awards	-	2,164,240
11.437	Pacific Fisheries Data Program	-	257,256
11.452	Unallied Industry Projects	-	(488)
11.454	Unallied Management Projects	-	93,108
11.467	Meteorologic and Hydrologic Modernization/Development	-	93,160
11.472	Unallied Science Program	-	4,036
11.482	Coral Reef Conservation Program	-	408,108
11.549	State and Local Implementation Grant Program	-	32,113
	TOTAL U.S. DEPARTMENT OF COMMERCE	-	3,169,779
U.S. DEPARTMENT OF DEFENSE			
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	-	33,582
12.617	Economic Adjustment Assistance for State Governments	-	202,492
	TOTAL U.S. DEPARTMENT OF DEFENSE	-	236,074
U.S. DEPARTMENT OF THE INTERIOR			
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration	-	1,221,232
15.608	Fish and Wildlife Management Assistance	-	33,884
15.611	Wildlife Restoration and Basic Hunter Education	-	929,393
	Subtotal Fish and Wildlife Cluster	-	2,184,509
15.615	Cooperative Endangered Species Conservation Fund	-	431,514
15.634	State Wildlife Grants	-	64,137
15.663	National Fish and Wildlife Foundation	-	960
15.875	Economic, Social, and Political Development of the Territories: Development of TTPI Islands	-	1,389,996
	Compact Impact	1,225,489	3,140,551
15.904	Historic Preservation Fund Grants-In-Aid	-	694,399
	TOTAL U.S. DEPARTMENT OF THE INTERIOR	1,225,489	7,906,066
U.S. DEPARTMENT OF JUSTICE			
16.017	Sexual Assault Services Formula Program	-	57,474
16.540	Juvenile Justice and Delinquency Prevention	-	68,901
16.575	Crime Victim Assistance	-	533,965
16.582	Crime Victim Assistance/Discretionary Grants	-	5,900
16.588	Violence Against Women Formula Grants	-	526,661
16.710	Public Safety Partnership and Community Policing Grants	-	227,167
16.738	Edward Byrne Memorial Justice Assistance Grant Program	-	74,111
16.750	Support for Adam Walsh Act Implementation Grant Program	-	210,934
	TOTAL U.S. DEPARTMENT OF JUSTICE	-	1,705,113

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2018

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
	WIOA Cluster:		
17.258	WIOA Adult Program	-	386,885
17.259	WIOA Youth Activities	-	460,354
17.278	WIOA Dislocated Worker Formula Grants	-	389,495
	Subtotal WIOA Cluster	-	1,236,734
17.225	Unemployment Insurance	-	(5,027)
17.235	Senior Community Service Employment Program	-	250,556
17.273	Temporary Labor Certification for Foreign Workers	-	64,450
17.281	WIOA Dislocated Worker National Reserve Technical Assistance and Training	-	18,741
17.504	Consultation Agreements	-	227,157
17.604	Safety and Health Grants	-	2,410
	TOTAL U.S. DEPARTMENT OF LABOR	-	1,795,021
U.S. DEPARTMENT OF TRANSPORTATION			
20.218	Motor Carrier Safety Assistance	-	389,362
	Federal Transit Cluster:		
20.500	Federal Transit Capital Investment Grants	-	56,956
	Subtotal Federal Transit Cluster	-	56,956
20.509	Formula Grants for Rural Areas	-	890,433
20.514	Public Transportation Research, Technical Assistance, and Training	-	6,174
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	-	750,736
	Subtotal Highway Safety Cluster	-	750,736
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	-	73,435
	TOTAL U.S. DEPARTMENT OF TRANSPORTATION	-	2,167,096
U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
45.310	Grants to States	-	127,812
U.S. SMALL BUSINESS ADMINISTRATION			
59.061	State Trade Expansion	-	19,715
U.S. ENVIRONMENTAL PROTECTION AGENCY			
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	-	2,090,424
	TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY	-	2,090,424
U.S. DEPARTMENT OF ENERGY			
81.041	State Energy Program	-	215,670
81.042	Weatherization Assistance for Low-Income Persons	-	199,669
	TOTAL U.S. DEPARTMENT OF ENERGY	-	415,339
U.S. DEPARTMENT OF EDUCATION			
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	-	800,986
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	-	29,745
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	-	11,484
	TOTAL U.S. DEPARTMENT OF EDUCATION	-	842,215
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Aging Cluster:		
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	-	213,144
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	-	509,723
93.053	Nutrition Services Incentive Program	-	25,886
	Subtotal Aging Cluster	-	748,753
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	-	2,642

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2018

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, CONTINUED			
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	-	5,974
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	-	8,847
93.052	National Family Caregiver Support, Title III, Part E	-	72,729
93.127	Emergency Medical Services for Children	-	92,694
93.136	Injury Prevention and Control Research and State and Community Based Programs	-	1,764
93.369	ACL Independent Living State Grants	-	23,350
93.464	ACL Assistive Technology	-	118,149
93.556	Promoting Safe and Stable Families	-	164,082
93.568	Low-Income Home Energy Assistance	-	221,130
93.569	Community Services Block Grant	-	564,802
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	-	<u>2,251,941</u>
	Subtotal CCDF Cluster	-	<u>2,251,941</u>
93.590	Community-Based Child Abuse Prevention Grants	-	223,209
93.612	Native American Programs	-	131,913
93.630	Developmental Disabilities Basic Support and Advocacy Grants	-	264,429
93.643	Children's Justice Grants to States	-	74,378
93.645	Stephanie Tubbs Jones Child Welfare Services Program	-	132,560
93.667	Social Services Block Grant	-	55,942
93.669	Child Abuse and Neglect State Grants	-	73,700
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	-	131,444
93.767	Children's Health Insurance Program	-	10,622,277
	Medicaid Cluster:		
93.778	Medical Assistance Program	-	<u>25,075,654</u>
	Subtotal Medicaid Cluster	-	<u>25,075,654</u>
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	-	<u>41,062,363</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
97.012	Boating Safety Financial Assistance	-	991,967
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	2,846,490	4,508,719
97.039	Hazard Mitigation Grant	-	347,460
97.042	Emergency Management Performance Grants	-	890,698
97.047	Pre-Disaster Mitigation	-	44,887
97.067	Homeland Security Grant Program	-	<u>846,908</u>
	TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY	<u>2,846,490</u>	<u>7,630,639</u>
	TOTAL FEDERAL GRANTS FUND	<u>4,071,979</u>	<u>87,533,869</u>
U.S. DEPARTMENT OF THE INTERIOR			
15.875	Economic, Social, and Political Development of the Territories: Capital Improvement Projects:		
	FY96 - FY02 Appropriations Act Grant	-	2,500
	FY04 Appropriations Act Grant	<u>1,130,914</u>	<u>6,452,802</u>
	TOTAL CAPITAL PROJECTS FUND	<u>1,130,914</u>	<u>6,455,302</u>
U.S. DEPARTMENT OF TRANSPORTATION			
20.205	Highway Planning and Construction Cluster: Highway Planning and Construction	-	<u>4,135,169</u>
	Total Highway Planning and Construction Cluster and TOTAL PUBLIC WORKS GRANT FUND	-	<u>4,135,169</u>
99.U00	Unallocated expenditures	-	14,700
	TOTAL EXPENDITURES OF FEDERAL AWARDS	<u>\$ 5,202,893</u>	<u>\$ 98,139,040</u>

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

(1) Scope of Audit

The Commonwealth of the Northern Mariana Islands (CNMI) is a governmental entity governed by its own Constitution. All significant operations of the CNMI are included in the scope of the Single Audit. The U.S. Department of the Interior has been designated as the CNMI's cognizant agency for the Single Audit.

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the CNMI under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the CNMI, it is not intended to and does not present the financial position or changes in financial position of the CNMI.

(3) Summary of Significant Accounting Policies

a. Basis of Accounting

Expenditures reported on the accompanying Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. All expenditures and capital outlays are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of operations to amounts reported as expenditures in prior years.

b. Reporting Entity

The CNMI, for purposes of the financial statements, includes all of the funds of the primary government as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, the CNMI's reporting entity is defined in Note 1A to its September 30, 2018 basic financial statements; except that the Northern Mariana Islands Settlement Fund, the Northern Mariana Islands Retirement Fund and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards presents the federal award programs administered by the CNMI, as defined above, for the year ended September 30, 2018.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

(3) Summary of Significant Accounting Policies, Continued

b. Reporting Entity, Continued

Federal award totals for the excluded departments and component units as of September 30, 2018, are as follows:

<u>Agency or Component Unit</u>	<u>Federal Award Total</u>
Commonwealth Ports Authority	\$ 6,707,043
Commonwealth Development Authority	\$ 12,401,079
Commonwealth Utilities Corporation	\$ 6,413,400
Northern Marianas College	\$ 8,254,053
Public School System	\$ 39,580,206

c. Amounts Passed-Through to Subrecipients

The Schedule of Expenditures of Federal Awards includes amounts passed through to subrecipients during the year which were identified for each program; however, the Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subrecipients, outside of the CNMI's control, utilized the funds. The CNMI is considered to have responsibility for any questioned costs which could result from Single Audits of these entities.

d. Indirect Cost Allocation

The CNMI did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance. For fiscal year 2018, the CNMI has the following approved indirect cost rates:

Programs which directly charged utilities	12.10%
Programs not directly charging utilities	30.25%

e. Matching Costs

The non-Federal shares of programs are not included in the accompanying Schedule of Expenditures of Federal Awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified and Adverse

Internal control over financial reporting:

2. Material weakness(es) identified? Yes
 3. Significant deficiency(ies) identified? Yes
 4. Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major federal programs:

5. Material weakness(es) identified? Yes
 6. Significant deficiency(ies) identified? Yes
 7. Type of auditor's report issued on compliance for major federal programs: Qualified
 8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes
 9. Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
15.875	Economic, Social, and Political Development of the Territories: Capital Improvement Projects Compact Impact
20.509	Formula Grants for Rural Areas
93.767	Children's Health Insurance Program
93.778	Medical Assistance Program
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
20.205	Highway Planning and Construction

10. Dollar threshold used to distinguish between type A and type B Programs: \$2,944,171

11. Auditee qualified as low-risk auditee? No

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Section II - Financial Statement Findings

<u>Reference Number</u>	<u>Findings</u>
2018-001-002	External Financial Reporting
2018-003	Cash and Cash Equivalents
2018-004-005	Receivables
2018-006	Tax Rebates Payable
2018-007	Notes Payable - Judicial Building Loan
2018-008	Compensated Absences
2018-009	Due to Component Units
2018-010	Fund Balance - Encumbrances
2018-011	Commonwealth Healthcare Corporation
2018-012	CNMI Workers' Compensation Commission
2018-013	CNMI Group Health and Life Insurance
2018-014	CNMI Local Noncompliance
2018-015	Allowable Costs/Cost Principles

Section III - Federal Award Findings and Questioned Costs

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2018-015	15.875	Allowable Costs/Cost Principles	\$ -
2018-016	15.875	Equipment and Real Property Management	\$ -
2018-017	15.875	Subrecipient Monitoring	\$ -
2018-018	20.205	Equipment and Real Property Management	\$ -
2018-019	20.509	Equipment and Real Property Management	\$ -
2018-020	93.767	Eligibility	\$ -
2018-020	93.778	Eligibility	\$ 369
2018-021	93.778	Special Tests and Provisions - ADP	\$ -
2018-022	93.778	Special Tests and Provisions - Provider Eligibility	\$ -
2018-023	97.036	Reporting	\$ -
2018-024	97.036	Subrecipient Monitoring	\$ -
			\$ <u>369</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

External Financial Reporting

Finding No. 2018-001

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 61, *the Financial Reporting Entity: Omnibus*, requires the financial statements of the reporting entity to include financial statements of component units for which the primary government is financially accountable or for which exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Condition: The CNMI's financial statements do not include the financial statements of the following component units:

1. Northern Mariana Islands Settlement Fund (NMISF)
2. Commonwealth Healthcare Corporation (CHCC)

Cause: The CNMI lacks audited financial statements from the aforementioned component units.

Effect: The CNMI is in noncompliance with GASB Statement No. 61, and the CNMI's financial statements contain an adverse opinion.

Recommendation: The CNMI should obtain audited financial statements of the aforementioned component units for inclusion in the CNMI's financial statements.

Identification as a Repeat Finding: Finding No. 2017-001.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

External Financial Reporting

Finding No. 2018-002

Criteria: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* revised and established new financial reporting requirements for governments that provide their employees with pension benefits through plans that are administered through trusts. GASB Statement No. 68 required the recognition of net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources, as applicable to the financial statements.

Condition: The CNMI contributed to the Northern Mariana Islands Retirement Fund's (NMIRF's) defined benefit plan (DB Plan), a cost-sharing, multi-employer plan established and administered by the CNMI. On September 30, 2013, the DB plan was transferred to NMISF, and the CNMI now contributes to NMISF. Audited GASB Statement No. 68 required schedules and actuarial valuation reports of NMISF could not be provided. Accordingly, the CNMI was unable to record the net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources, as applicable, in the financial statements as of September 30, 2018.

Cause: The CNMI lacks audited NMISF GASB Statement No. 68 required schedules and the actuarial valuation.

Effect: The CNMI is in noncompliance with GASB Statement No. 68, and the CNMI's financial statements contain an adverse opinion.

Recommendation: The CNMI should obtain audited NMISF GASB Statement No. 68 required schedules and actuarial valuations and should determine the net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources, as applicable as of September 30, 2018.

Identification as a Repeat Finding: Finding No. 2017-002.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Cash and Cash Equivalents

Finding No. 2018-003

Criteria: Bank reconciliations should be timely performed, and reconciling items should be timely adjusted.

Condition: Tests of bank reconciliations noted the following:

1. A bank reconciliation for one account (bank code 11230) was prepared seven months after fiscal year end.
2. Bank reconciliations for three accounts (bank code: 11221, 11411 and 11431) were not provided.
3. We were not able to verify the validity of two accounts as the bank confirmation or the related bank statement was not provided: a \$65,050 security deposit comprising a one-time certificate of deposit (bank code 15050); and a miscellaneous cash account (bank code 11991).
4. At September 30, 2018, the CNMI recorded cash clearing accounts of \$1,085,309. These accounts are expected to be zero at fiscal year-end. An audit adjustment was proposed to correct \$972,230 of the amount; however, correcting entries for the remaining \$113,079 could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.
5. At September 30, 2018, the CNMI recorded non-CNMI cash accounts of \$327,035 (bank code 11980) and \$202,288 (bank code 11432). Correcting entries could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.
6. At September 30, 2018, the CNMI recorded a negative \$16,898,724 cash account (bank code 11431) related to an error in recording interfund settlements for health and life insurance payments. An audit adjustment was proposed to correct \$17,681,233 of the amount.
7. At September 30, 2018, the CNMI recorded a negative \$978,502 cash account (bank code 11960) related to unidentified transactions. Correcting entries could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.

Cause: The CNMI did not adhere to policies and procedures related to timely preparing bank reconciliations, to updating bank account authorized signatories, to recording bank reconciling items in the general ledger, and to reconciling cash clearing accounts for adjustment at fiscal year end.

Effect: Cash balances could be misstated throughout the year.

Recommendation: The CNMI should adhere to established policies and procedures over the timely reconciliation and adjustment of bank accounts and cash clearing accounts and over the updating of bank account authorized signatories.

Identification as a Repeat Finding: Finding No. 2017-003.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No. 2018-003, Continued

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Receivables

Finding No. 2018-004

Criteria: Receivables should be identified, recorded, and reconciled. Further, transfers of assets from component units should be documented.

Condition: Section 8.1 of the Settlement Agreement for Civil Case No. 09-000023 assigns the CNMI rights to collect deficient employer defined benefit contributions and related costs as of August 6, 2013 from autonomous agencies. In October 2016, NMIRF transferred receivables from autonomous agencies of \$46,051,656 to the CNMI. The CNMI has not obtained details of these receivables and has not assessed collectability. In addition, no written document supported the transfer. The transfer has not been recorded as of September 30, 2018. No audit adjustment was proposed due to the uncertainty of collection.

Cause: The CNMI lacks policies and procedures to identify, record, and reconcile valid receivables and lacks written documentation to substantiate the transfer of receivables.

Effect: Receivables could be understated.

Recommendation: The CNMI should establish policies and procedures to identify, record, and reconcile valid receivables. Furthermore, responsible personnel should coordinate with NMIRF to document the transfer.

Identification as a Repeat Finding: Finding No. 2017-004.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Receivables

Finding No. 2018-005

Criteria: Receivables should be reconciled, assessed, and monitored for collectability.

Condition: Public Law 9-66 requires public corporations or other autonomous agencies to pay to the CNMI Treasurer an amount no less than one percent of their total operations budget, and such funds will be deposited into a special account within the CNMI general fund to be solely used for the operations and activities of the Office of the Public Auditor (OPA). Receivables related to one percent of OPA fees recorded and reported in a schedule obtained from OPA did not agree to payables recorded in corresponding component unit (CU) financial statements. Further, collectability of these receivables was not assessed at year-end. Additionally, consideration of the application of the statute of limitations to these receivables has not occurred.

<u>Component Unit</u>	<u>Receivables Per OPA Schedule</u>	<u>Payables Reported in CU's Financial Statements</u>	<u>Difference</u>	<u>Comments</u>
CDA	\$ 97,424	-	-	not reported in CU financial statements
CHCC	\$ 2,232,608	Unknown	Unknown	lack of CU financial statements
Commonwealth Ports Authority (CPA)	\$ 3,582,709	\$ 2,178,191	\$ 1,404,518	unreconciled differences
Commonwealth Utilities Corporation (CUC)	\$ 14,125,218	\$ 8,288,990	\$ 5,836,228	unreconciled differences
Marianas Public Land Trust	\$ 160,620	-	-	not reported in CU financial statements
Northern Marianas College (NMC)	\$ 1,553,935	-	-	not reported in CU financial statements
Public School System (PSS)	\$ 2,209,413	-	-	not reported in CU financial statements

As of September 30, 2018, receivables related to OPA fees are fully allowed for.

Cause: The CNMI lacks policies and procedures to reconcile receivables and to assess collectability.

Effect: Receivables and related revenue could be misstated.

Recommendation: The CNMI should record receivables based on the updated calculation and should reconcile amounts to payable balances recorded by component units.

Identification as a Repeat Finding: Finding No. 2017-005.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Tax Rebates Payable

Finding No. 2018-006

Criteria: The *Covenant to Establish the Commonwealth of the Northern Mariana Islands in Political Union with the United States of America* (the Covenant) adopted the Internal Revenue Code of the United States of America as the local income tax. Percentages of income tax due to the CNMI from CNMI source income are rebated at 90%, 70% or 50%, based on specified tax brackets for corporate and individual income taxes paid. The rebate liability is therefore estimated at the end of each fiscal year.

In addition, in accordance with Public Law 9-22, §1713, Interest on Overpayments, interest allowed by NMTIT §6611 on an overpayment shall be calculated only on the amount not already rebated.

Condition: At September 30, 2018, tax rebates payable aggregated \$52,352,530. The balance consists of the following:

Estimated 2018 liability based on fiscal year 2018 collections	\$ 1,781,813
Additional Child Tax Credit (ACTC)	6,875,037
2017 and prior rebates unpaid as of September 30, 2018	<u>43,695,680</u>
	<u>\$ 52,352,530</u>

Tests of tax rebates payable noted the following:

1. For unpaid tax year 2017 and prior rebates:
 - a. Of fifteen unmatched filings relating to individual and corporate tax rebate payables of \$2,534,350, the following were noted:
 - i. Tax returns were not provided for six totaling \$1,289,083:

<u>Assigned No.</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>
I-18-29798	2004	\$ 10,375
I-18-36313	2007	1,471
I-18-39961	2011	91,822
C-18-00869	2002	26,464
C-18-01156	2011	134,951
C-18-00974	2005	<u>1,024,000</u>
		<u>\$ 1,289,083</u>

- ii. The rebate amounts on the tax returns were left blank or zero for seven totaling \$1,149,962. Further, the related tax returns were filed incomplete, a different tax form was used and/or the taxpayer did not submit relevant documentation to calculate taxes.

<u>Assigned No.</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>
C-18-00934	2004	\$ 353,316
C-18-01090	2008	68,649
C-18-01113	2009	6,589
C-18-01276	2016	501,327
C-18-01305	2017	66,148
I-18-42447	2014	113,805
I-18-45309	2017	<u>40,128</u>
		<u>\$ 1,149,962</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No. 2018-006, Continued

Condition, Continued:

- b. Of ten assessed filings tested relating to individual and corporate tax rebate payables of \$3,626,367, the following were noted:

- i. Tax returns were not provided for nine totaling \$3,625,366:

<u>Assigned No.</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>
C-18-00095	2002	\$ 274,000
C-18-00144	2003	116,613
C-18-00362	2007	649,000
C-18-00461	2010	120,600
C-18-00534	2012	2,425,129
C-18-00539	2012	36,576
C-18-00652	2014	1,244
I-18-02935	2004	2,027
I-18-06947	2004	177
		<u>\$ 3,625,366</u>

- ii. One did not agree to the tax return by \$43 due to a miscalculation of rebate taxes.

<u>Assigned No.</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>	<u>Rebate Payable Per Return</u>	<u>Variance</u>
I-18-19330	2010	\$ 1,001	\$ 958	\$ 43

- c. Of two matched filings tested relating to individual and corporate rebate payables of \$564,899, one did not agree to the tax return by \$19,943 due to miscalculation of rebate taxes.

<u>Assigned No.</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>	<u>Rebate Payable Per Return</u>	<u>Variance</u>
C-18-00836	2010	\$ 522,799	\$ 542,742	\$ (19,943)

2. No interest is calculated or paid on overpayments.

Cause: The CNMI lacks periodic review of rebate payable reports to determine the accuracy and completeness and lacks policies and procedures to assess the reasonableness of estimated rebates payable. Further, the CNMI lacks compliance with Public Law 9-22 relating to interest calculations on tax overpayments.

Effect: Tax rebates payable could be misstated; however, since the CNMI calculates an estimated tax liability based on current information, the amount recorded as tax rebate payable is a best estimate. In addition, the CNMI has taken the approach of recording unmatched return variances as liabilities until the items listed above are resolved. The effect is also mitigated by a corresponding permanent tax reserve to offset disputes or claims.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No. 2018-006, Continued

Recommendation: The CNMI should establish policies and procedures requiring periodic review of tax rebate payable reports to assess accuracy and completeness. Also, the CNMI should establish policies and procedures to assess the reasonableness of estimated rebates payable. Additionally, the Division of Revenue and Taxation should properly file and maintain tax forms. Moreover, the CNMI should reconcile recorded rebates payable with the liability indicated on the tax forms, and significant variances, if any, should be investigated, monitored, documented and timely addressed.

Identification as a Repeat Finding: Finding No. 2017-006.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Notes Payable - Judicial Building Loan

Finding No. 2018-007

Criteria: Public Law 9-3 authorized the CNMI to secure a loan from NMIRF as a general obligation, for the purpose of funding construction of a Judicial Complex. On February 28, 1995, the CNMI entered into a \$15,000,000 loan agreement with NMIRF. The loan was initially for a period of fifteen years and was due on February 28, 2010 with interest at 7.50% per annum. On July 15, 1999, the loan was amended to extend the term to twenty years and to increase the interest rate to 7.75% per annum. Repayment of the loan is based on an assignment of future receipts from the CNMI courts; however, the CNMI is required to pay any shortfall through the budgetary process. On October 1, 2013, the loan was transferred from NMIRF to NMISF pursuant to Section 8 of the Settlement for Civil Case No. 09-00023.

Condition: At September 30, 2018, principal and interest payable to NMISF amounted to \$2,816,620 and \$14,553, respectively, which was due on March 1, 2015. On September 27, 2016, Public Law 19-67 authorized the CNMI to enter into a \$15,000,000 loan with the U.S. Department of Agriculture (USDA) to pay the loan to NMISF and for the expansion and improvement of projects related to building facilities of the Judiciary, the Office of the Attorney General and the Public Defender's Office. The CNMI has not provided the status of the agreement with USDA or determined necessary modifications of the NMISF loan.

Cause: The CNMI lacks a formal plan to pay this obligation.

Effect: The CNMI is in noncompliance with Public Law 9-3 and the related loan terms.

Recommendation: The CNMI should develop and implement a formal plan to pay the outstanding obligation.

Identification as a Repeat Finding: Finding No. 2017-007.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Compensated Absences

Finding No. 2018-008

Criteria: Accrued annual leave is limited to 45 days or 360 hours, as amounts in excess of 45 days transfer to sick leave at the end of the leave year. Further, an effective system of internal control requires that accrued annual leave for employees who are separated from the entity be identified and reviewed for validity. The payroll records should be timely updated for annual leave balances that do not represent valid obligations.

Condition: At September 30, 2018, compensated absences payable per the subsidiary ledger aggregated \$9,872,234. Of this amount, \$100,273 represents accrued leave of inactive, terminated, resigned or retired employees. Also, \$754,399 represents accrued leave in excess of the 45-day/360-hour limit. The balance at September 30, 2018 is net of individual debit balances of \$101,086.

The above condition was corrected through a proposed audit adjustment.

Cause: The CNMI lacks adequate procedures and controls to determine that accrued annual leave is reviewed for validity and lacks timely updates of payroll records.

Effect: Compensated absences payable and related expenditures could be misstated.

Recommendation: Responsible Department of Finance (DOF) personnel should record valid charges as compensated absences payable.

Identification as a Repeat Finding: Finding No. 2017-008.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Due to Component Units

Finding No. 2018-009

Criteria: Amounts due to component units (CU) should be reconciled.

Condition: We noted the following variances between the CNMI's due to component units and the amounts confirmed by the component units:

<u>Component Units</u>	<u>Amount Per General Ledger</u>	<u>Amount Reported by the CU</u>	<u>Difference</u>
CUC	\$ 5,578,317	\$ 4,040,445	\$ 1,537,872
MVA	\$ 2,748,500	\$ 2,546,259	\$ 202,241
NMC	\$ 185,235	\$ 178,761	\$ 6,474
PSS	\$ 6,906	\$ 351,056	\$ (344,150)

The above differences were corrected through a proposed audit adjustment.

Cause: The cause of the above condition is a lack of reconciliation of balances with component units.

Effect: The effect of the above condition is a misstatement of the due to component units and related transfers.

Recommendation: We recommend that the CNMI review transactions with component units and reconcile differences.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Fund Balance - Encumbrances

Finding No. 2018-010

Criteria: A system of internal control provides for adequate monitoring and tracking of commitments related to open purchase orders and unfulfilled contracts. Encumbrances should be reviewed and adjusted for balances that are no longer valid.

Condition: Tests of encumbrances noted the following:

General Fund

1. Subsidiary ledger encumbrances of \$4,301,114 differed from the general ledger of \$6,194,027 at September 30, 2018. The difference of \$1,892,913 was corrected through a proposed audit reclassification.
2. Of two encumbrances tested, aggregating \$251,700, an underlying contract was not provided.

<u>Fund</u>	<u>Business Unit</u>	<u>General Ledger Account</u>	<u>Obligating Document No.</u>	<u>General Ledger Amount</u>
2058	3540	62060	494924 OC	\$ 250,000

Grants Assistance Funds

1. Subsidiary ledger encumbrances of \$12,739,015 differed from the general ledger of \$48,538,909 at September 30, 2018. The difference of \$35,799,894 was corrected through a proposed audit reclassification.
2. The encumbrance aging includes a negative balance of \$356,785, which has been outstanding for more than five years. There was no evidence of DOF review of outstanding encumbrances.

<u>Fund</u>	<u>CFDA No.</u>	<u>Amount</u>
2020	10.475	\$ 7,268
2020	15.605	2,400
2020	16.582	42,583
2020	20.600	1,226
2020	66.600	20,972
2020	93.251	5,280
2020	93.268	3,607
2020	93.505	11,712
2020	93.959	4,350
2020	93.994	1,240
2020	97.044	1,315
2020	Unknown	95,862
2022	16.803	12,100
4044	15.875	26,450
4045	15.875	(309,568)
4049	15.875	104,770
4052	15.875	(477,506)
4058	15.875	<u>89,154</u>
Total		\$ <u>(356,785)</u>

3. Of twelve encumbrances tested, aggregating \$6,682,545, the following were noted:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No. 2018-010, Continued

Condition, Continued:

Grants Assistance Funds, Continued

- a. Two encumbrances were subsequently adjusted. The disclosure misstatement was corrected during the audit process.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>Amount</u>
4058	15.875	5663D	629558 OC	\$ 673,213
4058	15.875	5663F	656687 OC	\$ 608,484

- b. Two encumbrances totaling \$155,422 were subsequently cancelled due to expired contracts. The disclosure misstatement was corrected during the audit process.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>Amount</u>
4058	15.875	5602	468 OS	\$ (93,009)
4058	15.875	C1300B	616 OS	\$ (62,413)

- c. The obligating document for four encumbrance were not provided.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>General Ledger Amount</u>
2020	Unknown	C2JEA1	574600 OC	\$ 81,000
2020	Unknown	H8575H	658502 OP	\$ 800,000
2020	97.036	M42355	667077 OC	\$ 365,325
2020	Unknown	4936	59 OS	\$ (316,674)

Saipan Amusement Funds

1. Encumbrances in the subsidiary ledger of \$586,628 differed from the general ledger of \$372,809 at September 30, 2018. The difference of \$213,819 was corrected through a proposed audit reclassification.

Other Governmental Funds

1. Encumbrances in the subsidiary ledger of \$7,470,798 differed from the general ledger of \$8,888,877 at September 30, 2018. The difference of \$1,418,079 was corrected through a proposed audit reclassification.
2. The encumbrance aging includes a balance of \$1,742,615, which has been outstanding for more than five years. There was no evidence of DOF review of outstanding encumbrances.

<u>Fund</u>	<u>CFDA No.</u>	<u>Amount</u>
2030	N/A	\$ 8,547
2043	N/A	5,815
4042	N/A	180,852
4043	20.205	500,287
4043	20.205	907,535
4043	20.205	91,940
4047	Unknown	46,958
6079	Unknown	681
Total		\$ <u>1,742,615</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No. 2018-010, Continued

Condition, Continued:

Other Governmental Funds, Continued

3. Of fourteen encumbrances tested, aggregating \$5,275,129, the following were noted:

a. Three encumbrances was subsequently adjusted. The disclosure misstatement was corrected during the audit process.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>Amount</u>
4043	20.205	T4205X	580656 OC	\$ 28,460
4043	20.205	T4205X	600432 OC	\$ 1,153,030
4043	20.205	T5205S	636623 OC	\$ 261,662

b. The obligating document for three encumbrance were not provided.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>General Ledger Amount</u>
2030	97.012	7012C	640828 OP	\$ 1,350
2043	N/A	3386	600733 OM	\$ 89,724
4042	N/A	4633	391 OS	\$ 86,770

Cause: The CNMI lacks policies and procedures to monitor recorded encumbrance reserves and lacks adequate file maintenance.

Effect: Disclosure requirements relative to the reserve for encumbrances could be misstated and may result in incorrect budgetary financial statements.

Recommendation: Responsible DOF personnel should support all encumbrances with encumbering documents and update encumbrances for actual expenditures. Long outstanding encumbrances and debit balances should be examined for validity. DOF should take reasonable steps to timely adjust the subsidiary ledger to include valid encumbrances at year end.

Identification as a Repeat Finding: Finding No. 2017-009.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Commonwealth Healthcare Corporation

Finding No. 2018-011

Criteria: Transfers of assets and liabilities that attach to discretely presented component units should be documented.

Condition: CNMI Public Law 16-51 created the Commonwealth Healthcare Corporation (CHCC), which is responsible for providing healthcare services in the CNMI, as of October 1, 2011. Healthcare services had previously been accounted for within the General Fund. As of September 30, 2018, transfers of associated receivables, inventory and obligations has not occurred.

Cause: The CNMI lacks coordination over the transfer of assets and liabilities.

Effect: Assets and liabilities associated with CHCC remain in the General Fund.

Recommendation: The CNMI should document the transfer of receivables, inventory and obligations as of October 1, 2011 between the CNMI and CHCC.

Identification as a Repeat Finding: Finding No. 2017-012.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

CNMI Workers' Compensation Commission

Finding No. 2018-012

Criteria: Transfers of assets and liabilities from component units should be documented. In addition, an effective system of internal control over financial reporting includes maintenance of a separate general ledger system that records transactions and generates timely, reliable, and relevant financial information.

Condition: On November 9, 2012, Public Law 17-88, transferred administrative functions of the CNMI Workers' Compensation Commission (WCC) from NMIRF to the CNMI Department of Commerce (DOC). CNMI management determined that WCC should be included within its Special Revenue Funds. As of September 30, 2018, transfers of WCC's cash and cash equivalents, certificates of deposit, investments and receivable accounts were not documented.

In addition, tests of WCC accounts noted the following:

1. Bank reconciliations at September 30, 2018 were not prepared for WCC cash accounts aggregating \$1,087,918.
2. WCC maintains an investment with a market value of \$1,492,973 at September 30, 2018; however, an investment policy was not provided. In addition, fiscal year 2018 investment transactions were not recorded, reconciled and monitored.

Cause: The CNMI lacks coordination over the transfer of WCC accounts between NMIRF and the CNMI and lacks procedures over financial reporting.

Effect: WCC's funds could be misstated.

Recommendation: The CNMI should document transfers of WCC's assets and establish or assign separate general ledger accounts for WCC funds. Further, bank reconciliations should be prepared for all cash accounts. Lastly, CNMI should establish an investment policy.

Identification as a Repeat Finding: Finding No. 2017-013.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

CNMI Group Health and Life Insurance

Finding No. 2018-013

Criteria: Transfers of assets and liabilities from component units should be documented. In addition, an effective system of internal control over financial reporting includes maintenance of a separate general ledger system that records transactions and generates timely, reliable, and relevant financial information.

Condition: On August 5, 2016, Public Law 19-60, transferred administrative functions of the CNMI Group Health and Life Insurance (GHLI) from NMIRF to the CNMI Department of Finance (DOF). CNMI management determined that GHLI should be included within its Special Revenue Funds. As of September 30, 2018, transfers of GHLI's assets and liabilities were not documented. In addition, tests of GHLI accounts noted the following:

1. Bank reconciliations were not prepared for GHLI cash account (account no. 11431) with a bank balance of \$863,628 as of September 30, 2018
2. GHLITF acts in a trustee capacity for health and life insurance coverage payments. During FY2018, the CNMI recorded revenues of \$18,545,089 (Business Units 7180 and 7181; Fund 7071), which relate to collections of health and life insurance contributions from various component units and agencies. These amounts are not valid CNMI revenue and should be remitted to third party insurance providers. In addition, the CNMI recorded health insurance expense of \$36,013,450 (Business Units 6022; Fund 6062), which relates to disbursements made to third party insurance providers. There was no evidence that these entries were reviewed prior to posting. Audit adjustments were proposed to reverse these entries.
3. The CNMI failed to accrue \$410,932 of receivables from component units and payables to third party insurance providers, which relates to September 2018 health and life insurance contributions. An audit adjustment was proposed to accrue these amounts.

Cause: The CNMI lacks coordination over the transfer of GHLI accounts between NMIRF and the CNMI and lacks procedures over financial reporting.

Effect: GHLI's funds could be misstated.

Recommendation: The CNMI should document transfers of GHLI's assets and liabilities. Bank reconciliations should be prepared for the GHLI cash account. Further, journal entries should be reviewed prior to posting.

Identification as a Repeat Finding: Finding No. 2017-014.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

CNMI Local Noncompliance

Finding No. 2018-014

Criteria: Budgets are a vital tool for establishing public policy and maintaining control over the management of public resources.

Condition: On September 26, 2017, the CNMI passed Public Law 20-11 as the Appropriations and Budget Authority Act of 2018 (the Act). On February 16, 2018, the CNMI passed Public Law 20-41 to amend Public Law 20-11 to reflect the revised fiscal year 2018 operations budget for CUC. The following activity levels reported expenditures in excess of budget allotments for the year ended September 30, 2018.

	Budgeted Level of Expenditures	Actual Expenditures	Over Expenditure
Health Medicaid local expenses and medical referrals	\$ 7,548,863	\$ 27,246,301	\$ 19,697,438
Executive branch:			
Office of the Governor	\$ 1,761,347	\$ 2,237,990	\$ 476,643
Office of the Lt. Governor	\$ 752,718	\$ 757,926	\$ 5,208
Other Offices of the Governor and Lt. Governor	\$ 7,304,439	\$ 8,039,213	\$ 734,774
Department of Commerce	\$ 1,630,703	\$ 1,944,742	\$ 314,039
Department of Community and Cultural Affairs	\$ 3,129,318	\$ 3,371,880	\$ 242,562
Department of Corrections	\$ 6,043,810	\$ 6,966,330	\$ 922,520
Department of Finance	\$ 6,410,029	\$ 7,598,550	\$ 1,188,521
Department of Fire and Emergency Medical Services	\$ 5,249,079	\$ 7,514,325	\$ 2,265,246
Department of Lands and Natural Resources	\$ 3,496,584	\$ 3,641,390	\$ 144,806
Department of Public Safety	\$ 7,973,738	\$ 11,974,669	\$ 4,000,931
Department of Public Works	\$ 3,693,615	\$ 3,964,188	\$ 270,573
Unallocated expenses	\$ -	\$ 3,136,582	\$ 3,136,582
Judgments	\$ 990,099	\$ 3,171,491	\$ 2,181,392
Government utilities	\$ -	\$ 1,852,030	\$ 1,852,030
Disaster expenditures	\$ -	\$ 1,147,576	\$ 1,147,576
Debt service	\$ 9,482,875	\$ 10,573,322	\$ 1,090,447
Office of the Public Auditor	\$ 1,230,720	\$ 1,923,320	\$ 692,600
Independent programs	\$ 2,279,281	\$ 2,917,013	\$ 637,732
Second Senatorial District - Tinian and Aguiguan	\$ 8,890,330	\$ 9,409,538	\$ 519,208
Office of the Attorney General	\$ 3,213,329	\$ 3,453,588	\$ 240,259
Boards and commissions	\$ 1,980,815	\$ 2,163,558	\$ 182,743
Third Senatorial District - Saipan and the Northern Islands	\$ 3,244,043	\$ 3,404,189	\$ 160,146
Health payment to CHCC	\$ 701,298	\$ 824,086	\$ 122,788
First Senatorial District - Rota	\$ 8,661,804	\$ 8,739,417	\$ 77,613

Cause: The CNMI authorized expenditures in excess of budget allotments.

Effect: Expenditures exceed budget allotments.

Recommendation: Responsible DOF personnel should examine issues attendant to the over expenditures and should assess the propriety of budgeted levels.

Identification as a Repeat Finding: Finding No. 2017-015.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-015
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award Nos.: Capital Improvement Projects
Area: Allowable Costs/Cost Principles
Questioned Costs: \$-0-

Criteria: In accordance with applicable allowable costs/costs principles requirements, cumulative expenditures incurred and charged to a grant should be an allowable cost.

Condition: Tests of the general ledger expenditure details noted that business unit 5192 amounting to \$310,763 should not have been charged to the program.

Cause: The CNMI did not effectively monitor cumulative expenditures and approved funding limits.

Effect: The CNMI is noncompliance with allowable costs/cost principles requirements. No questioned cost is presented as there was no drawdown made under this business unit.

Recommendation: The responsible CNMI personnel should periodically monitor cumulative expenditures and the approved funding limits.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-016
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award Nos.: CNMI-CIP-2017-3, CNMI-CIP-2018-3 and CNMI-CI-2018-8
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

Criteria: In accordance with applicable regulations, a state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.

The CNMI Property Management Policies and Procedures requires the Division of Procurement & Supply (P&S) to conduct an annual inventory of property held by a designated official who has administrative control over the use of personal property within his area of jurisdiction. Also, P&S shall perform random audits of property held by each accountable person to validate the integrity of the property control process.

Further, property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Condition: Tests of equipment and real property noted the following:

1. There is no documentation that a complete physical inventory of equipment and property was performed in FY 2018.
2. A property listing, including such required information as serial or federal award identification number, source of the property, who holds title, percentage of federal participation in the cost of the property, and use and condition of the property, was not provided.

Cause: The CNMI lacks the human resources and financial management system structure needed to effect compliance with applicable equipment and real property management requirements.

Effect: The CNMI is in noncompliance with applicable equipment management requirements. No questioned cost is presented as we are unable to quantify the overall extent of noncompliance. See below for the cumulative dollar amount of property and equipment acquired with program funds over the past five years.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Grand Total</u>
\$ 335,551	\$ 501,789	\$ 62,939	\$ 1,123,090	\$ 42,537	\$ 2,065,906

Recommendation: The CNMI should consider seeking technical and financial support from Federal agencies to develop human resources and a financial management system that are capable of effecting compliance with applicable property management policies and procedures.

Identification as a Repeat Finding: Finding No. 2017-016.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-016, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the
Territories
Federal Award Nos.: CNMI-CIP-2017-3, CNMI-CIP-2018-3 and CNMI-CI-2018-8
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-017
 Federal Agency: U.S. Department of the Interior
 CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
 Federal Award Nos.: CNMI-CIP-2017-3, CNMI-CIP-2018-3 and CNMI-CI-2018-8
 Area: Subrecipient Monitoring
 Questioned Costs: \$-0-

Criteria: In accordance with applicable subrecipient monitoring requirements, the pass-through entity (PTE) must establish and implement subrecipient monitoring policies and procedures, including the following:

- At the time of the award, clearly identify to the subrecipient all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award; and
- Evaluate the impact of subrecipient activities on the PTE’s ability to comply with applicable federal regulations.

Condition: Tests of subrecipient monitoring noted the following:

1. The Program listed Public School System (PSS) as its only CIP subrecipient and failed to include Commonwealth Utilities Corporation (CUC) and Commonwealth Ports Authority (CPA). Further, the Program’s total amount passed through to subrecipients was \$2.116 million, whereas our calculation was \$5.118 million, which is a difference of \$3.001 million.

<u>CNMI’s List:</u>	CIP	Compact Impact	
PSS	\$ <u>1,129,914</u>	NMC	\$ 41,355
		CHCC	894,546
		Karidat	<u>50,667</u>
Total	\$ <u>1,129,914</u>	Total	\$ <u>986,568</u> \$ <u>2,116,482</u>
 <u>Audited List:</u>			
PSS	\$ 1,130,914	PSS	\$ 204,905
CUC	2,465,853	CHCC	894,546
CPA	<u>330,132</u>	Karidat	50,667
		NMC	<u>41,355</u>
Total	\$ <u>3,926,899</u>	Total	\$ <u>1,191,473</u> \$ <u>5,118,372</u>

2. The program did not include the following required information in the subrecipient agreements:
 - Federal award identification
 - Subrecipient name (which must match the registered name in the Data Universal Numbering System (DUNS))
 - Subrecipient’s DUNS number
 - Federal award identification number
 - Federal award date
 - Subaward period of performance start and end date
 - Amount of federal funds obligated by this action

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-017, Continued
Federal Agency: U.S. Department of the Interior
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories
Federal Award Nos.: CNMI-CIP-2017-3, CNMI-CIP-2018-3 and CNMI-CI-2018-8
Area: Subrecipient Monitoring
Questioned Costs: \$-0-

Condition, Continued:

- Total amount of federal funds obligated to the subrecipient
 - Total amount of the federal award
 - Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act
 - Name of federal awarding agency, PTE, and contact information for awarding official
 - CFDA number and name; the PTE must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement
 - Identification of whether the award is R&D
 - Indirect cost rate for the federal award
3. Control procedures to monitor subrecipient compliance with applicable laws, regulations, and provisions of contracts and grant agreements are not evident. We are aware that subrecipient Commonwealth Healthcare Corporation (CHCC) was subject to a Single Audit for FY 2017 and such audit is ongoing. There is no evidence that the Single Audit report is used as a monitoring tool.

Cause: The CNMI failed to enforce compliance with subrecipient monitoring requirements.

Effect: The CNMI is in noncompliance with applicable subrecipient monitoring requirements. No questioned costs are presented as the FY 2017 Single Audit reports of the subrecipients tested reported no findings for this program. Furthermore, we are aware that the FY 2018 Single Audits of PSS and CUC were issued with no findings for this program, and such audit of CPA is ongoing.

Recommendation: The responsible personnel should consider obtaining training in the area of subrecipient monitoring and establishing and implementing policies and procedures over compliance with applicable subrecipient monitoring requirements.

Identification as a Repeat Finding: Finding No. 2017-018.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-018
 Federal Agency: U.S. Department of Transportation
 CFDA Program: 20.205 Highway Planning and Construction
 Federal Award No.: TQ-THS-FY18(001)
 Area: Equipment and Real Property Management
 Questioned Costs: \$-0-

Criteria: In accordance with applicable regulations, a State must use, manage and dispose of equipment acquired under a Federal award by the State in accordance with State laws and procedures.

The CNMI Property Management Policies and Procedures require the Division of P&S to update the master inventory control record and provide an updated inventory control record to the accountable person reflecting all the property under his control. Also, P&S shall perform random audits of property held by each accountable person to validate the integrity of the property control process.

Further, property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.

Condition: Tests of five capital assets, aggregating \$241,060 in acquisition costs of a total of \$523,345, resulted in the following deficiencies:

1. Property records maintained by P&S and the program contain incomplete information as to percentage of Federal participation and Federal Award Identification Number.
2. The property listing of the program, totaling \$412,108, did not agree with the property listing of P&S, totaling \$523,345. The difference is \$111,237.

Cause: The CNMI lacks the human resources and financial management system structure needed to effect compliance with applicable equipment and real property management requirements.

Effect: The CNMI is in noncompliance with applicable equipment management requirements. No questioned cost is presented as we are unable to quantify the overall extent of noncompliance. See below for the cumulative dollar amount of property and equipment acquired with program funds over the past five years.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Grand Total</u>
\$ 2,677,348	\$ 2,266,388	\$ 11,099	\$ 899	\$ 4,794	\$ 4,960,528

Recommendation: The CNMI should consider seeking technical and financial support from Federal agencies to develop human resources and a financial management system that are capable of effecting compliance with applicable property management policies and procedures.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-018, Continued
Federal Agency: U.S. Department of Transportation
CFDA Program: 20.205 Highway Planning and Construction
Federal Award No.: TQ-THS-FY18(001)
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

Identification as a Repeat Finding: Finding No. 2017-019.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-019
 Federal Agency: U.S. Department of Transportation
 CFDA Program: 20.509 Formula Grants for Rural Areas
 Federal Award Nos.: MP-18-X008-00, MP-18-X009-00, MP-18-X010-01, MP-2017-002-02 and MP-2018-001-00
 Area: Equipment and Real Property Management
 Questioned Costs: \$-0-

Criteria: In accordance with applicable regulations, a State must use, manage and dispose of equipment acquired under a Federal award by the State in accordance with State laws and procedures.

The CNMI Property Management Policies and Procedures requires the Division of P&S to conduct an annual inventory of property held by a designated official who has administrative control over the use of personal property within his area of jurisdiction. Also, P&S shall perform random audits of property held by each accountable person to validate the integrity of the property control process.

Further, property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.

Condition: Tests of equipment and real property noted the following:

1. There is no documentation that a complete physical inventory of equipment and property was performed in FY 2018.
2. Property records maintained by P&S and the program have missing information or did not include certain required information, such as federal award identification number, source of the property, who holds title, percentage of federal participation in the cost of the property, location and use and condition of the property.
3. The property listing of the program totaling \$602,577 did not agree to the property listing of P&S totaling \$623,623. The difference is \$21,046.

Cause: The CNMI lacks the human resources and financial management system structure needed to effect compliance with applicable equipment and real property management requirements.

Effect: The CNMI is in noncompliance with applicable equipment management requirements. No questioned cost is presented as we are unable to quantify the overall extent of noncompliance. See below for cumulative dollar amount of property and equipment acquired with program funds over the past three years.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Grand Total</u>
\$ 3,696	\$ 29,243	\$ 140,154	\$ 173,093

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-019, Continued
Federal Agency: U.S. Department of Transportation
CFDA Program: 20.509 Formula Grants for Rural Areas
Federal Award Nos.: MP-18-X008-00, MP-18-X009-00, MP-18-X010-01, MP-2017-002-02 and MP-2018-001-00
Area: Equipment and Real Property Management
Questioned Costs: \$-0-

Recommendation: The CNMI should consider seeking technical and financial support from Federal agencies to develop human resources and a financial management system that are capable of effecting compliance with applicable property management policies and procedures.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-020
Federal Agency: U.S. Department of Health and Human Services

CFDA Program: 93.767 Children's Health Insurance Program
Federal Award Nos.: 1805CQ5R21, 1805CQ5021, 1705-CQ5R21 and 1705-CQ5021

CFDA Program: 93.778 Medical Assistance Program
Federal Award Nos.: 1805CQ5MAP, 1805CQ5ADM, 1805CQ1935, 180CQIIMPL,
1805CQACAI, 1805CQMMIS, 1805CQI1323, 1805CQINCT,
1705CQ5MAP, 1705CQ5ADM and 170CQIIMPL

Area: Eligibility
Questioned Costs: \$369

Criteria: Applicants must be determined eligible prior to receiving Medicaid assistance based on the criteria set forth in the Medicaid Revised Operational Plan. In addition, the State must verify the status that an individual continues to be lawfully residing in the United States and must require the individual to provide documentation or further evidence to verify satisfactory immigration status in the same manner as it would for anyone else claiming satisfactory immigration status under Section 1137(d) of the Act. Furthermore, a Social Security card is required to process applicant applications.

Condition: Of sixty-eight eligibility files tested, aggregating \$179,308 in total benefits paid of a population of \$23.6 million, deficiencies were noted, as follows:

1. For one (or 1%), the applicant is a foreign national who is pregnant and holding a CW-2 visa that expired on December 31, 2017, four days after the applicant submitted an application for assistance on December 27, 2017. There is no documentation on file to determine whether the applicant continues to be lawfully residing in the CNMI.

<u>Case Number</u>	<u>Certification Effective</u>	<u>Household Member</u>	<u>Benefits Paid and Questioned Costs</u>
17-034517-00	12/27/17	1	\$ 13

2. For two (or 3%), copies of social security cards were either not on file or were subsequently obtained.

<u>Case Number</u>	<u>Certification Effective</u>	<u>Household Member</u>	<u>Social Security Card in File</u>	<u>Benefits Paid and Questioned Costs</u>
11-011811-00	01/11/18	2	Not on file	\$ -
14-034080-00	03/15/18	2	Obtained on 02/08/19	\$ <u>356</u>
				\$ <u>356</u>

3. For one (or 1%), total non-exempt resources calculated by Medicaid differs from the third-party verification. No questioned cost is reported as total non-exempt resources per the third-party verification is within resource limits.

<u>Case Number</u>	<u>Certification Effective</u>	<u>Non-Exempt Resources Per Third-Party Verification</u>	<u>Non-Exempt Resources Per Medicaid</u>	<u>Variance</u>
11-001798-11	11/16/17	\$ 629	\$ 618	\$ 11

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-020, Continued
Federal Agency: U.S. Department of Health and Human Services

CFDA Program: 93.767 Children's Health Insurance Program
Federal Award Nos.: 1805CQ5R21, 1805CQ5021, 1705-CQ5R21 and 1705-CQ5021

CFDA Program: 93.778 Medical Assistance Program
Federal Award Nos.: 1805CQ5MAP, 1805CQ5ADM, 1805CQ1935, 180CQIIMPL,
1805CQACAI, 1805CQMMIS, 1805CQI1323, 1805CQINCT,
1705CQ5MAP, 1705CQ5ADM and 170CQIIMPL

Area: Eligibility
Questioned Costs: \$369

Condition, Continued:

4. For one (or 1%), the applicant's parent's income was not included in the household income calculation. No questioned cost is reported as the total household income, including the parent, is within income limits.

<u>Case Number</u>	<u>Certification Effective</u>
11-020974-00	10/06/17

Cause: The CNMI lacked effective control procedures over compliance with requirements for eligibility applications, determination and approval processes, and documentation of third-party verifications. Further, the records/database of individuals receiving benefits may not be periodically monitored and updated for completeness of population and eligibility information.

Effect: The CNMI is in noncompliance with applicable eligibility requirements pursuant to the Medicaid Operational Plan. The projected questioned cost exceeds \$25,000, and known questioned costs of \$369 exist, as noted below:

<u>Questioned Costs</u>	
Condition 1	\$ 13
Condition 2	<u>356</u>
	\$ <u>369</u>

Recommendation: The CNMI Medicaid Office should establish and enforce control procedures over compliance with requirements for eligibility applications, determination and approval processes, and documentation of third party verifications.

Identification as a Repeat Finding: Finding No. 2017-022.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-021
Federal Agency: U.S. Department of Health and Human Services
CFDA Program: 93.778 Medical Assistance Program
Federal Award Nos.: 1805CQ5MAP, 1805CQ5ADM, 1805CQ1935, 180CQIIMPL,
1805CQACAI, 1805CQMMIS, 1805CQI1323, 1805CQINCT,
1705CQ5MAP, 1705CQ5ADM and 170CQIIMPL
Area: Special Tests and Provisions - ADP Risk Analysis and System
Security Review
Questioned Costs: \$-0-

Criteria: In accordance with applicable special tests and provisions requirements, State agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. State agencies shall review the ADP system security installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices. The State agency shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews (45 CFR section 95.621).

Condition: The CNMI did not provide reports or other documentation on its biennial ADP system security reviews for FY 2018, FY 2017, or FY 2016.

Cause: The CNMI lacked policies and procedures for the required biennial ADP system security review.

Effect: The CNMI is in noncompliance with special tests and provisions requirements for the biennial ADP system security review. No questioned costs result as we are unable to quantify the extent of the noncompliance.

Recommendation: The CNMI should establish and implement policies and procedures for the required biennial ADP system security review.

Identification as a Repeat Finding: Finding No. 2017-023.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-022
 Federal Agency: U.S. Department of Health and Human Services
 CFDA Program: 93.778 Medical Assistance Program
 Federal Award Nos.: 1805CQ5MAP, 1805CQ5ADM, 1805CQ1935, 180CQIIMPL,
 1805CQACAI, 1805CQMMIS, 1805CQI1323, 1805CQINCT,
 1705CQ5MAP, 1705CQ5ADM and 170CQIIMPL
 Area: Special Tests and Provisions – Provider Eligibility
 Questioned Costs: \$-0-

Criteria: In accordance with applicable special tests and provisions requirements for provider eligibility, providers of medical services must be licensed in order to participate in the Medicaid program.

Condition: For one (or 22%) of nine expenditures tested, aggregating \$6.4 million of total program costs of \$25 million, a current CNMI or U.S. license was not on file for the physicians to practice medicine during the service period. No questioned cost is presented as the required licenses for the service periods tested were subsequently obtained in April 2019.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Document No.</u>	<u>Service Date</u>
04/03/18	H8778G	1378132	02/06/17-11/02/17
09/07/18	H8778I	1418602	01/2017-07/2018

Cause: The CNMI lacks systematic filing of required documentation for service providers.

Effect: The CNMI is in noncompliance with applicable special tests and provisions requirements for provider eligibility.

Recommendation: The responsible personnel should maintain required documentation for service providers in accordance with special tests and provisions requirements for provider eligibility.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-023
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.: 1611DRM
Area: Reporting
Questioned Costs: \$-0-

Criteria: The Program is required to submit an SF-425, Federal Financial Report that is accurately prepared.

Condition: Quarterly financial reports for the above grant were not provided for the fiscal year end.

Cause: The CNMI did not prepare the reports.

Effect: The effect of the above condition is noncompliance with grant reporting requirements. No questioned cost results as actual Federal draws did not exceed recorded expenditures.

Recommendation: The Program should communicate with CNMI DOF to effectively monitor compliance with applicable reporting requirements.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-024
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.: FEMA-4235-DR
Area: Subrecipient Monitoring
Questioned Costs: \$-0-

Criteria: In accordance with applicable subrecipient monitoring requirements, pass-through entities must establish and implement subrecipient monitoring policies and procedures. A pass-through entity (PTE) is responsible for:

- At the time of the award, clearly identifying to the subrecipient all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award;
- Monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- Ensuring that subrecipients expending \$750,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years beginning on or after December 26, 2014 have met the audit requirements of 2 CFR part 200, subpart F and that the required audits are completed within 9 months of the end of the subrecipient's audit period;
- Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

Condition: Tests of subrecipient monitoring noted the following:

1. The program did not provide its listing of subrecipients with related expenditures for the fiscal year end.
2. The program did not include the following required information in the subrecipient agreements for the subrecipient to be aware of the award information, and for the PTE to comply with Federal statutes, regulations, and the terms and conditions of the award, as follows:
 - Federal award identification
 - Subrecipient name (which must match the registered name in DUNS)
 - Subrecipient's DUNS number
 - Federal award identification number
 - Federal award date
 - Subaward period of performance start and end date
 - Amount of federal funds obligated by this action
 - Total amount of federal funds obligated to the subrecipient
 - Total amount of the federal award
 - Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued
Year Ended September 30, 2018

Finding No.: 2018-024, Continued
Federal Agency: U.S. Department of Homeland Security
CFDA Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.: FEMA-4235-DR
Area: Subrecipient Monitoring
Questioned Costs: \$-0-

Condition, Continued:

- Name of federal awarding agency, PTE, and contact information for awarding official
 - CFDA number and name; the PTE must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement
 - Identification of whether the award is R&D
 - Indirect cost rate for the federal award
3. For two (or 67%) of three subrecipients tested, control procedures to monitor subrecipient compliance with applicable laws, regulations, and provisions of contracts and grant agreements were not evident.
4. For two (or 67%) of three subrecipients audits tested, there was no evidence that a procedure was implemented to determine that subrecipients expending \$750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of 2 CFR part 200, subpart F and that the required audits are completed within nine months of the end of the subrecipient's audit period. We are aware that subrecipient CHCC was subject to a Single Audit for FY 2017 and such audit is ongoing.

Cause: The CNMI failed to enforce compliance with applicable subrecipient monitoring requirements.

Effect: The CNMI is in noncompliance with applicable subrecipient monitoring requirements. No questioned costs are presented as we are unable to quantify the extent of the noncompliance, and the FY 2017 Single Audit reports of the subrecipients tested reported no findings for this program. Furthermore, we are aware that the FY 2018 Single Audits of PSS and CUC were issued with no findings for this program.

Recommendation: The responsible personnel should consider obtaining training in the area of subrecipient monitoring and establishing and implementing policies and procedures over compliance with applicable subrecipient monitoring requirements.

Identification as a Repeat Finding: Finding No. 2017-024.

Views of Auditee and Corrective Action Plan:

The CNMI describes corrective action in the Corrective Action Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Unresolved Prior Year Findings and Questioned Costs
Year Ended September 30, 2018

Questioned Costs

The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs that were unresolved at September 30, 2018:

Questioned costs as previously reported:

Fiscal year 2017	\$ 1,393,892
Fiscal year 2016	6,162,967
Fiscal year 2015	743,714
Fiscal year 2014 and prior	<u>13,421,665</u>

21,722,238

Less questioned costs resolved in fiscal year 2018:

Questioned costs resolved per USDHS letter dated Jun 21, 2018:	
Fiscal year 2014 Single Audit	(1,386,970)
Questioned costs resolved per USDHHS letter dated July 3, 2019:	
Fiscal year 2016 Single Audit	<u>(18,592)</u>

20,316,676

Questioned costs of fiscal year 2018 Single Audit

369

Unresolved questioned costs at September 30, 2018

\$ 20,317,045



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Finding No.: 2018-001
CFDA Program: N/A
Area: External Financial Reporting
Contact Person(s): David Atalig, Secretary of Finance, Dept of Finance
Corrective Action Plan:

The Department of Finance, Office of the Public Auditor, and Grants Management Office are working together and exploring methods to improve the timeliness of the Component Units's audits so that they may be included in the Single Audit.

Proposed Completion Date: Ongoing

Finding No.: 2018-002
CFDA Program: N/A
Area: External Financial Reporting
Contact Person(s): David Atalig, Secretary of Finance, Dept of Finance
Corrective Action Plan:

Legal review in this matter is ongoing as the NMISF has taken the position that it is an arm of the court and not the component unit. As a result, the NMISF believes that it is not a pension fund and is not required to comply with GASB Statement No. 68. The matter continues to be under discussion between the CNMI and the NMISF. The Administration will take appropriate action upon conclusion of this discussion.

Proposed Completion Date: Ongoing

Finding No.: 2018-003
CFDA Program: N/A
Area: Cash and Cash Equivalents
Contact Person(s): Bernadita Palacios, Director, Div. of Finance & Accounting
Corrective Action Plan:

Condition 1: Bank code 11230 was left unreconciled at the grantor's request until disaster-related adjustments were submitted to DOF from program grantee office.

Condition 2: Bank reconciliation for bank code 11431 is available at the GHLI office and was completed as of December 2018. CNMI will improve efforts to comply with cash management policies and submit requested documents in a timely manner. For bank codes 11221 and 11411, DOF will work with the managing agency(s) to comply with DOF cash management policies.

Condition 3: Bank Code 15050 does not have any transactions during FY 2018. DOF will conduct a review of accounts to include 11991 and determine appropriate actions.

Condition 4: DOF accepts the proposed audit adjustments of \$972,230. DOF will conduct a review and determine appropriate actions.

Condition 5 & 7: DOF will review the accounts and make the necessary adjustments.

Condition 6: DOF accepts the proposed audit adjustment. Management will improve process to correct entries.



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Proposed Completion Date: September 30, 2019

Finding No.: 2018-004
CFDA Program: N/A
Area: NMIRF Receivables
Contact Person(s): David Atalig, Secretary of Finance, Dept of Finance
Velma Palacios, Program Manager, NMI Retirement Fund

Corrective Action Plan:

DOF and the NMIRF are in the process of updating and recording these receivables. The agencies area also in the process of coordinating the documentation of this transfer if deemed collectible.

Proposed Completion Date: Ongoing

Finding No.: 2018-005
CFDA Program: N/A
Area: OPA Receivables
Contact Person(s): David Atalig, Secretary of Finance, Dept of Finance
David Blake, Audit Manager, Office of the Public Auditor

Corrective Action Plan:

The component units dispute the receivables. The Department of Finance will engage with the component units to determine collectability of prior years.

Proposed Completion Date: Ongoing

Finding No.: 2018-006
CFDA Program: N/A
Area: Tax Rebates Payable
Contact Person(s): Tracy Norita, Director, Division of Revenue & Taxation
Maria White, Research and Statistics Manager, Division of Revenue & Taxation

Corrective Action Plan:

Condition 1.: For unpaid tax year 2017 and Prior

a. Unmatched filings

- i. The requested tax returns were unable to be located due to damage to the file storage facility caused by Super Typhoon Yutu. The Division of Revenue and Taxation has suffered a major document loss for filings in tax years 1998-2006 due to water damage. The Division is taking steps to house documents in a new storage unit that will protect documents from future storms.
- ii. The Division of Revenue and Taxation - Compliance Branch is currently developing internal standard procedures to properly review returns for completeness prior to data entry.

b. Assessed filings

- i. Tax filings for tax years 1998-2006 were unable to be located due to water damage caused by the typhoon. For the other returns requested, the Division of Revenue & taxation will develop standard filing procedures to ensure returns are properly filed and efficiently retrieved.
- ii. The miscalculation of rebate taxes was due to a taxpayer amendment to the filed return to include an additional W-2, thus the payable increased to \$1,001.

The Division of Revenue and Taxation - Compliance Branch is currently developing internal standard procedures to properly document such changes to amended returns.



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c. Matched filings

i. The discrepancy in rebate payable was due to error in taxpayer calculation of rebate computation and system allocation error.

The Division of Revenue & Taxation is working closely with system programmers to correct this system allocation error.

Proposed Completion Date: September 30, 2019

Finding No.: 2018-007

CFDA Program: N/A

Area: Notes Payable - Judicial Bldg Loan

Contact Person(s): Alexander Casto, Chief Justice, CNMI Judiciary
John Villagomez, Budget and Finance Director, CNMI Judiciary
David Atalig, Secretary of Finance, Dept of Finance

Corrective Action Plan:

The CNMI is following PL 9-3 to the extent that it is able and is transferring funds as required by law. Unfortunately, there is a lack of funding to cover the remaining balance owed as collections are insufficient to cover the entire monthly payment. The Judiciary has applied for a loan with the USDA to address this issue. With the improving financial standing of the CNMI in the recent years, and through discussion in FY 2019, we are optimistic the loan will be approved in the coming months.

Proposed Completion Date: September 30, 2019

Finding No.: 2018-008

CFDA Program: N/A

Area: Compensated Absences

Contact Person(s): Bernadita Palacios, Director, Div. of Finance & Accounting

Corrective Action Plan:

DOF accepts the proposed audit adjustment. Currently, annual leave is reviewed at the end of the calendar year and amounts in excess of 360 hours transferred to sick leave. DOF will explore updating processes to include a mid year review.

Proposed Completion Date: September 30, 2019

Finding No.: 2018-009

CFDA Program: N/A

Area: Due to Component Units

Contact Person(s): David Atalig, Secretary of Finance, Dept of Finance

Corrective Action Plan:

DOF will accept audit adjustments based on audited financial statements of each of the financial reports. DOF will work with CU to develop a systematic approach to reconcile differences in a timely manner.

Proposed Completion Date: Ongoing

Finding No.: 2018-010

CFDA Program: N/A

Area: Fund Balance - Encumbrances

Contact Person(s): Bernadita Palacios, Director, Div. of Finance & Accounting



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Corrective Action Plan:

General Fund 1: DOF accepts the proposed audit reclassification.

General Fund 2: Contract 494924-OC was rejected by the Attorney General and was not notified to complete de-obligation process. DOF will remind relevant agencies of standard operating procedures and steps to prevent further occurrences.

Grants Assistance Fund 1: DOF accepts the proposed audit reclassification.

Grants Assistance Fund 2: DOF will review outstanding encumbrances.

Grants Assistance Fund 3: (a) DOF accepts the proposed audit adjustment. (b) DOF accepts the proposed audit adjustment. (c) Contract 59-OS was a transfer from the old system and was corrected by using another line item--DOF will make the necessary adjustments. Contract 658502-OP is an open purchase order for childcare and left pending for 90 days for liquidation period. Contract 574600-OC was rejected by the Attorney General and was not notified to complete de-obligation process. DOF will remind relevant agencies of standard operating procedures and steps to prevent further occurrences.

Saipan Amusement Fund 1: DOF accepts the proposed audit reclassification.

Other Governmental Funds 1: DOF accepts the proposed audit reclassification.

Other Governmental Funds 2: DOF will review outstanding encumbrances.

Other Governmental Funds 3: (a) DOF accepts the proposed audit adjustment. (b) Contract 600733-OM is an obligation to reserve funds for a pending case that never materialized. We will de-obligate this encumbrance and will review other outstanding encumbrances.

Proposed Completion Date: Ongoing

Finding No.: 2018-011

CFDA Program: N/A

Area: Commonwealth Healthcare Corp (CHCC)

Contact Person(s): Esther Muna, CEO, Commonwealth Healthcare Corp.
Derek Sasamoto, CFO, Commonwealth Healthcare Corp.
David Atalig, Secretary of Finance, Dept of Finance

Corrective Action Plan:

The CNMI and CHCC have been working on the final issues of the transition of CHCC to an independent corporation. CHCC and the CNMI has identified some areas to be transferred to the CHCC, such as fixed assets, and we will continue to review until such matters are formally documented.

Proposed Completion Date: Ongoing

Finding No.: 2018-012

CFDA Program: N/A

Area: CNMI Workers' Compensation Commission

Contact Person(s): Mark Rabauliman, Secretary of Commerce, Dept of Commerce
David Atalig, Secretary of Finance, Dept of Finance

Corrective Action Plan:

DOF and Department of Commerce will finalize the transfer of assets in writing and complete the work on establishing and assigning general ledger accounts for WCC funds.

Proposed Completion Date: Ongoing



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Finding No.: 2018-013
CFDA Program: N/A
Area: CNMI Group Health & Life Insurance
Contact Person(s): Velma Palacios, Program Manager, Group Health & Life Insurance Program
Corrective Action Plan:

DOF and GHLI will finalize the transfer of assets in writing and complete the work on establishing and assigning general ledger accounts for GHLI.

1. Bank Reconciliations are available for review at the respective office.
2. DOF and GHLI staff have scheduled a meeting to establish new processes to properly record monies received by CU's held in trust.
3. GHLI have since updated the records for receivables from component units and reconcile against the proposed audit adjustments.

Proposed Completion Date: September 30, 2019

Finding No.: 2018-014
CFDA Program: N/A
Area: CNMI Local Noncompliance - Budget
Contact Person(s): David Atalig, Secretary of Finance, Dept of Finance
Corrective Action Plan:

The CNMI agrees with this finding and continuously works towards addressing over expenditures and determining the appropriate budgetary levels for the Commonwealth. Areas affecting public health and human welfare are an issue as areas such as medical referral for patients requiring urgent health care not available in the Commonwealth, it is anticipated that revenue will continue to rise to address the areas where the Commonwealth often experiences budgetary shortfalls. Additional hiring of law enforcement personnel has also reduced the amount of overtime compared to prior years as there are more employees working regular hours and sharing the responsibility for the CNMI safety.

Proposed Completion Date: Ongoing

Finding No.: 2018-015
CFDA Program: 15.575
Area: Allowable Costs
Contact Person(s): Kodep Ogumoro-Uludong, Administrator, Office of Capital Improvement Projects
Corrective Action Plan:

Will defer to Ryan Camacho of the Department of Finance to appropriately address this issue. It was recommended that the CIP Office request a copy of the General Ledger Expenditure report of all business units associated with the CIP program prior to submission to auditors for review and request for adjustments that may need to be made if any.

Business unit (BU) 5192 is an old grant and has expired. However, this business unit was part of the older Capital Improvement Program, which had a federal and local cost share of 50% of the total project cost. The obligation for the construction of the Tinian Transfer Station (683-05) was made to BU 5192 for the remaining local CIP available funds.



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The CIP Office will request from the Department of Finance a list of cumulative expenses incurred and we will monitor and reconcile against the approved funding.

Ryan Camacho: The business unit has been corrected after the submission of ledger details and adjustments have been made. These expenditures are not included in the S.E.F.A. as they are funded from local CIP funds.

Proposed Completion Date: Completed

Finding No.: 2018-016

CFDA Program: 15.575

Area: Equipment and Real Property

Contact Person(s): Kodep Ogumoro-Uludong, Administrator, Office of Capital Improvement Projects

Corrective Action Plan:

We determined that only fiscal years 2014 and 2015 are part of the CIP program and the remaining fiscal years are part of the MAP or TAP grants, which is administered by the Office of Grants Management. We have reviewed the capital inventory listing and identified which capital inventory was purchased for the respective department/agency. The CIP office will submit a transfer for the equipment to the respective department/agencies.

The CIP office will submit a request annually to P&S by the end of July for a list of fixed assets and capital inventory to complete an assessment of annual inventory of property to ensure compliance on the state of use, management and disposition of equipment procured under OIA 702 grant funds.

Proposed Completion Date: September 30, 2019

Finding No.: 2018-017

CFDA Program: 15.575

Area: Subrecipient Monitoring

Contact Person(s): Kodep Ogumoro-Uludong, Administrator, Office of Capital Improvement Projects

Corrective Action Plan:

Although the subrecipient agreement has been drafted and reviewed by the Office of the Attorney General, a standardized subrecipient agreement monitoring policies and procedures and checklists will be made for all CNMI departments /agencies. In addition, there is no formal training on subrecipient monitoring so a request for technical assistance for subrecipient monitoring training will be useful for grant managers to ensure compliance and completeness of the requirements by Uniform Code - CFR 200.

Proposed Completion Date: September 30, 2019

Finding No.: 2018-018

CFDA Program: 20.205

Area: Equipment and Real Property

Contact Person(s): Lorraine M. Seman, Administrator, Highway Planning Program

Corrective Action Plan:



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1. DPW, TSD-Highway Branch has included in its inventory sheet “Federal participation” and “Federal Award Identification Number” and will resubmit its FY18 inventory list to the Department of Finance, Division of Procurement & Supply and to the Auditing firm, Deloitte & Touche.
2. DPW, TSD-Highway Branch has been in compliance with the Secretary of Public Works Directive (Corrective Action Plan and its process) but still encounter discrepancies because of Procurement & Supply’s overall lump sum master list including inventories of both local and federal properties. To address the difference in the program total and P&S, Highway Branch has requested for a separate “Inventory Location Number” and continues to work with Procurement & Supply to separate its inventory from local.
3. DPW, TSD-HIGHWAY Branch and Deloitte agreed to remove Federal Award Projects CM-NH-0031(016), CM-NH-0033(023), CM-NH-2000(004), and TQ-THS-JTSS(002) from the audit finding as these projects are in compliance.

Proposed Completion Date: September 30, 2019

Finding No.: 2018-019

CFDA Program: 20.509

Area: Equipment and Real Property

Contact Person(s): Alfreda Camacho, Director, Commonwealth Office of Transit Authority

Corrective Action Plan:

The Commonwealth Office of Transit Authority, together with Mr. Ton Manahane at Procurement & Supply worked together to attain a copy of the most updated property listing. A comparison was conducted with the listing COTA provided for the audit performed by Deloitte: Ms. Carole Dela Cruz. COTA’s listing are items currently being used or in good working condition. Procurement & Supply’s listing are of all items/property acquired from the inception of the program. Some of the items/property in the listing with Procurement & Supply are no longer with the Program (damaged/ past its useful life) or are not in working condition.

Another internal asset management inventory was conducted on Tuesday, July 23, 2019 and some of the items in question were located and resolved.

We acknowledge that there is no documentation to support what happened to the items that are damaged and/or past its useful life. We find that the items in question are each under \$5,000.00. Majority, if not all, are dated back to 2013, in which, none of the current employees were employed with the program.

Corrective Action: Going forward, a semi-annual inventory on all COTA’s assets will be conducted in collaboration with Procurement and Supply to ensure and maintain a comparable listing. As the administrator for the Commonwealth Office of Transit Authority, all items over \$5,000.00 will be considered, “Equipment and Real Property”. (Please refer to the attached property listing in Appendix A).

Proposed Completion Date: September 30, 2019



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Finding No.: 2018-020

CFDA Program: 93.767

93.778

Area: Eligibility

Contact Person(s): Helen C. Sablan, Director, Children's Health Insurance Program

Corrective Action Plan:

Condition 1: We agree with the audit finding. Moving forward we will be ensuring the pregnant CW-Visa holders' Medicaid coverage expires on the expiration date of their CW-Visa.

Condition 2: We agree with the audit finding for case number 11-011811-00. We are making every effort to get a hold of the individual to obtain a copy of their social security card.

We agree with the audit finding for case number 14-034080-00 because we are unable to prove that the social security card for household member 2 was submitted prior to 02/08/19. We are making every effort to get a hold of the individual to obtain a copy of their social security card.

Condition 3: We agree with the audit finding. Countable resources should be \$618 and not \$629. Correction was made.

Condition 4: Prior to submission of the application to Medicaid, the applicant's parent (mother) was employed. However, upon submission of application date 09/25/17, she was no longer employed. Her CW-1 expired 09/30/17. It is failure on our part to request for verification of employment. Careful scrutiny will be done on future applications.

Proposed Completion Date: Completed

Finding No.: 2018-021

CFDA Program: 93.778

Area: Special Tests (ADP)

Contact Person(s): Frank Celis, Director, Div. of Electronic Data Processing

Corrective Action Plan:

The Division of Electronic Data Processing has developed the policies and procedures to be in compliance with the program's ADP security system. It is currently being reviewed by officials for formal implementation and is expected to be implemented in fiscal year 2020.

Proposed Completion Date: September 30, 2019

Finding No.: 2018-022

CFDA Program: 93.778

Area: Special Tests (Eligibility)

Contact Person(s): Helen C. Sablan, Director, Medicaid

Corrective Action Plan:

We agree with the audit finding. Since Guam Regional Medical City is a huge hospital facility with over a hundred medical personnel, we accepted a listing that included the names, titles and license information of all the providers. However, since we were made aware that we needed to attach each provider's licenses in the Provider's Agreement, we were able to completely obtain them. Moving forward, we will make sure that regardless of size or type of provider, we will obtain each and every license needed to complete the Provider Agreement.



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Proposed Completion Date: Completed

Finding No.: 2018-023

CFDA Program: 97.036

Area: Reporting

Contact Person(s): Virginia Villagomez, Governor's Authorized Representative
Agnes Cepeda, Federal Section Manager, Div. of Finance & Accounting

Corrective Action Plan:

DOF submitted the SF-425 and was finalized, but reclassifications were made on the individual accounts subsequent to the filing. Because the totals were unchanged from the report, DOF determined another report was not necessary. DOF can provide details of the accounts upon request.

Proposed Completion Date: Completed

Finding No.: 2018-024

CFDA Program: 97.036

Area: Subrecipient Monitoring

Contact Person(s): Virginia Villagomez, Governor's Authorized Representative,

Corrective Action Plan:

Per letter from FEMA office dated 15 May 2019, CNMI provided adequate assurance to comply with subrecipient monitoring requirements on 08 May 2019.

Proposed Completion Date: Completed



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APPENDIX A:

Attachments for Finding 2018-019 (COTA)

Date Acquired	Item No.	Property Tag No.	Description	Manufacturer	Model	Serial No.	Cost	Status	R/U/L
1/4/2016	54609	ITEM-54609	Battery/Back-Up	MARUSON	700VA	221207308397	\$	360.00	WK T2509A
1/4/2016	54611	ITEM-54611	Battery/Back-Up	MARUSON	700VA	221207308471	\$	401.71	WK T2509A
1/4/2016	54612	ITEM-54612	Battery/Back-Up	MARUSON	700VA	221207308509	\$	401.71	WK T2509A
1/4/2016	54512	ITEM-54512	Battery/Back-Up	POWERCOM	KIN-625C5	G120600432	\$	237.40	WK T2509A
11/30/2018	75857	ITEM-75857	Battery/Backup/Computer/1500VA	APC	UPS5827	481745P36314	\$	360.00	WK T2509A
1/4/2016	56044	FA-01078CM	BookCase/FullGlass				\$	401.71	WK T2509A
1/4/2016	56043	FA01077CM	BookCase/HalfGlass				\$	401.71	WK T2509A
1/4/2016	56046	FA-01081CM	BookCase/Shelves				\$	401.71	WK T2509A
1/4/2016	56060	FA-01095CM	BookShelves/Wdn/Brn				\$	237.40	WK T2509A
1/4/2016	56061	FA-01096CM	BookShelves/Wdn/Brn				\$	237.40	WK T2509A
1/4/2016	56063	FA-01097CM	BookShelves/Wdn/Brn				\$	237.40	WK T2509A
1/4/2016	56064	FA-01098CM	BookShelves/Wdn/Brn				\$	237.40	WK T2509A
1/4/2016	56065	FA-01099CM	BookShelves/Wdn/Brn				\$	237.40	WK T2509A
1/4/2019	75177	FA-01381U5	Bus/14passenger/starcraft/white	FORD/GOVT-4849	E450/2018 MODEL/SUPERDUTY/V8	1FDFE4F57DC16560	\$	95,900.00	WK 1699D
1/4/2019	75176	FA-01380U5	Bus/14passenger/starcraft/white	FORD/GOVT-4851	E450/2018 MODEL/SUPERDUTY/V8	1FDFE4F50DC16559	\$	95,900.00	WK 1699D
3/1/2016	65525	FA-00906U5	Bus/Transit/ADA//22SEATS	ARBO/UP4449	SPIRIT OF FREE WHT 2017	1G86GUBGXG1340577	\$	139,915.00	WK I6875K
12/20/2018	75313	MP-36036CM	CAMERA/DIGITAL	CANON		272073034666	\$	679.00	WK T2509A
12/4/2013	56074	FA-01107CM	Cabinet/Filing/Wdn/Brn				\$	220.00	WK T2509A
12/4/2013	56075	FA-01108CM	Cabinet/Filing/Wdn/Brn				\$	220.00	WK T2509A
12/4/2013	56081	FA-01115CM	Cabinet/Filing/Wdn/Brn				\$	220.00	WK T2509A
12/4/2013	56087	FA-01120CM	Cabinet/Filing/Wdn/Brn				\$	220.00	WK T2509A
12/4/2013	56009	FA-01042CM	Chair/Conference/Swivel/W-Arms				\$	242.40	WK T2509A
12/4/2013	56010	FA-01043CM	Chair/Conference/Swivel/W-Arms				\$	242.40	WK T2509A
12/4/2013	56011	FA-01044CM	Chair/Conference/Swivel/W-Arms				\$	242.40	WK T2509A
12/4/2013	56012	FA-01045CM	Chair/Conference/Swivel/W-Arms				\$	242.40	WK T2509A
12/4/2013	56013	FA-01046CM	Chair/Conference/Swivel/W-Arms				\$	242.40	WK T2509A
12/4/2013	56014	FA-01047CM	Chair/Conference/Swivel/W-Arms				\$	242.40	WK T2509A
12/4/2013	56015	FA-01048CM	Chair/Conference/Swivel/W-Arms				\$	242.40	WK T2509A
12/4/2013	56016	FA-01049CM	Chair/Conference/Swivel/W-Arms				\$	242.40	WK T2509A

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<u>Date Acquired</u>	<u>Item No.</u>	<u>Property Tag No.</u>	<u>Description</u>	<u>Manufacturer</u>	<u>Model</u>	<u>Serial No.</u>	<u>Cost</u>	<u>Status</u>	<u>B/U/L</u>
12/4/2013	56017	FA-01050CM	Chair/Conference/Swivel/W-Arms				\$ 242.40	WK	T2509A
12/4/2013	56076	FA-01110CM	Chair/Guest				\$ 205.20	WK	T2509A
12/4/2013	56082	FA-01116CM	Chair/Guest				\$ 205.20	WK	T2509A
12/4/2013	56088	FA-01122CM	Chair/Guest				\$ 205.20	WK	T2509A
12/4/2013	56093	FA-01127CM	Chair/Guest				\$ 205.20	WK	T2509A
12/4/2013	56103	FA-01137CM	Chair/Guest				\$ 119.40	WK	T2509A
12/4/2013	56021	FA-01054CM	Chair/Guest/Plastic/BLK				\$ 119.40	WK	T2509A
12/4/2013	56022	FA-01055CM	Chair/Guest/Plastic/BLK				\$ 119.40	WK	T2509A
12/4/2013	56025	FA-01058CM	Chair/Guest/Plastic/BLK				\$ 119.40	WK	T2509A
12/4/2013	56026	FA-01059CM	Chair/Guest/Plastic/BLK				\$ 119.40	WK	T2509A
12/4/2013	56031	FA-01064CM	Chair/Guest/Plastic/BLK				\$ 119.40	WK	T2509A
12/4/2013	56072	FA-01105CM	Chair/Mesh/W-Arms/BLK/Swivel				\$ 445.00	WK	T2509A
12/4/2013	56080	FA-01114CM	Chair/Mesh/W-Arms/BLK/Swivel				\$ 445.00	WK	T2509A
12/4/2013	56086	FA-01121CM	Chair/Mesh/W-Arms/BLK/Swivel				\$ 445.00	WK	T2509A
12/4/2013	56092	FA-01126CM	Chair/Mesh/W-Arms/BLK/Swivel				\$ 445.00	WK	T2509A
12/4/2013	56097	FA-01131CM	Chair/Mesh/W-Arms/BLK/Swivel				\$ 445.00	WK	T2509A
12/4/2013	56048	FA-01083CM	Chair/Lounge/Guest				\$ 119.40	WK	T2509A
12/4/2013	56049	FA-01084CM	Chair/Lounge/Guest				\$ 119.40	WK	T2509A
12/4/2013	56050	FA-01085CM	Chair/Lounge/Guest				\$ 119.40	WK	T2509A
12/4/2013	56052	FA-01087CM	Chair/Lounge/Guest				\$ 119.40	WK	T2509A
12/4/2013	56053	FA-01088CM	Chair/Lounge/Guest				\$ 119.40	WK	T2509A
12/4/2013	56054	FA-01089CM	Chair/Lounge/Guest				\$ 119.40	WK	T2509A
12/4/2013	56039	FA-01073CM	Chairs/Table Coffee				\$ 205.20	WK	T2509A
12/4/2013	56040	FA-01074CM	Chairs/Table Coffee				\$ 205.20	WK	T2509A
12/4/2013	56041	FA-01075CM	Chairs/Table Coffee				\$ 205.20	WK	T2509A
12/4/2013	56042	FA-01076CM	Chairs/Table Coffee				\$ 205.20	WK	T2509A
11/29/2016	64522	MP-29813CM	Charger/Radio/Handheld/6Units	Motorola	WPLN4219B	6270MKH0105UJ	\$ 552.50	WK	T2509A
11/29/2016	64523	MP-29814CM	Charger/Radio/Handheld/6Units	Motorola	WPLN4219B	6270MKG0105T8	\$ 552.50	WK	T2509A
11/29/2016	64520	MP-29811CM	Charger/Radio/Handheld/Single	Motorola	WPLN4243A		\$ 53.55	WK	T2509A



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Date Acquired	Item No.	Property Tag No.	Description	Manufacturer	Model	Serial No.	Cost	Status	B/U/L
11/29/2016	64521	MP-29812CM	Charger/Radio/Handheld/Single	Motorola	WPLN4243A		\$ 53.55	WK	T2509A
1/15/2019	75455	MP-36068CM	Dispenser/Water/H&C/Electric	Avanti	WD361	A47822236191861500515	\$ 269.99	WK	T7509A
3/23/2017	65643	FA-01324CM	Dispenser/Water/H&C/Electric	Avanti	WD361	A47822236191681000118	\$ 269.99	WK	T5509A
12/26/2017	68655	MP-31864CM1	Docking Station	I O GEAR	GUD 300	OU78USW3100392		WK	T2509C
11/28/2018	75365	FA-014222US	GENERATOR/SPOOF/DIESEL/USED	Yanmar	YAG135/13KW/BLUE	729212-51200-S1197F22	\$ 7,000.00		1699D
3/14/2018	69477	MP-32631CM	HardDrive/External	G-Drive	OG05449	DP23YN9V	\$ 69.99	WK	16875K
3/14/2018	69478	MP-32632CM	HardDrive/External	G-Drive	OG05449	DP23D32V	\$ 69.99	WK	16875K
3/14/2018	69479	MP-32633CM	HardDrive/External	G-Drive	OG05449	DP22PE1S	\$ 69.99	WK	16875K
3/14/2018	69480	MP-32634CM	HardDrive/External	G-Drive	OG05449	DP2364LS	\$ 69.99	WK	16875K
12/26/2017	68654	MP-31862CM1	LAPTOP/COMPUTER	HP	Z1Z85UT#ABA	5CD72954RQ	\$ 1,548.00	WK	T2509C
12/26/2017	68656	MP-31863CM1	LAPTOP/COMPUTER	HP	Y9F9SUT#ABA	5CD728C8MP	\$ 1,798.00	WK	T2509C
1/11/2016		MP-27297CM	Lockers/Metal/6						
11/29/2016	64524	MP-29815CM	Radio/CB/W-Power Supply	Motorola	M22URS9PW1AN	471CSV0832	\$ 1,037.76	WK	T2509A
11/29/2016	64539	MP-29831CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1183-1	\$ 1,314.14	WK	T2509A
11/29/2016	64536	MP-29832CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1184-2	\$ 1,314.14	WK	T2509A
11/29/2016	64528	MP-29833CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1185-3	\$ 1,314.14	WK	T2509A
11/29/2016	64543	MP-29834CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1186-4	\$ 1,314.14	WK	T2509A
11/29/2016	64537	MP-29835CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1187-5	\$ 1,314.14	WK	T2509A
11/29/2016	64535	MP-29836CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1188-6	\$ 1,314.14	WK	T2509A
11/29/2016	64526	MP-29837CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1189-7	\$ 1,314.14	WK	T2509A
11/29/2016	64544	MP-29838CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1190-8	\$ 1,314.14	WK	T2509A
11/29/2016	64531	MP-29839CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1191-9	\$ 1,314.14	WK	T2509A
11/29/2016	64538	MP-29840CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1192-10	\$ 1,314.14	WK	T2509A
11/29/2016	64529	MP-29841CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1193-11	\$ 1,314.14	WK	T2509A
11/29/2016	64541	MP-29842CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1194-12	\$ 1,314.14	WK	T2509A
11/29/2016	64527	MP-29843CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1195-13	\$ 1,314.14	WK	T2509A
11/29/2016	64530	MP-29844CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1196-14	\$ 1,314.14	WK	T2509A
11/29/2016	64540	MP-29845CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1197-15	\$ 1,314.14	WK	T2509A
11/29/2016	64532	MP-29846CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1198-16	\$ 1,314.14	WK	T2509A



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<u>Date Acquired</u>	<u>Item No.</u>	<u>Property Tag No.</u>	<u>Description</u>	<u>Manufacturer</u>	<u>Model</u>	<u>Serial No.</u>	<u>Cost</u>	<u>Status</u>	<u>B/U/L</u>
11/29/2016	64534	MP-29847CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1199-17	\$ 1,314.14	WK	T2509A
11/29/2016	64533	MP-29848CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1200-18	\$ 1,314.14	WK	T2509A
11/29/2016	64525	MP-29849CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1201-19	\$ 1,314.14	WK	T2509A
11/29/2016	64542	MP-29850CM	Radio/Handheld/APX 4000	Motorola	H51UCF9PW6AN	426CSV1202-20	\$ 1,314.14	WK	T2509A
12/13/2018	75140	MP-34650CM	Recorder/Time/Biometric	Amano	HP 1000	1508386	\$ 1,753.22	WK	T7509A
6/19/2013	54931	FA-00621US	Sedan/4dr/Silver	Ford	Fiesta SE	3FADP4BJXDM222600	\$ 19,995.00	WK	T2509A
3/7/2013	54524	FA-00573US	SUV/5DR/Silver	Nissan	Xterra S	5N1JANONW1CC527224	\$ 32,995.00	WK	T2509A
1/1/2016	56038	FA-01071CM	Table/Coffee/Round				\$ 336.60	WK	T2509A
1/1/2016	56008	FA-01041CM	Table/Conference/8pc.				\$ 2,647.68	WK	T2509A
1/1/2016	56034	FA-01067CM	Table/Exec/W-Side Table				\$ 849.28	WK	T2509A
1/1/2016	56056	FA-01091CM	Table/Working/Wooden/Brown				\$ 336.40	WK	T2509A
5/3/2017	65945	MP-30189CM	Timeclock/Recorder	Acroprint	ATR120	5138143LX	\$ 439.95	WK	T2509A
12/5/2013	55999	FA-00647US	Pickup/Truck/4dr/Sil/2013	Ford	F150 XL	1FTFW1EF4DFD72732	\$ 44,995.00	WK	T2509A
7/29/2015	59411	FA-00709US	Van/5dr/Passenger/Wht/2015	Ford	Transit 350 XL	1FBZK2CM1FKAS5619	\$ 70,995.00	WK	T3509A
7/29/2015	59412	FA-00710US	Van/5dr/Passenger/Wht/2015	Ford	Transit 350 XL	1FBZK2CM6FKA63456	\$ 70,995.00	WK	T3509A
7/29/2015	59413	FA-00711US	Van/5dr/Passenger/Wht/2015	Ford	Transit 350 XL	1FBZK2CM4FKA63455	\$ 70,995.00	WK	T3509A
7/29/2015	59414	FA-00712US	Van/5dr/Passenger/Wht/2015	Ford	Transit 350 XL	1FBZK2CM2FKA63454	\$ 70,995.00	WK	T3509A
1/11/2016	56071	FA-01104CM	Work Surface/4pcs				\$ 727.00	WK	T2509A
1/11/2016	56084	FA-01118CM	Work Surface/4pcs				\$ 727.00	WK	T2509A
1/11/2016	56090	FA-01124CM	Work Surface/4pcs				\$ 727.00	WK	T2509A
1/11/2016	56095	FA-01129CM	Work Surface/4pcs				\$ 727.00	WK	T2509A
							\$ 774,441.86		



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APPENDIX B:

Attachments for 2018-024 (FEMA)

U.S. Department of Homeland Security
FEMA Region IX
1111 Broadway, Suite 1200
Oakland, CA 94607

MAY 15 2019



FEMA

Virginia Villagomez
Governor's Authorized Representative
Commonwealth of the Northern Marianas
Caller Box 10007
Saipan, MP 96950

Subject: Management Decision Letter – Single Audit Report for the year ending September 30, 2017

EIN: 98-6019463
FEMA CFDA No.: 97.036
Number of Findings: 1 (Finding 2017-024)
Number of Recurring Findings: 0
Amount of Questioned and/or Disallowed Costs: None
Status of Audit Record: Closed

Dear Ms. Villagomez:

The FEMA Region IX, Grants Management Division, received and reviewed CNMI's revised correction action plan dated May 8, 2019, and determined that the CNMI has provided adequate assurance to comply with the subrecipient monitoring requirements. The FEMA Regional Office will do a follow-up at the next scheduled financial monitoring review to ensure CNMI's implementation of the corrective actions. This audit finding is considered closed.

If you have any questions, please do not hesitate to contact me directly at (510) 627-7021 or via e-mail at michelle.weaver@fema.dhs.gov.

Sincerely,

Michelle Weaver, Acting Director
Grants Management Division
FEMA Region IX

Attachment

cc: Gerald Deleon Guerrero, CNMI, Special Assistant for Homeland Security
Epi Cabrera, CNMI, Office of Grants Management
Kara Pinetti, Director, Recovery Division
OCFO/Risk Management & Compliance Division