
Office of the Public Auditor
Commonwealth of the Northern Mariana Islands

Department of Public Safety
Inspection of the Confidential Informant Fund



OPA Report No.
19-06



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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September 24, 2019

ELECTRONIC MAIL

Robert A. Guerrero
Commissioner
Department of Public Safety
P.O. Box 500791
Saipan, MP 96950

Dear Commissioner Guerrero:

This report presents the results of our inspection of the Department of Public Safety (DPS) Confidential Informant (CI) Fund. The objective of this inspection was to determine if CI Funds are being accounted for and utilized in accordance with the DPS CNMI Drug Enforcement Task Force Standard Operating Procedure for Confidential Funds (SOP). The scope of our inspection covered all confidential fund advances from February 26, 2019 to July 12, 2019.

Although a thorough review of the records and a cash count revealed an undetected shortage of three dollars, OPA finds that CI Funds are being accounted for and utilized in accordance with major control features of their SOP. A review of the records and security measures pertaining to the CI Fund shows an improvement in DPS' accountability and safeguard of the funds. However, OPA noted that accountability of the CI Funds could be strengthened if DPS adheres to the other SOP requirements mentioned in this report.

OPA commends the management and staff of the DPS Drug Enforcement Task Force for their assistance throughout the inspection, and their continued commitment towards improving its policies and procedures.

Very truly yours,

Michael Pai, CPA
Public Auditor

Enclosure
MP/db/gt/jd/jb

Cc: Capt. Paul T. Ogumoro, CNMI DETF Commander

BACKGROUND

The Office of the Public Auditor's (OPA) most recent review of the Department of Public Safety's (DPS) Confidential Informant (CI) Fund was conducted through an audit in 2015. At the time of the audit, CI operations were under the control of DPS' Commonwealth Bureau of Investigation, and the CI Fund was Federally funded through the Edward Byrne Memorial Justice Assistance Grant (JAG) Program established by the U.S. Department of Justice.

DPS ultimately resolved all recommendations related to the 2015 audit through its implementation of its revised standard operating procedures titled *DPS CNMI Drug Enforcement Task Force Standard Operating Procedure for Confidential Funds* (SOP) which was approved by the DPS Commissioner on June 1, 2017. By this time, CI Fund operations have been transferred to the DPS CNMI Drug Enforcement Task Force and is funded through local appropriations.

On July 12, 2019, the DPS Commissioner requested the assistance of OPA to conduct an audit and review of the CI Fund. OPA initiated an inspection on July 15, 2019 of the DPS Confidential Informant Fund.

RESULTS OF INSPECTION

We found that DPS accounted for all CI Funds for the period between February 26, 2019 to July 12, 2019, except for three dollars. In our examination of the CI Fund records, we noted that DPS did not detect one voucher that was unintentionally overstated by three dollars due to an unclear receipt. Although this caused the CI Fund to be short by three dollars, OPA considers the amount immaterial and easily recoverable.

We did not review the CI Fund records for the period prior to February 26, 2019. As such, OPA is unable to determine whether additional shortages went undetected for about \$230,000 of total CI Funds that were previously advanced since Fiscal Year 2016.

DPS does not adhere to several SOP requirements that would further strengthen its accountability of the funds.

Audits of the CI Fund are not conducted.

Chapter 001, Sub-Chapter 012, of the SOP requires a weekly, quarterly, and yearly internal audit of the funds. Additionally, an internal audit of the fund is also required when a custodian is replaced.

Although some review is performed, the lack of documented audits of the fund indicate that required audits are not being conducted. Conducting required audits of the CI Fund involving a thorough review of transactions may result in the detection of errors, fraud, waste, or abuse of funds.

Task Force Officers did not sign the Confidential Funds Certification.

Chapter 001, Sub-Chapter 002, of the SOP states that only authorized sworn personnel who have signed the Confidential Funds Certification and are lead agents or task force officers to a specific case requiring the use of the CI Fund are authorized to request for advance.

Task force officers did not sign Confidential Funds Certifications indicating that they have read, understood, and agreed to abide by all the conditions for the Confidential Funds as set forth in the effective edition of the SOP.

Funds were not always returned or liquidated within 48 hours.

Chapter 001, Sub-Chapter 006, of the SOP requires all cash advances for Confidential Informants and associated investigative expenses must be settled with the Confidential Funds Custodian within 48 hours. Otherwise written approval for extension is required from the level of management that approved the advance.

Of the 50 cash advances reviewed, ten cash advances were settled beyond the 48-hour limit. Although extensions were verbally granted, these approvals were not documented.

Informant Payment Records are not consistently updated.

Chapter 001, Sub-Chapter 007, of the SOP requires the maintenance of an Informant Payment Record, including complete identifying and locating data, plus any other document connected with the informant's establishment.

DPS currently maintains in each informant file an Informant Case Load report that summarizes all monetary transactions with an informant. The Informant Case Load reports for five informants were not updated to reflect the transactions covered under review.

CONCLUSION AND RECOMMENDATIONS

OPA recommends that DPS perform the following:

1. Recover the three dollars caused by the overstated voucher and return it to the CI Fund; and
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;
 - b. Require all sworn personnel authorized to request for advances from the CI Fund to sign the Confidential Fund Certification;
 - c. Enforce the 48-hour limitation for settling all cash advances, and document all approvals for extensions to the 48-hour limit; and
 - d. Verify completeness of each Informant Case Load report.

Prior to the completion of our fieldwork, the DPS Drug Enforcement Task Force notified OPA that they have begun reviewing its SOP and current procedures to immediately address the issues that were brought to their attention during the inspection. OPA commends DPS for their continued commitment towards improving its policies and procedures.

AGENCY AND OPA’S RESPONSE

On September 9, 2019, OPA solicited comments from DPS and received their responses on September 23, 2019. See Attachment 2 for the complete agency response.

DPS’ Response to the Findings:

Recommendation 1: DPS immediately conducted and documented an internal audit to account for the three dollars that needed to be recovered. The three dollars has since been accounted for.

Recommendations 2a to 2d: DPS has either taken immediate action, where applicable, or intends to comply with the requirements of the DPS CNMI Drug Enforcement Task Force Standard Operating Procedure for Confidential Funds.

OPA’s Response: OPA will conduct a follow up of DPS’ implementation of the recommendations during our semiannual review. Please see Attachment 3 for Status of Recommendations.

OBJECTIVE, SCOPE, AND METHODOLOGY

OBJECTIVE

The objective of this inspection is to determine if Confidential Informant (CI) Funds are being accounted for and utilized in accordance with the Department of Public Safety (DPS) CNMI Drug Enforcement Task Force (DETF) Standard Operating Procedures (SOP) for Confidential Funds.

SCOPE

The scope of this inspection will cover all CI Fund advances and liquidations from the most recent drawdown or replenishment of the CI Fund conducted on February 26, 2019 to OPA's cash count conducted on July 12, 2019.

METHODOLOGY

To accomplish the inspection objective, we:

- Gained an understanding of prior CI Fund audits, applicable laws, and policies and procedures by reviewing the following:
 - OPA's 2015 audit of the CI Fund; and
 - The DPS CNMI DETF Standard Operating Procedures for Confidential Funds;
- Conducted interviews with key management and staff of the DPS CNMI DETF;
- Conducted a walk-through of relevant processes; and
- Tested CI Fund advances and liquidations relevant to the scope of the inspection.

We conducted our inspection in accordance with the Quality Standards for Inspection and Evaluation as put forth by the Council of the Inspectors General on Integrity and Efficiency. We believe the work performed provides a reasonable basis for our findings and conclusions.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF PUBLIC SAFETY

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Ralph DLG. Torres
Governor

Arnold I. Palacios
Lieutenant Governor

Robert A. Guerrero
Commissioner

September 20, 2019

Mr. Michael Pai
Public Auditor
1236 Yap Dr.
Capitol Hill, Saipan, MP 96950

Subject: Department of Public Safety Response to the Office of the Public Auditor's Inspection Report

Dear Mr. Pai,

The Department of Public Safety (DPS) would like to thank the Office of the Public Auditor (OPA) in responding to the letter dated July 12, 2019, requesting to conduct an audit and review of the DPS Confidential Informant (CI) Funds under the control of the DPS CNMI Drug Enforcement Task Force (DETF).

Please see below for the responses to OPA's recommendations:

1. "Recover the three dollars caused by the overstated voucher and return it to the CI fund."

Upon the completion of the OPA Audit, the DPS DETF immediately conducted and documented an internal audit that accounted for the three dollars that needed to be recovered. The internal audit found that a receipt was unclear and funds were unintentionally over calculated which resulted in the overstated voucher. The three dollars has since been accounted for.

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;
 - b. Require all sworn personnel authorized to request for advances from the CI Fund to sign the Confidential Fund Certification;
 - c. Enforce the 48-hour limitation for settling all cash advances, and document all approvals for extensions to the 48-hour limit; and
 - d. Verify completeness of each Informant Case Load Report."
 - a) As a result, an internal audit will be conducted on a quarterly basis pursuant to Chapter 001 Sub-Chapter 012 as required by the DETF CI Funds Standard Operating Procedure. Additionally, an internal audit will subsequently be performed and documented whenever a Custodian of the Confidential Funds is replaced.


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OFFICE OF THE PUBLIC AUDITOR
SIGNATURE *dmf 9/23/2019*

- b) Upon the completion of the OPA Audit, DETF Officers have completed and signed the Confidential Fund Certification forms acknowledging and certifying that they have read, understand, and agree to abide by all the conditions for confidential funds as set forth in the CNMI Department of Public Safety, Drug Enforcement Task Force, Standard Operating Procedure – Confidential Funds.
- c) Upon the completion of the OPA Audit, the DETF is committed to improving the policies and procedures and requirements as set forth in Chapter 001 Sub-Chapter 006. "If it becomes apparent at any point within the 48-hour period that the funds will not be used, then the funds should be returned to the advancing cashier as soon as possible. Beyond this time period, the funds should be returned and re-advanced, if necessary". Henceforth, members of DETF must/shall adhere to the 48-hour limit. If and when exigent circumstances arise, any extensions verbally approved will be documented by the Commander and attached to the Cash Funds Advance (CFA) with the Funds Custodian.
- d) Upon the completion of the OPA Audit, the DETF currently maintains in each informant file an Informant Case Load report that summarizes all monetary transactions with an informant. Five (5) Informant Case Load reports were found incomplete during the review. DETF has since gone back into each case file to retrieve documentations reflecting the monetary transactions with each informant and updated the Informant Case Load.

If you have any questions or need further information, please give me a call at (670) 664-9022 or Captain Paul T. Ogumoro, at (670) 322-1214.

Sincerely,



Robert A. Guerrero

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STATUS OF RECOMMENDATION

No.	Recommendation	Status
1	Recover the three dollars caused by the overstated voucher and return it to the CI Fund.	Unresolved
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; b) Require all sworn personnel authorized to request for advances from the CI Fund to sign the Confidential Funds Certification; c) Enforce the 48-hour limitation for settling all cash advances, and document all approvals for extensions to the 48-hour limit; and d) Verify completeness of each Informant Case Load report.	Unresolved



Department of Public Safety
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Report No. 19-06, September 2019

CONSTITUTIONAL MANDATE

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

REPORTING FRAUD, WASTE, AND ABUSE

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