



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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January 15, 2020

Interagency Audit Coordinating Advisory Group:

The Honorable Victor B. Hocog, Senate President

The Honorable Blas Jonathan T. Attao, Speaker of the House of Representatives

The Honorable Edwin K. Propst, Minority Leader for the House of Representatives

Mr. David Atalig, Secretary of Finance

Ms. Virginia C. Villagomez, Special Assistant for the Office of Management and Budget

Saipan, MP 96950

Dear Interagency Audit Coordinating Advisory Group:

Report on CNMI Agencies' Implementation of Audit Recommendations

Enclosed is a copy of the status report on CNMI agencies' implementation of audit recommendations reported in audit reports issued by the Office of the Public Auditor (OPA) for the calendar year ending 2019. OPA tracked 27 audit and inspection recommendations from June 2019 to December 2019.

OPA sent follow-up emails and called government agencies with unresolved audit and inspection recommendations as of December 2019. Based upon our review, seven audit recommendations were resolved. This report incorporates agency responses to our follow-up emails and responses based on requested documents obtained by OPA on or before December 31, 2019.

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

Sincerely,

Michael Pai, CPA
Public Auditor

Enclosures
MP/db/gt/tr

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

Executive Summary

Report on CNMI Agencies' Implementation of Audit Recommendations, As of December 2019

Report No. 20-01, January 15, 2020

Background

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

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

Since 2000, OPA has not received any request for consultation from the Coordinating Group. However, OPA has been issuing follow-up letters, email messages, and/or contacting agencies with outstanding recommendations to request for information on corrective actions taken to implement OPA's audit and inspection recommendations. When requested, OPA staff meets with agency officials to discuss and clarify actions required to address OPA's audit and inspection recommendations. This report incorporates agency responses to OPA's follow-up emails or documents obtained by OPA on or before December 31, 2019. In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals are not disclosed in OPA's ARTS report.

Classification of OPA Audit Recommendations

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

Status of OPA Audit Recommendations

OPA tracked a total of 27 audit recommendations as of December 2019. Of the 27 audit recommendations, seven were resolved.

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

Agency	Report No.	Unresolved as of June 2019	Resolved	Unresolved as of December 2019
Department of Public Safety	19-06	N/A	0	2
Commonwealth Election Commission	19-04	N/A	0	3
Department of Public Land	19-02	3	0	3
CNMI Public School System	19-01	3	3	0
Department of Public Land	18-01	3	1	2
Commonwealth Utilities Corporation	17-02	1	0	1
Commonwealth Healthcare Corporation	17-01	5	2	3
Department of Lands and Natural Resources	15-03	4	1	3
Department of Public Safety	15-01	1	0	1
Department of Finance, Division of Customs	14-01	2	0	2
Total		22	7	20

STATUS OF AUDIT RECOMMENDATIONS

DEPARTMENT OF PUBLIC SAFETY (DPS)

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

Findings	Recommendations	Current Status	Agency Response
1. The physical security of the facility is inadequate.	DPS management needs to ensure that the ongoing improvements to the Evidence Facility continue and that funding sources are sufficient and dedicated to achieve this goal.	Unresolved	<p>DPS's Response: As provided in the documentation given to the OPA Office, the DPS is currently awaiting the completion of the renovation of the Evidence Facility.</p> <p>OPA's Response: OPA applauds DPS for awarding a contractor for the DPS Evidence Room. OPA will be in continuous communication with DPS for updates on their actions to resolving the recommendation before the issuance of the next follow-up report.</p>

DEPARTMENT OF PUBLIC SAFETY (DPS)

Inspection of the Department of Public Safety's Confidential Informant Fund *2 unresolved, 0 resolved*
 Report No. 19-06, Issued September 24, 2019
 (Link to Inspection Report: [http://www.opacnmi.com/resources/files/reports/audit/Department%20of%20Public%20Safety%20\(DPS\)%20Inspection%20of%20the%20Confidential%20Informant%20Fund%20-%20OPA%20Report%2019-06.pdf](http://www.opacnmi.com/resources/files/reports/audit/Department%20of%20Public%20Safety%20(DPS)%20Inspection%20of%20the%20Confidential%20Informant%20Fund%20-%20OPA%20Report%2019-06.pdf))

Findings	Recommendations	Current Status	Agency Response
1. Audits of the CI Fund are not conducted.	Recover the three dollars caused by the overstated voucher and return it to the CI Fund.	Unresolved	<p>DPS's Response: The DPS has responded to the findings in an official letter submitted to the OPA in September 2019.</p> <p>OPA's Response: Although DPS responded to the recommendations in their September 20, 2019 letter, OPA was unable to determine if the recommendations were implemented due to scheduling issues, therefore the recommendations will remain unresolved. OPA will be in continuous communication with DPS for updates on their actions to resolve the recommendations before the issuance of the next follow-up report.</p>

STATUS OF AUDIT RECOMMENDATIONS

Inspection of the Department of Public Safety's Confidential Informant Fund *2 unresolved, 0 resolved*

Report No. 19-06, Issued September 24, 2019

(Link to Inspection Report:

[http://www.opacnmi.com/resources/files/reports/audit/Department%20of%20Public%20Safety%20\(DPS\)%20Inspection%20of%20the%20Confidential%20Informant%20Fund%20-%20OPA%20Report%2019-06.pdf](http://www.opacnmi.com/resources/files/reports/audit/Department%20of%20Public%20Safety%20(DPS)%20Inspection%20of%20the%20Confidential%20Informant%20Fund%20-%20OPA%20Report%2019-06.pdf))

Findings	Recommendations	Current Status	Agency Response
2. Task Force Officers did not sign the Confidential Funds Certification	2. Adhere to all requirements set forth by the SOP and focus on the following: (a) Conduct and document required internal audits of the CI Fund.	Unresolved	<p>DPS's Response: The DPS has responded to the findings in an official letter submitted to the OPA in September 2019.</p> <p>OPA's Response: Although DPS responded to the recommendations in their September 20, 2019 letter, OPA was unable to determine if the recommendations were implemented due to scheduling issues, therefore the recommendations will remain unresolved. OPA will be in continuous communication with DPS for updates on their actions to resolving the recommendations before the issuance of the next follow-up report.</p>
3. Funds were not always returned or liquidated within 48 hours	(b) Require all sworn personnel authorized to request for advances, from the CI Fund to sign the Confidential Fund certification.		
4. Informant Payment Records are not consistently updated.	(c) Enforce the 48-hour limitation for settling all cash advances, and document all approvals for extensions to the 48-hour limit. (d) Verify completeness of each Informant Case Load report		

CNMI PUBLIC SCHOOL SYSTEM (PSS)

Audit Survey Results Management Letter *0 unresolved, 3 resolved*

Report No. 19-01, Issued February 12, 2019

(Link to Management Letter: http://www.opacnmi.com/resources/files/reports/audit/OPA%20Report%20No_%2019-01.pdf)

Findings	Recommendations	Current Status	Agency Response
1. Procurement contract files did not contain required documentation.	PSS maintain a contract file content checklist in each contract file to ensure that the required documents exist within the file.	Resolved	<p>PSS' Response: PSS provided OPA a copy of its adopted RFP file checklist on July 30, 2019.</p>

STATUS OF AUDIT RECOMMENDATIONS

Audit Survey Results Management Letter

Report No. 19-01, Issued February 12, 2019

0 unresolved, 3 resolved

(Link to Management Letter: http://www.opacnmi.com/resources/files/reports/audit/OPA%20Report%20No_%2019-01.pdf)

Findings	Recommendations	Current Status	Agency Response
			<p>OPA's response: OPA reviewed the contents of the RFP file checklist and noted that it requires procurement staff to confirm the existence of required documents within the RFP file. OPA considers this recommendation resolved.</p>
	<p>PSS review all supporting documents for completeness of the required elements specified in the regulations to properly justify sole source procurement. All supporting documents should be maintained within the contract file.</p>	<p>Resolved</p>	<p>PSS' Response: PSS provided OPA a copy of its adopted Notice and Request for Sole Source form on July 30, 2019.</p> <p>OPA's Response: OPA reviewed the contents of the form and noted that it requires the PSS Procurement Officer to determine whether sole source procurement requests are adequately justified according to PSS' Procurement Regulations before they are approved. OPA considers this recommendation resolved.</p>
<p>2. Personnel folders did not contain required documentation.</p>	<p>The HR Office perform periodic assessment of personnel folders for completeness of the required documents in order to comply with personnel regulations and policies.</p>	<p>Resolved</p>	<p>PSS' Response: HRO has implemented a log sheet in every filing bin. According to HRO, these log sheets are used to indicate all staff who accessed the filing bin for accountability purposes.</p> <p>OPA's Response: OPA reviewed four personnel files and noted that the HRO maintains a mix of hard and digital copies of personnel files. HRO added that they are currently in the process of maintaining one comprehensive file for each employee. As a response to our survey, HRO implemented periodic assessments to ensure that personnel documents are complete. OPA considers this recommendation resolved.</p>

COMMONWEALTH ELECTION COMMISSION

Inspection of the CEC’s Ballot Accountability for the 2018 General Election

3 unresolved, 0 resolved

Report No. 19-04, Issued June 18, 2019

(Link to Inspection Report: <http://www.opacnmi.com/resources/files/reports/audit/OPA%20Report%20No.%2019-04%20INSPECTION%20OF%20CEC%20BALLOT%20ACCOUNTABILITY%20FOR%20THE%202018%20GENERAL%20ELECTION.pdf>)

Findings	Recommendations	Current Status	Agency Response
<p>1. No accountability for the number of ballots received and available.</p>	<p>Adopt a system that documents the chain of custody of the ballot stock, including receipt, control, transfer and distribution of the ballots.</p>	<p>Unresolved</p>	<p>CEC’s Response: CEC created and adopted a system during the 2019 Special Election that documents two chain of custody forms for ballot stocks. One chain of custody form is the ballot inventory sheet that documents the transfer and distribution of the ballots from CEC to the poll workers. The other chain of custody is for the absentee ballots picked up at the posted office and must be signed by the Postmaster, OPA Staff, a CEC Commissioner and a CEC Staff.</p> <p>OPA’s Response: OPA received and reviewed a ballot control sheet form from CEC pertaining to the chain of custody of ballot stock to be used during an election. Although a form to document the chain of custody of ballot stock was provided to OPA for use in the next election, OPA will keep this recommendation unresolved until OPA can determine CEC’s implementation of this recommendation.</p>
<p>2. Lack of accountability of total ballots used and unused.</p>	<p>Adopt and implement policies and procedures to ensure:</p> <p>(a) proper documentation of ballots received, distributed, spoiled, and unused.</p> <p>(b) supervisory review over ballot accountability.</p>	<p>Unresolved</p>	<p>CEC’s Response: A process was implemented during the 2019 Special Election to meet this recommendation. However, the CEC Executive Director, CEC staff and CEC Commissioners will meet to update and formalize the existing policies and procedures on ballot accountability.</p> <p>OPA’s Response: In an interview conducted on 12/27/2019, OPA inquired about CEC adopting and implementing policies and procedures to ensure that they properly document ballots received, distributed, spoiled, and unused. In response, CEC stated that they had addressed this issue through processes implemented during the Special Election but CEC has yet to formally adopt and implement these processes within their agency’s regulations. The Director expressed that CEC does not have operational funds to hold an official board meeting consisting of commissioners from Rota and Tinian. OPA considers this recommendation unresolved and will conduct a follow-up in June 2020.</p>

STATUS OF AUDIT RECOMMENDATIONS

Inspection of the CEC’s Ballot Accountability for the 2018 General Election

3 unresolved, 0 resolved

Report No. 19-04, Issued June 18, 2019

(Link to Inspection Report: http://www.opacnmi.com/resources/files/reports/audit/OPA%20Report%20No_%2019-04%20INSPECTION%20OF%20CEC%20BALLOT%20ACCOUNTABILITY%20FOR%20THE%202018%20GENERAL%20ELECTION.pdf)

Findings	Recommendations	Current Status	Agency Response
	Provide adequate training, including testing procedures, to ensure that election officials and poll workers properly carry out their duties and responsibilities.	Unresolved	<p>CEC’s Response: CEC will continue to provide the mandatory training and election official’s pamphlet for all election officials and poll workers. CEC will research and determine whether a testing procedure is necessary or an enhanced training that will include role-playing different scenarios and team exercises. CEC will continue to express the importance of ballot accountability during the poll worker mandatory training.</p> <p>OPA’s Response: In an interview conducted on 12/27/2019, CEC acknowledged the importance of implementing adequate training as well as proper training procedures for both election officials and poll workers prior to the upcoming election. In addition, CEC mentioned that implementing such changes would require the approval of all commissioners. The Director expressed that CEC does not have operational funds to hold an official board meeting consisting of commissioners from Rota and Tinian. Furthermore, OPA considers the current pamphlet inadequate as it lacks clear guidelines on the handling of ballots cast by absentee voters on election day, as well as provisional ballots. OPA will keep this recommendation unresolved and will conduct a follow-up in June 2020.</p>

DEPARTMENT OF PUBLIC LANDS (DPL)

Audit of the Management of Land Leases and Temporary Permits

2 unresolved, 1 resolved

Report No. AR-18-01, Issued July 17, 2018

(Link to Audit Report: <http://www.opacnmi.com/resources/files/reports/audit/AR-18-01%20DEPARTMENT%20OF%20PUBLIC%20LANDS.pdf>)

Findings	Recommendations	Current Status	Agency Response
2. DPL did not renew lease agreements and temporary permits in a timely manner.	Develop written guidelines that establish clear lines of responsibility and coordination among the divisions for the execution of timely lease and permit renewals. Furthermore, the Secretary or the designee should monitor these functions and hold employees accountable for their work.	Unresolved	<p>DPL’s Response: DPL has updated and implemented its standard operating procedures (SOP) which serves as written guidelines for each division and ensures consistency and fairness with regards to handling of clientele. In addition, DPL has implemented “Directive 5” meetings with its management to discuss unresolved issues and ensure that the statuses of accounts do not remain delinquent for more than 90-days. Accounts that are found noncompliant are issued violation notices, which must be cured within</p>

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Management of Land Leases and Temporary Permits

2 unresolved, 1 resolved

Report No. AR-18-01, Issued July 17, 2018

(Link to Audit Report: <http://www.opacnmi.com/resources/files/reports/audit/AR-18-01%20DEPARTMENT%20OF%20PUBLIC%20LANDS.pdf>)

Findings	Recommendations	Current Status	Agency Response
			<p>30-days from the receipt date of the notice. Furthermore, each division has a tracking system in place to monitor due dates and submission dates of required documents, account statuses, and incoming/outgoing correspondences for all leases, temporary occupancy agreements (TOA), and agricultural grazing permits (AGP).</p> <p>OPA's Response: On 12/20/2019, OPA met with DPL to follow-up on actions taken to address DPL's outstanding recommendations. The results of our follow-up interview, observations, and review of pertinent supporting documents indicate that DPL has made improvements in developing and implementing SOP's and updating its existing tracking system to establish clear lines of responsibility and coordination among the division. However, for the execution of timely renewals of leases and permits, OPA reviewed DPL's Master List provided on 12/27/19 for leases, TOA's, and AGP's and found nine leases, 58 TOA's, and 35 AGP's that have expired.</p> <p>OPA will keep this recommendation unresolved until progress towards timely renewals of lease and TOA's have improved.</p>
<p>3. DPL did not closely monitor compliance with lease agreements and permits.</p>	<p>Develop a tracking system to monitor the submission of required documents when due.</p>	<p>Resolved</p>	<p>DPL's Response: The Master List for all leases, permits, and AGP's has been updated to include pertinent documents and timeframes for renewals. This list is updated with the submission of all documents. In addition, files are audited randomly by the internal auditor to verify compliance. If found noncompliant, the internal auditor presents to the Compliance Division, its finding and recommendation to address the issue. This process is conducted semiannually to monitor the divisions progress and has assisted the Compliance Division in keeping its files current and up-to-date.</p> <p>Furthermore, each division has a tracking system in place to monitor due dates and submission dates of required documents, account statuses, and incoming/outgoing correspondences for all leases, temporary occupancy agreements (TOA), and AGP. DPL also plans to improve its tracking system to allow its system to flag leases, TOA's, and AGP's 90 days prior to expiration to ensure timely renewals, document submissions, and inspections.</p>

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Management of Land Leases and Temporary Permits

2 unresolved, 1 resolved

Report No. AR-18-01, Issued July 17, 2018

(Link to Audit Report: <http://www.opacnmi.com/resources/files/reports/audit/AR-18-01%20DEPARTMENT%20OF%20PUBLIC%20LANDS.pdf>)

Findings	Recommendations	Current Status	Agency Response
			<p>OPA’s Response: On 12/20/2019, OPA met with DPL to follow-up on actions taken to address DPL’s outstanding recommendations. DPL has made improvements to its tracking system to track and monitor the status of leases and permits, including monitoring due dates for submission of required documents (e.g.: appraisal reports, financial statements, business gross revenue tax forms). DPL’s tracking system also includes the names of the staff assigned to each lease and permits. The assigned staff is responsible for ensuring that all required documents are submitted when due and prepares notices for those in violation of their contract terms and conditions.</p> <p>Furthermore, DPL’s Internal Auditor is currently developing a Microsoft Access database to make monitoring and tracking more efficient. The Internal Auditor also conducts random file reviews semi-annually to monitor the progress of the Compliance Division.</p> <p>OPA now considers this recommendation resolved.</p>
<p>4. DPL did not prepare billing records, accurately assess fees and keep reliable accounting records.</p>	<p>(a) Review and monitor all leases and permits to ensure that fees are properly assessed.</p> <p>(d) Utilize a reliable accounting software to eliminate redundant tasks and process transactions efficiently.</p>	<p>Unresolved</p>	<p>DPL’s Response: DPL’s Finance Division has purchased and is currently in the process of implementing Sage 50 to utilize as its main accounting software. Finance Division has taken steps to bill accordingly and in recent months billed several leases for BGRT that was previously uncollected. By working closely with the other divisions and the appraiser, they have managed to bill accurately and assess fees accordingly. In addition, the Finance Division also monitors expired leases/permits and assesses holdover fees as stated in the lease agreements.</p> <p>OPA’s Response: On 12/20/2019, OPA met with DPL to follow-up on actions taken to address DPL’s outstanding recommendations. OPA acknowledges DPL’s billing, payment collection, and monitoring efforts. In addition, DPL’s Finance Division stated that their accounting software SAGE 50 has two modules that is currently being utilized: the accounts receivable module and cash receipts module. Other accounting modules are still being developed by the contractor. DPL anticipates that the full implementation of the software would improve efficiency, reliability, and productivity.</p>

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Management of Land Leases and Temporary Permits *2 unresolved, 1 resolved*
 Report No. AR-18-01, Issued July 17, 2018
 (Link to Audit Report: <http://www.opacnmi.com/resources/files/reports/audit/AR-18-01%20DEPARTMENT%20OF%20PUBLIC%20LANDS.pdf>)

Findings	Recommendations	Current Status	Agency Response
			OPA will keep this recommendation unresolved and will conduct a follow-up review in June 2020 to test the assessment of fees and to determine if SAGE 50 has been fully implemented.

DEPARTMENT OF PUBLIC LANDS (DPL)

Inspection of the Assessment and Collection of Fees for Lease No. L9104S *3 unresolved, 0 resolved*
 Report No. 19-02, Issued April 11, 2019
 (Link to Inspection Report: http://www.opacnmi.com/resources/files/reports/audit/OPA%20Report%20No_%2019-02.pdf)

Findings	Recommendations	Current Status	Agency Response
2. Physical usage of adjacent parcels was not taken into account.	1. Properly determine the physical usage date of the adjacent parcel.	Unresolved	<p>DPL's Response: DPL has conducted a thorough review of its files and determined that the physical usage of the adjacent parcel began in January 1996 when a chain-link fence was erected. DPL is currently working closely with the newly assigned Assistant Attorney General and has met with the lessee's counsel to reach a resolution to address the audit finding and the concerns of the Office of the Attorney General.</p> <p>OPA's Response: OPA acknowledges DPL's efforts to resolve this finding. In an interview with DPL, OPA was informed that DPL concurs with OPA's finding and determined that the date of physical usage began in 1996 for the adjacent parcel. DPL assessed a penalty fee for the unauthorized use of public land. However, DPL and the Lessee has reached a settlement agreement which is currently being drafted.</p> <p>OPA will keep this recommendation unresolved and will conduct a follow-up on or before June 2020.</p>
	2. Reach concurrence with the OAG as to this date.	Unresolved	See response to the recommendation above.
	3. Create a proper invoice for the Lessee to avoid loss of revenue.	Unresolved	See response to the recommendation above.

COMMONWEALTH UTILITIES CORPORATION (CUC)

Audit of the Commonwealth Utilities Corporation’s Organizational Structure

1 unresolved, 0 resolved

Report No. AR-17-02, Issued April 27, 2017

(Link to Audit Report: <http://opacnmi.com/resources/files/reports/audit/AR-17-02%20CUC%20Organizational%20Structure.pdf>)

Findings	Recommendations	Current Status	Agency Response
<p>1. The Commonwealth Utilities Corporation (CUC) did not achieve its purpose to operate as an independent public agency with the legal and political independence to perform as a non-subsidized, autonomous corporation due to interferences by the legislature, various governors, and the boards of directors throughout the history of CUC.</p>	<p>CUC should collaborate with the Administration and the legislature to promptly and diligently consider a revised corporate form for CUC.</p> <p>Three proven models that could be considered to replace the current political structure of CUC are Cooperatives, Municipal Corporation, and Privatization.</p>	<p>Unresolved</p> <p>Note: See comments below.</p>	<p>CUC’s Response: OPA did not receive a response prior to the issuance of this report. OPA will include an update in the next June 2020 report.</p> <p>OPA’s Response: The audit report gained some traction with the Legislature’s introduction of Senate Bill 20-39 on May 8, 2017. The bill aims to “replace the Commonwealth Utilities Corporation with two independent autonomous public corporations to separately manage and control the power service and water service systems, and to create only one elected consolidated Commonwealth Utilities Board for the two public corporations, and for other purposes.” As of December 31, 2019, updates on this bill are not available on the Legislature’s website.</p>

STATUS OF AUDIT RECOMMENDATIONS

COMMONWEALTH HEALTHCARE CORPORATION (CHCC)

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

3 unresolved, 2 resolved

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

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

Findings		Recommendations	Current Status	Agency Response
1.	Failure to manage patient accounts receivable.	2. Collect upfront payments from all patients regardless of coverage, unless it is certain that the insurance or guarantor will pay the bill in full. If patients are unable to make payment, CHCC should discuss payment options with the patients and ensure that follow-up procedures are performed.	Resolved	<p>CHCC's Response: An updated report has been submitted to include indications requested to reference if no payments were received.</p> <p>OPA's Response: OPA received an updated copy of the report previously submitted for the June 2019 ARTS report reflecting outpatient discharges and related payments. On January 3, 2020, CHCC informed OPA via telephone communication that instructions were verbally given to nurses at the outpatient clinics to direct patients to the cashier's window upon checking out. In addition, CHCC provided OPA a copy of the workflow chart pertaining to the collection of upfront payments at the outpatient clinic. A review of the updated report determined that although upfront payments are not always collected, there were indications that payment plans were executed. In addition, the workflow chart provided states the process and efforts CHCC makes to ensure patients stop by the cashier's window. As a result, OPA commends CHCC on its collection efforts and considers this recommendation resolved.</p>
		4. Develop a plan of action that is effective and timely, and addresses the current backlog related to coding, billing, collection, and posting payments.	Unresolved	<p>CHCC's Response: An updated report has been submitted to include the backlog for years prior to FY2019 as requested on the 'From Previous Follow-Up' column of this Audit report. To address the current backlog, CHCC is planning on hiring additional staff to reduce the backlog as well as accommodating the increased demand of services. We are working on finding a suitable location that will house additional staff. Moreover, we've added more FTE's to our Coding/Billing FY21 Budget to ensure permanent coverage in all revenue generating departments.</p> <p>OPA's Response: OPA received a backlog report for FY 2017 to FY 2019 and was informed by CHCC via telephone communication on January 3, 2020 that monthly reports are generated and sorted based on visit dates and insurance type to monitor backlogs. Upon reviewing the report, OPA noted that self-pay visits contributed to the increase in backlog. In addition, as stated in the notes to the FY 2017 financial statements, services provided to self-pay and other patients equates to about</p>

STATUS OF AUDIT RECOMMENDATIONS

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

3 unresolved, 2 resolved

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

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

Findings	Recommendations	Current Status	Agency Response
			<p>\$23.2M in patient revenue. This amount nearly equates to the \$22.4M in patient revenue for services provided to third-party payers.</p> <p>Given the amount of revenue that could be generated for services provided to self-pay and other patients, OPA believes that CHCC's efforts to hire additional staff to reduce all backlogs and accommodate the increased demand of services will greatly benefit CHCC's financial health.</p> <p>OPA will keep this recommendation unresolved and will conduct a follow-up review on or before June 2020.</p>
	<p>5. Seek technical assistance that would result in the assessment of the current IT structure and the acquisition of a comprehensive accounting and billing system.</p>	<p>Unresolved</p>	<p>CHCC's Response: CHCC is currently working with the Contractor who will be providing the new Electronic Health Record (EHR) and Revenue Cycle system. The tentative go-live date is set for September 2020. The Contractor and CHCC are actively working together to optimize system functionality within the corporation. A copy of the contract with the Contractor is attached. Please reference page 9 regarding the Revenue Cycle division.</p> <p>OPA's Response: OPA commends CHCC for its effort to improve its EHR and Revenue Cycle system. However, OPA will keep this recommendation unresolved and will conduct a follow-up review if additional progress has been made with the Contractor on or before our next follow-up in June 2020.</p>
	<p>8. Update contracts with insurance companies.</p>	<p>Unresolved</p>	<p>CHCC's Response: Contracts are still in negotiation although we are anticipating to have a signed contract with the payers no later than Dec. 31, 2019. If OPA is looking to obtain an updated 'contract'; attached is a March 2018 agreement to reflect current payer terms, including contractual allowances whereby payers are /should be adhering to. If reimbursements are not following the agreement, outstanding balances will be reflected on each payer's reconciliation report.</p> <p>OPA's Response: OPA commends CHCC for its efforts towards finalizing contracts with insurance companies but will keep this recommendation unresolved until the contracts are</p>

STATUS OF AUDIT RECOMMENDATIONS

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

3 unresolved, 2 resolved

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

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

Findings	Recommendations	Current Status	Agency Response
			finalized and will conduct a follow-up review on or before our next follow-up in June 2020.
2. Noncompliance with procurement regulations in CHCC's use of an independent billing and collection firm and inadequate reconciliation of forwarded accounts.	9. Reconcile all billings created and payments received from the contractor. Any discrepancy should be resolved and the overall effect should be analyzed and documented.	Resolved	<p>CHCC's Response: CHCC is requesting to remove this finding as the corporation cannot afford to expend resources to close past accounts that may have already been billed and collected by the contractor. Therefore, we believe that this finding is unresolvable as a full report was not provided by the Contractor to CHCC to properly reconcile accounts worked by the contractor.</p> <p>OPA's Response: OPA believes that as CHCC continues to address its backlog overtime or as customers address their concerns with CHCC regarding past accounts, CHCC will eventually come across claims that have been billed by the Contractor. Thus, allowing CHCC to reconcile some, if not all, of the accounts overtime. OPA considers this recommendation resolved.</p>

DEPARTMENT OF LANDS AND NATURAL RESOURCES, Outer Cover Marina (DLNR)

Audit of the Outer Cove Marina for Calendar Year 2014

3 unresolved, 1 resolved

Report No. AR-15-03, Issued October 5, 2015

(Link to Audit Report: <http://www.opacnmi.com/resources/files/reports/audit/AR-15-03%20DLNR-OCM.pdf>)

Findings	Recommendations	Current Status	Agency Response
1. DLNR did not properly assess and collect all required fees and fines.	<p>DLNR should enforce the Outer Cove Marina Regulations (Regulations) by conducting the following:</p> <p>(a) Apply the appropriate berthing slip fees when billing its tenants. Management should also consistently review and monitor the assessment, billing, and collection of berthing slip fees.</p> <p>(b) Assess and collect security deposits from all its tenants. DLNR should work with the Department of Finance to</p>	Unresolved	<p>DLNR's Response:</p> <p>A) Attached is a photocopy of the invoice created to help collect fees from the vessel owners. Two staff members have been assigned to review and monitor the assessment, billing, and collection of fees. Tenants are required to begin paying fees. Berthing slips are being assigned as slip fees are being paid.</p> <p>B) DLNR has begun collecting berthing fees on a monthly basis beginning with October 2019. Security deposit fees are also being collected. DLNR is also working with DOF for assistance to create a separate account so that berthing fee revenues and security deposit fees do not commingle.</p>

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Outer Cove Marina for Calendar Year 2014

3 unresolved, 1 resolved

Report No. AR-15-03, Issued October 5, 2015

(Link to Audit Report: <http://www.opacnmi.com/resources/files/reports/audit/AR-15-03%20DLNR-OCM.pdf>)

Findings	Recommendations	Current Status	Agency Response
	<p>ensure that security deposits are accounted for separately and not commingled with berthing fee revenues.</p> <p>(c) Assess and collect the proper delinquency fees. Management should consistently review and monitor the assessment, billing, and collection of penalty fees.</p> <p>(d) Revisit the Regulation requirement pertaining to passenger departure fees and adopt a final decision. If the intention of DLNR is to suspend or not collect passenger departure fees, DLNR should amend the Regulations to reflect this change.</p>		<p>C) Two staff members have been assigned to assist the Secretary with this particular assignment, which is to assess and collect the proper delinquency fees as needed. Management should consistently review and monitor the assessment, billing, and collection of penalty fees.</p> <p>D) DLNR has no plans to suspend or not collect passenger departure fees. This policy will be enforced once passengers are allowed to board and exit vessels from OCM's docks. At this point all loading and unloading activities are diverted to either the Smiling Cove Transient Dock or the Charlie Dock.</p> <p>OPA's Response: OPA reviewed several documents from DLNR, which include invoices, receipts and waiver forms from various vessels berthing at OCM and found instances of missing waiver forms from vessel owners and no documentation for the collection of berthing deposits and monthly fees from numerous vessel owners. OPA considers this recommendation unresolved and will conduct another follow-up review in June 2020.</p>
<p>2. Lack of enforcement activity made it easy for illegally berthed vessels to park.</p>	<p>DLNR should seek the assistance of the OAG for legal advice and take appropriate action that will ultimately lead to impoundment or removal of vessels if a lease is not approved and the appropriate payments have not been made.</p>	<p>Unresolved</p>	<p>DLNR's Response: DLNR has been working with the OAG to resolve the 2015 findings by OPA of the lack of enforcement, which has allowed for vessels to berth illegally at OCM. Attached is a photo of DLNR's July 2018 Legal Service Request (LSR) to the OAG seeking assistance in support of OPA's recommendations.</p> <p>DLNR will be issuing notice in January 2020 notifying all the owners of its plans to begin boarding vessels to identify those that are w/out power (or motor). These vessels will be the first to be removed from OCM's waterways by March 2020.</p> <p>After the successful removal of vessels w/out power, DLNR will focus attention on removing vessels that do not comply with the payment of berthing permits.</p> <p>OPA's Response: OPA has reviewed documentation from DLNR seeking the advice from the Office of the Attorney General in regards to the loading and unloading of passengers as well as the collection of berthing fees but lacks legal advice sought for the</p>

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Outer Cove Marina for Calendar Year 2014

3 unresolved, 1 resolved

Report No. AR-15-03, Issued October 5, 2015

(Link to Audit Report: <http://www.opacnmi.com/resources/files/reports/audit/AR-15-03%20DLNR-OCM.pdf>)

Findings	Recommendations	Current Status	Agency Response
			<p>impoundment or removal of vessels if a lease is not approved and the appropriate payments have not been made. Further analysis of waiver forms and payment information shows that there are currently 25 vessels with waiver forms berthing at OCM but only six of those vessels have payment information documentation.</p> <p>OPA commends DLNR in its recent notice to owners regarding the removal of vessels without power. OPA considers this recommendation unresolved and will conduct another follow-up in June 2020.</p>
<p>4. OCM lacks adequate security, basic amenities and signage.</p>	<p>DLNR must enforce its own Regulations, standard marine regulations and conduct the operations of OCM in a safe, professional, and business-like manner, more specifically:</p> <ul style="list-style-type: none"> (a) The OCM should be fenced off from the general area with access gates for passengers and operators. DLNR needs a presence at the dock during all hours of operation to ensure and enforce compliance with the Regulations; (b) DLNR should find the necessary funds to provide, at the very least, basic amenities for users of the marina; and (c) Find necessary funds to maintain standard operational features to protect the passengers and vessel operators. 	<p>Resolved</p>	<p>DLNR's Response: DLNR agreed with the National Park Services (NPS) that since the federal government has jurisdiction over fastlands, NPS will put up the warning signs. In addition to putting staff in place, DLNR has also installed traffic cones, safety barriers, a fence and warning tapes to help enforce safety. It has repainted the slip numbers on the docks. In December 2019, DLNR also issued a notice to proceed with the construction of a safety guardrail at Dock A. The vessel owners have also agreed to fund the project. Once the project is completed, commercial passengers will be allowed to board all large vessels from OCM. For the vessel owners who agree to pay the berthing fees, it was made clear to them that DLNR will not take the responsibility for securing the vessels or the marina for vandalism. The owners will need to provide and pay for their own security services after OCM government operation hours.</p> <p>OPA's Response: DLNR has made several attempts to implement safety measures to enforce their own standard marine regulations and conduct the operations in a safe, professional, and business-like manner but has been notified by the National Park Service (NPS) that DLNR does not have authorization to restrict access to OCM and place proper signage at OCM to deter unauthorized personnel from entering OCM. OPA acknowledges that DLNR has designated one staff during normal working hours to oversee the operations at the dock. In addition, until OCM is repaired and fully operational, OPA acknowledges that DLNR is not able to provide basic amenities. OPA will consider this recommendation resolved.</p>
<p>5. OCM's overall structure is unsafe.</p>	<p>Prior to making formal audit recommendations, generally accepted</p>	<p>Unresolved</p>	<p>DLNR's Response:</p>

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Outer Cove Marina for Calendar Year 2014

3 unresolved, 1 resolved

Report No. AR-15-03, Issued October 5, 2015

(Link to Audit Report: <http://www.opacnmi.com/resources/files/reports/audit/AR-15-03%20DLNR-OCM.pdf>)

Findings	Recommendations	Current Status	Agency Response
	<p>government auditing standards stresses that a cost/benefit analysis be conducted. OPA is not, at this time, equipped to conduct engineering studies and calculations to determine the needed renovations to provide an adequate level of safety. Prior to any expenditure of funds an engineering study should be conducted to determine needed repairs and the costs associated with such repairs. Only at that time can management make informed decisions.</p> <p>However, DLNR needs to immediately affect policies and controls, which will enhance the operational safety of the dock. This will require day-to-day oversight of the dock itself. Further, any cost/benefit analysis should also consider that the OCM is the only facility that currently supports the majority of Saipan’s marine tourism activities. If the facility closes or fails, the cost in related tourism revenues will be substantial.</p> <p>Essentially, DLNR is faced with no easy solutions. Based upon the engineering study either (1) repairs must be performed, (2) the OCM closed, (3) a new facility is built, or (4) the OCM is transferred to a public or private entity, which has the expertise and capital to effectively operate the marina.</p>		<p>DLNR announced RFP's in 2018 and 2019 for an environmental study; design; build; and management of a new marina. Sadly, no one came forth before the July 2019 deadline expired. Word is that dealing with 2 owners (the CNMI and Federal governments) is very discouraging as it pose great financial burden and risk. The current Secretary has decided to break down the proposals in hopes of enticing developers. DLNR began by enlisting help of the Army Corp of Engineers in November 2019 to design the dock, which is expected to be available in January 2020. Once available, the CNMI DPW will use the design to draft an RFP for the construction of a marina. The construction will only accommodate vessels for hire. Unfortunately, NPS is not yet willing to allow for the return of business concessions to the federal leased properties. Until then, the CNMI government will be forced to continue to rely solely on local funding for the management and upkeep of a costly commercial boating facility. In the meantime, DLNR is working with MVA to loan funds to install aluminum ramps over at Dock A so that more walkways can be made available for convenient access to the larger vessels. The Grant Management Office has also agreed to assist in searching for funds. The same goes with the Office of Planning and Development.</p> <p>OPA’s Response: OPA reviewed a document requesting the assistance from the U.S. Army Corps of Engineers in developing a plan to address issues with the deteriorating breakwater and shore side facilities at OCM but DLNR has yet to receive a finalized plan to address the issues. OPA considers this recommendation unresolved and will conduct another follow-up in June 2020.</p>

STATUS OF AUDIT RECOMMENDATIONS

DEPARTMENT OF FINANCE, Division of Customs (DOF, Customs)

Audit of the Division of Customs Service on Assessment and Collection of Excise Taxes for Calendar Year 2013

2 unresolved, 0 resolved

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

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

Findings	Recommendations	Current Status	Agency Response
<p>A3. Failure to hold cargo of delinquent taxpayers.</p>	<p>DOF, Division of Customs Service should strictly adhere to its policy of holding future cargo until outstanding balances are satisfied. If cargo is released without the full payment of outstanding taxes or without the approval of a payment plan, adequate documentation and approval by the Director should be maintained in the files.</p>	<p>Unresolved</p>	<p>Customs' Response: An Authorization to Release Cargo form was created to justify the release of cargoes for taxpayers with outstanding arrears. This form is to be used when a taxpayer has issues, such as off island check payments, tax disputes or other justified reasons. The authorized signatory is the Director or authorized designee.</p> <p>OPA's Response: OPA reviewed several clearance documents on 12/20/19 and found instances where Customs released cargo to consignees with outstanding excise taxes without adequate documentation justifying the release and documented authorization from the Director. OPA considers this recommendation unresolved and will conduct another follow-up review on or before June 2020.</p>
<p>B2. Failure to collect on overdue balances.</p>	<p>OPA recommends that written procedures be developed to immediately pursue importers with outstanding receivable balances that are greater than 30 days past due.</p>	<p>Unresolved</p>	<p>Customs' Response: The Division will change the process to handle collection of unpaid billings administratively, rather than requiring it to refer matters to the Attorney General for legal proceedings. SOP will be updated to reflect this change and identify criteria/priority for administrative collections action. Billing notices will be updated to provide notice regarding administrative collections action by Customs. Customs will develop Notices of Tax Lien and Levy.</p> <p>OPA's Response: OPA considers this recommendation unresolved until billing and collection procedures are fully implemented. OPA will conduct another follow-up review on or before June 2020.</p>