



Office of the Public Auditor

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March 11, 2021

Interagency Audit Coordinating Advisory Group:

The Honorable Jude U. Hofschneider, Senate President

The Honorable Edmund S. Villagomez, Speaker of the House of Representatives

The Honorable Ivan A. Blanco, 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 recommendations reported in audit and inspection reports issued by the Office of the Public Auditor (OPA) as of December 31, 2020. OPA tracked 36 audit and inspection recommendations from June 30, 2020 to December 31, 2020.

OPA sent follow-up emails and called government agencies with unresolved audit and inspection recommendations as of December 31, 2020. Based upon our review, 9 audit and inspection recommendations were resolved. This report incorporates agency responses based on correspondence and requested documents obtained by OPA on or before March 03, 2021.

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,

Kina B. Peter, CPA
Public Auditor

Cc: Honorable Ralph DLG. Torres, Governor
David Blake, OPA
Ashley Kost, OPA

Executive Summary
Report on CNMI Agencies' Implementation of Audit Recommendations,
As of December 31, 2020
Report No. 21-01, March 11, 2021

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 March 03, 2021. 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 respective agency or department of any action taken to address the recommendation.

Status of OPA Audit Recommendations

OPA tracked a total of 36 audit and inspection recommendations as of December 31, 2020. Of the 36 audit and inspection recommendations, 9 were resolved. The table below presents the status of OPA's audit and inspection recommendations.

Audit and Inspection Reports	Report No.	Report Date	Unresolved	Resolved	Unresolved
<i>New</i>			<i>New</i>		
DOF – Audit of Hotel Occupancy Tax	20-07	9/2/2020	9	0	9
DOF – Audit of the CNMI Government Travel Policy	20-06	8/18/2020	3	1	2
<i>Previously Tracked</i>			<i>From Previous ARTS</i>		
DOF – Audit of Government Vehicles	20-03	2/26/2020	2	0	2
DOF – Audit of Fuel Contract	20-02	1/28/2020	5	0	5
DPS – Inspection of CI Fund	19-06	9/24/2019	1	1	0
CEC – Inspection of Ballot Accountability	19-04	6/18/2019	3	0	3
DPL – Inspection of Lease No. L9104S	19-02	4/11/2019	3	3	0
DPL – Audit of Land Leases and Temporary Permits	18-01	7/17/2018	2	2	0
CHCC – Audit of Patient Revenue Cycle	17-01	3/16/2017	2	1	1
DLNR – Audit of the Outer Cove Marina	15-03	10/5/2015	3	0	3
DPS – Audit of Evidence Facility	15-01	3/11/2015	1	1	0
DOF – Audit of Excise Taxes	14-01	9/29/2014	2	0	2
Total			36	9	27

Department of Finance – Hotel Occupancy Tax

Report No. 20-07, Issued September 2, 2020
Department of Finance, Division of Revenue and Taxation
Audit of the Division of Revenue and Taxation Hotel Occupancy Tax

Recommendation 1: Adopt regulations which interpret the Hotel Occupancy Tax (HOT) Law’s use of the term *accommodations* and enable the Division of Revenue and Taxation’s (DRT) uniform enforcement of HOT.

Corrective Action: 8/26/2020 – DRT adopted updated regulations in July 2020, but did not include regulations specific to HOT. DRT will draft proposed HOT regulations, which will consist of audit procedures for adoption by October 1, 2020.

02/24/21 – DRT is currently developing draft regulations for review and approval. DRT has determined that audit procedures will be for internal use only and not for publication.

Completion Date: September 30, 2021

Status: Unresolved

OPA Notes: The OPA will continue following up on DRT’s progress towards addressing the recommendation.

Recommendation 2: Adopt a procedures manual for auditing HOT.

Corrective Action: 8/26/2020 - To address this finding, DRT will work with the tax system developers to mimic the income tax matching process to flag suspicious activity in the HOT database. Additionally, DRT will include an audit procedure manual in the proposed HOT regulations for adoption by October 1, 2020.

02/24/21 – Programming development is ongoing. A draft procedure manual is in development for review and approval and for internal use only. The draft procedure manual will not be published.

Completion Date: September 30, 2021

Status: Unresolved

OPA Notes: OPA will continue following up on DRT’s progress towards addressing the recommendation.

Recommendation 3: Conduct tax audits of HOT that involve examinations of Operator revenue records.

Corrective Action: 8/26/2020 - To address this finding, DRT will work with the tax system developers to mimic the income tax matching process to flag suspicious activity in the HOT database. Additionally, DRT will include an audit procedure manual in the proposed HOT regulations for adoption by October 1, 2020.

02/24/21 – Programming development is ongoing. A draft procedure manual is in development for review and approval and for internal use only. The draft procedure manual will not be published.

STATUS OF AUDIT RECOMMENDATIONS

Completion Date: September 30, 2021
Status: Unresolved
OPA Notes: OPA will continue following up on DRT's progress towards addressing the recommendation.

Recommendation 4: Implement procedures using the automation capabilities of the tax system for initiating tax audits of HOT.

Corrective Action: 8/26/2020 - To address this finding, DRT will work with the tax system developers to mimic the income tax matching process to flag suspicious activity in the HOT database. Additionally, DRT will include an audit procedure manual in the proposed HOT regulations for adoption by October 1, 2020.

02/24/21 – Programming development is ongoing. A draft procedure manual is in development for review and approval and for internal use only. The draft procedure manual will not be published.

Completion Date: September 30, 2021

Status: Unresolved

OPA Notes: OPA will continue following up on DRT's progress towards addressing the recommendation.

Recommendation 5: Implement procedures using the automation capabilities of the tax system to routinely identify non-filings or non-filers of HOT and Business Gross Revenue Tax (BGRT).

Corrective Action: 8/26/2020 – To address this finding, DRT will work with the tax system developers to mimic the income tax matching process to flag non-filings of HOT (Form OS-3300) based on revenues reported in the BGRT (Form OS-3105) tax activity codes. DRT would like to note that the lack of resources has hindered the Compliance Branch from immediately notifying taxpayers of non-filings. Lack of resources include adequate staffing, mailings, postage, and other necessary requirements to send out notices immediately and consistently. Additionally, DRT has found that a compliance review prior to a business license renewal has been effective at encouraging taxpayers to remit full payment of tax dues to receive a license. Because our tax structure is built on voluntary timely reporting business revenues, penalties and interest on a tax balance, and other collections actions, are usually effective deterrent of late filing. DRT is also aware of the lack of taxpayer education and knowledge on tax preparation and could be the cause of improper reporting. Thus, DRT will also be developing guidance for proper HOT reporting to be issued with new or renewed business licenses for relevant tax activities.

02/24/21 – Program development and finalization of taxpayer guidance is ongoing.

Completion Date: September 30, 2021

Status: Unresolved

OPA Notes: OPA will continue following up on DRT's progress towards addressing the recommendation.

Recommendation 6: Implement procedures for staff to immediately notify and request Operators to file all missing HOT and BGRT filings.

STATUS OF AUDIT RECOMMENDATIONS

Corrective Action: 8/26/2020 – To address this finding, DRT will work with the tax system developers to mimic the income tax matching process to flag non-filings of HOT (Form OS-3300) based on revenues reported in the BGRT (Form OS-3105) tax activity codes. DRT would like to note that the lack of resources has hindered the Compliance Branch from immediately notifying taxpayers of non-filings. Lack of resources include adequate staffing, mailings, postage, and other necessary requirements to send out notices immediately and consistently. Additionally, DRT has found that a compliance review prior to a business license renewal has been effective at encouraging taxpayers to remit full payment of tax dues to receive a license. Because our tax structure is built on voluntary timely reporting business revenues, penalties and interest on a tax balance, and other collections actions, are usually effective deterrent of late filing. DRT is also aware of the lack of taxpayer education and knowledge on tax preparation and could be the cause of improper reporting. Thus, DRT will also be developing guidance for proper HOT reporting to be issued with new or renewed business licenses for relevant tax activities.

02/24/21 – Program development and finalization of taxpayer guidance is ongoing.

Completion Date: September 30, 2021

Status: Unresolved

OPA Notes: OPA will continue following up on DRT's progress towards addressing the recommendation.

Recommendation 7: Formally require Operators to report revenues that are subject to both HOT and BGRT under a specific business activity code(s) in the monthly BGRT form.

Corrective Action: 8/26/2020 – To address this finding, DRT will work with the tax system developers to mimic the income tax matching process to flag non-filings of HOT (Form OS-3300) based on revenues reported in the BGRT (Form OS-3105) tax activity codes. DRT is also aware of the lack of taxpayer education and knowledge on tax preparation and could be the cause of improper reporting. Thus, DRT will also be developing guidance for proper HOT reporting to be issued with new or renewed business licenses for relevant tax activities.

02/24/21 – Program development and finalization of taxpayer guidance is ongoing.

Completion Date: September 30, 2021

Status: Unresolved

OPA Notes: OPA will continue following up on DRT's progress towards addressing the recommendation.

Recommendation 8: Implement the automation capabilities of the tax system to streamline the verification of revenues reported in HOT and BGRT forms.

Corrective Action: 8/26/2020 – To address this finding, DRT will work with the tax system developers to mimic the income tax matching process to flag non-filings of HOT (Form OS-3300) based on revenues reported in the BGRT (Form OS-3105) tax activity codes. DRT is also aware of the lack of taxpayer education and knowledge on tax preparation and could be the cause of improper reporting. Thus, DRT will also be developing guidance for proper HOT reporting to be issued with new or renewed business licenses for relevant tax activities.

02/24/21 – Program development and finalization of taxpayer guidance is ongoing.

Completion Date: September 30, 2021

STATUS OF AUDIT RECOMMENDATIONS

Status: Unresolved

OPA Notes: OPA will continue following up on DRT's progress towards addressing the recommendation.

Recommendation 9: Promptly review the rules and regulations and laws that impact DRT's enforcement of the HOT Law, and implement appropriate procedures for uniformly enforcing business license requirements and the HOT Law on all operations of short-term lodging, including operations conducted at private residences.

Corrective Action: 8/26/2020 – DRT will seek legal guidance on laws that impact enforcement procedures where Bed and Breakfasts and related business activities are located on private residential properties.

02/24/21 – Development of enforcement procedures is ongoing and will be for internal use only.

Completion Date: September 30, 2021

Status: Unresolved

OPA Notes: OPA will continue following up on DRT's progress towards addressing the recommendation.

Department of Finance – CNMI Government Travel Policy

Report No. 20-06, Issued August 18, 2020
Department of Finance
Audit of the CNMI Government Travel Policy

Recommendation 1: Adopt a uniform travel policy by regulation and restrict the purchase of first class, business class, or any other premium class designation as required by the law.

Corrective Action: Letter dated 01/15/21 – The Department of Finance (DOF) informed the OPA that the proposed Uniform Travel Policy was published in the Commonwealth Register on September 28, 2020 (Vol. 42, No. 09), and has yet to reach the official website of the CNMI Law Revision Commission. The DOF Travel Section, key management, and staff has been notified of the promulgation of the Uniform Travel Policy for adoption. DOF will continue to work alongside all relevant agencies for consistent implementation of the newly established policy. Further, DOF hopes that with the promulgation of the Uniform Travel Policy, all travel processes for the Commonwealth Government employees are consistent with all applicable laws, and allow for the most economical use of government resources all while preventing fraud, waste, and abuse.

Completion Date: October 1, 2020 or start of Fiscal Year 2021.

Status: Unresolved

OPA Notes: OPA notes that § 70-20.3-205 (c) of the proposed regulations provides the following:

- i. The expense of traveling by air will be allowed on the basis of cost. The traveler is expected to use the coach or economy fare.
- ii. The traveler must obtain two quotes from a qualified provider for the most economical airfare possible considering expense, time, and convenience.
- iii. When a traveler prefers a higher class than that authorized for purchase, the traveler must pay the incremental difference.

OPA noted that the regulations do not appear to explicitly prohibit the purchase of an airline ticket for travel in first class, business class, or any other premium class designation as required by 1 CMC § 7407(f).

Recommendation 2: Provide training or guidance on per diem calculation.

Corrective Action: The promulgated Uniform Travel Policy provides for detailed guidelines on air fare restrictions, where all travelers are expected to use coach or economy class and obtain two quotes from qualified vendors to identify the most cost-effective fare. The calculation of per diem rates is provided in § 70-20.3-110 of the Uniform Travel Policy. DOF will guide departments' calculations of per diem under this new rate structure.

Completion Date: Upon promulgation

Status: Resolved

OPA Notes: OPA confirmed that § 70-20.3-110 of the regulations provide guidance on per diem calculations. Public notice of certification and adoption of the regulations was published in the Commonwealth Register on October 28, 2020 (Vol. 42 No. 10, pg. 044153).

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Recommendation 3: OPA recommends that the Legislature review current travel laws and address any conflicts over official government travel.

Corrective Action: Not applicable at this time.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: The 21st Legislature provided OPA with their response to the audit report in July 2020. OPA looks forward to working with the 22nd Legislature to address potential inconsistencies or conflicts with existing laws related to official government travel.

Department of Finance – Government Vehicles

Report No. 20-03, Issued February 26, 2020
Department of Finance, Division of Procurement and Supply
Audit of Government Vehicles

- Recommendation 1:** The Department of Finance’s Division of Procurement and Supply (DOF-P&S) should:
- (a) Enforce its Property Management Policies and Procedures to ensure the accuracy and completeness of records, such as:
 - review and reconcile inventory records on the JDE System;
 - conduct annual physical inventory; and
 - perform random audits to validate the integrity of the property control process.
 - (b) Provide adequate training to staff to ensure that staff are knowledgeable of the laws, regulations, and policies and procedures as it relates to their duties and responsibilities.

Corrective Action: 02/14/2020 – DOF-P&S staff has started work to reconcile the vehicle information database/spreadsheet to ensure accurate and updated information. We have recently been awarded federal grants to address similar issues with our fixed asset inventory, and this will allow us to obtain the necessary resources and capacity to conduct physical inventory and provide the verification of our records.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: The OPA interviewed DOF-P&S staff on 12/03/20. Based on the interviews, DOF-P&S was unable to address the recommendation due their prioritization of the Governor’s Directive No. 2020-006 dated 04/27/20. The directive instructed DOF-P&S to assist with addressing the fixed asset inventory findings of the CNMI Single Audit to maintain access to awarded and future federal grants. DOF-P&S informed OPA that they will resume their efforts toward addressing the recommendation as soon as they fulfill the directive.

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

Corrective Action: 02/14/20 – DOF-P&S staff are reviewing the pertinent laws, rules, and regulations of property management. The Division is working to procure a stencil machine to properly mark government vehicles before being released to the individual agency. As part of our goals for FY 2021, we endeavor to implement a more user-friendly and efficient system by formulating standard operating procedures and user-friendly forms for government offices and agencies to comply. We also plan to revise current laws and regulations with consultation from the Office of the Attorney General, if necessary, to meet the demands of current work environment, while still maintaining controls to ensure public accountability.

Completion Date: Ongoing

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Status: Unresolved

OPA Notes: OPA interviewed DOF-P&S staff on 12/03/20 and 12/15/20. Based on the interviews, DOF-P&S was unable to address the recommendation due their prioritization of the Governor's Directive No. 2020-006 dated 4/27/20. The directive instructed DOF-P&S to assist with addressing the fixed asset inventory findings of the CNMI Single Audit to maintain access to awarded and future federal grants. DOF-P&S informed OPA that they will resume their efforts toward addressing the recommendation as soon as they fulfill the directive.

Department of Finance – CNMI Government Fuel Contract

Report No. 20-02, Issued January 28, 2020
Department of Finance, Division of Procurement and Supply
Audit of the CNMI Government Fuel Contract

Recommendation 1: Adopt, implement, and communicate standard operating policies and procedures (SOPs) for the issuance, renewal, and cancellation of fuel cards.

Corrective Action: 01/20/20 – The DOF will inform agency heads periodically the process to obtain fuel cards. Additionally, discussions with the vendor will be ongoing for valid fuel card issuance to ensure that agencies are not circumventing DOF. Also, updates to our procurement systems and processes is currently undergoing major review to ensure that fuel purchases and mechanisms are updated and controlled. In the near future, DOF plans to directly account for expenditures in real-time and make more responsible individual agencies and cardholders.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: The OPA interviewed DOF-P&S staff on 12/03/20 and 12/15/20. Based on the interviews, DOF-P&S is working on an SOP for all fuel cards and will implement it before the next fuel contract is executed. Additionally, DOF-P&S will communicate the requirements of the SOP by including it in the next Invitation to Bid.

Recommendation 2: Maintain a listing of all fuel cards.

Corrective Action: 01/20/20 – DOF will inform agency heads periodically the process to obtain fuel cards. Additionally, discussions with the vendor will be ongoing for valid fuel card issuance to ensure that agencies are not circumventing DOF. Also, updates to our procurement systems and processes is currently undergoing major review to ensure that fuel purchases and mechanisms are updated and controlled. In the near future, DOF plans to directly account for expenditures in real-time and make more responsible individual agencies and cardholders.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: OPA interviewed DOF-P&S staff on 12/03/20 and 12/15/20. DOF-P&S informed OPA that they started tracking the fuel cards and provided copies of their listings for active and surrendered/returned fuel cards. However, DOF-P&S has yet to complete verifying the accuracy of its listings against the fuel supplier's records.

Recommendation 3: Replace all corporate cards with fleet cards until DOF develops and implements controls, including monitoring controls, over the government's use of corporate cards.

Corrective Action: 01/20/20 – DOF will inform agency heads periodically the process to obtain fuel cards. A memo has previously been issued to remind heads of agencies that all corporate cards must be approved by the Secretary of Finance, to ensure that operations work efficiently with proper management of receipts from such fuel purchases. Moreover, updates to our procurement systems and processes is currently undergoing major review to ensure that fuel purchases and

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mechanisms are updated and controlled. In the near future, DOF plans to implement a P-card program that will allow DOF more control measures to directly account for expenditures in real-time and make individual agencies and cardholders more responsible.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: OPA interviewed DOF-P&S staff on 12/03/20 and 12/15/20. Based on the interviews and review of relevant documents, DOF has issued memos in 2020 for all department and activity heads to surrender and prohibit the use of corporate cards. Although DOF-P&S has begun actively retrieving corporate cards, OPA noted that several agencies are currently authorized to use corporate cards according to DOF-P&S' listings.

Recommendation 4: Develop procedures to (a) evaluate the Contractor's compliance with the Fuel Contract; (b) adequately review billings; (c) monitor the effectiveness of controls; and (d) properly tag and label government gas containers.

Corrective Action: 01/20/20 – DOF will inform agency heads periodically the process to obtain fuel cards. Additionally, discussions with the vendor will be ongoing for valid fuel card issuance to ensure that agencies are not circumventing DOF. Updates to our procurement systems and processes is currently undergoing major review to ensure that the fuel purchases and mechanisms are updated and controlled. In the near future, DOF plans to implement a P-card program that will allow DOF more control measures to directly account for expenditures in real-time and make more responsible individual agencies and cardholders.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: OPA interviewed DOF-P&S staff on 12/03/20 and 12/15/20. OPA was informed that DOF-P&S' revisions to the fuel contract and the adoption of its SOP, once completed, may address the recommendation.

Recommendation 5: DOF communicate provision of the Fuel Contract and require agencies to adopt the above procedures (see recommendation 4).

Corrective Action: 01/20/20 – DOF will inform agency heads periodically the process to obtain fuel cards. Additionally, discussions with the vendor will be ongoing for valid fuel card issuance to ensure that agencies are not circumventing DOF. Updates to our procurement systems and processes is currently undergoing major review to ensure that the fuel purchases and mechanisms are updated and controlled. In the near future, DOF plans to implement a P-card program that will allow DOF more control measures to directly account for expenditures in real-time and make individual agencies and cardholders more responsible.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: OPA interviewed DOF-P&S staff on 12/03/20 and 12/15/20. OPA was informed that DOF-P&S' revisions to the fuel contract and the adoption of its SOP, once completed, may address the recommendation. Once finalized, DOF-P&S plans to email the revised fuel contract and SOP to all agency head so that agencies are informed of the contract provisions and requirements of the SOP.

Department of Public Safety – Confidential Informant Fund

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

Department of Public Safety

Inspection of Confidential Informant Fund

- Recommendation 2:** Adhere to all requirements set forth by the Standard Operating Procedures (SOP) and focus on the following:
- (a) Conduct and document required internal audits of the Confidential Informant (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.
 - (d) Verify completeness of each Informant Case Load report.

- Corrective Action:** 09/20/19 – Department of Public Safety’s response to the inspection report:
- (a) An internal audit will be conducted on a quarterly basis pursuant to Chapter 001 Sub-Chapter 012 as required by the Drug Enforcement Task Force (DETF) CI Funds SOP. Additionally, an internal audit will subsequently be performed and documented whenever a Custodian of the Confidential Funds is replaced.
 - (b) Upon completion of the OPA inspection, DETF Officers have completed and signed the CI Fund Certification Forms.
 - (c) Upon completion of the OPA Inspection, the DETF is committed to improving the policies and procedures and requirements of the SOP relating to the 48-hr limitation for settling cash advances and documentation of approvals for extensions.
 - (d) Upon completion of the OPA Inspection, the DETF currently maintains in each informant file an Informant Case Load report that summarizes all monetary transactions with an informant. DETF has reviewed and updated the five identified case load reports.

Completion Date: 12/09/20

Status: Resolved

OPA Notes: OPA conducted a review of relevant documents and interviewed DETF staff on 09/24/20 and 12/09/20. OPA noted that DETF has begun conducting and documenting monthly internal audits beginning in February 2020, adhered to the 48-hr limitation, DETF Officers signed the CI Fund Certification Forms in January 2020, and included reviews of informant case load reports as part of its monthly internal audit procedures.

Commonwealth Election Commission – Ballot Accountability

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

Commonwealth Election Commission

Inspection of the CEC Ballot Accountability for the 2018 General Election

Recommendation 1: Adopt a system that documents the chain of custody of the ballot stock, including receipt, control, transfer and distribution of the ballots.

Corrective Action: 12/31/20 – The Commonwealth Election Commission (CEC) had implemented the use of the Chain of Custody Security Log Sheet, including Ballot Control Sheet, and Ballot Inventory Sheet for poll workers. However, as of to date, CEC is currently reconciling the ballot inventory and we are about 80% completion.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: The OPA interviewed CEC staff and reviewed relevant documents on 12/17/20. In our review of the documents for one precinct, we noted that two transfers of unused ballots from CEC’s ballot stock room were accounted for in the poll worker Ballot Inventory Sheets, but not in the corresponding Chain of Custody Security Log Sheet. Although CEC adopted the use of a Chain of Custody Security Log Sheet to document the transfers or distributions of unused ballots from its ballot stock room, the log sheet was not consistently used. CEC informed OPA that they will complete its reconciliation of all ballots from the available information on the Chain of Custody Security Log Sheet and the other documents used to account for the ballots. OPA will discuss with CEC on the proper implementation of its Chain of Custody Security Log Sheet. On 03/03/21, CEC informed OPA that they have completed their reconciliation of all ballots, and will forward relevant documentation as soon as they are finalized.

Recommendation 2: Adopt and implement policies and procedures to ensure:
 (a) Proper documentation of ballots received, distributed, spoiled, and unused; and
 (b) Supervisory review over ballot accountability.

Corrective Action: 12/31/20 – CEC had reviewed the draft policies and procedures. However, as soon as the Standard Operating Procedures is finalized and reviewed by the legal counsel, the CEC will adopt the policies and procedures.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: OPA will continue following up on CEC’s progress towards addressing the recommendation.

Recommendation 3: Provide adequate training, including testing procedures, to ensure that election officials and poll workers properly carry out their duties and responsibilities.

Corrective Action: 12/31/20 – CEC had provided training and testing to the election officials. We acknowledged that the Election Official’s Training Pamphlet required additional procedures based on the election law, hence, the training presentation and testing procedures will be more adequate.

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However, the Commission had the opportunity to employ election officials throughout the 21 days early voting period for hands-on training which was tremendously helpful based on the election day observation.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: OPA noted that the 2020 election training presentations did not provide sufficient information on the duties and responsibilities of election workers. OPA acknowledges that administering effective trainings require adequate resources and time, and that these elements may not always be available. As such, OPA has determined that developing a comprehensive Poll Worker Guide containing sufficient information on election worker responsibilities including relevant procedures of the election process would be the most realistic approach to addressing this recommendation. OPA considers this recommendation unresolved until CEC develops a comprehensive Poll Worker Guide.

Department of Public Lands – Lease No. L9104S

Report No. 19-02, Issued April 11, 2019

Department of Public Lands

Inspection of the Assessment and Collection of Fees for Lease No. L9104S

Recommendation 1: Properly determine the physical usage date of the adjacent parcel.

Corrective Action: 12/18/19 – The Department of Public Lands (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 concerns of the Office of the Attorney General (OAG).

Completion Date: None provided

Status: Resolved

OPA Notes: On 10/28/20, DPL provided the OPA a copy of the executed Settlement Agreement and Release (Agreement) for Lease No. L9104S. According to the Agreement, DPL and the Lessee reached a settlement amount for the intermittent use of the adjacent parcel prior to 10/31/14. The Agreement was approved by OAG on 06/01/20.

Recommendation 2: Reach concurrence with the OAG as to the physical usage date of the adjacent parcel.

Corrective Action: 12/18/19 – 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 concerns of OAG.

Completion Date: None provided

Status: Resolved

OPA Notes: On 10/28/20, DPL provided OPA a copy of the executed Settlement Agreement and Release (Agreement) for Lease No. L9104S. According to the Agreement, DPL and the Lessee reached a settlement amount for the intermittent use of the adjacent parcel prior to 10/31/14. The Agreement was approved by OAG on 06/01/20.

Recommendation 3: Create a proper invoice for the Lessee to avoid loss of revenue.

Corrective Action: 12/18/19 – 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 concerns of OAG.

Completion Date: None provided

Status: Resolved

OPA Notes: On 10/28/20, DPL provided OPA a copy of the executed Settlement Agreement and Release (Agreement) for Lease No. L9104S. The Agreement was approved by OAG on 06/01/20. On 12/03/20, DPL provided OPA a copy of the Lessee’s Rental Promissory Note Amortization account documenting lessee payments as of 11/5/20. Although the Agreement has rendered the

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issue moot, OPA encourages DPL to properly enforce its regulations and land lease agreements to avoid similar issues in the future to mitigate the risk of revenue loss to the CNMI.

Department of Public Lands – Land Leases and Temporary Permits

Report No. 18-01, Issued July 17, 2018
Department of Public Lands
Audit of the Management of Land Leases and Temporary Permits

Recommendation 2: 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.

Corrective Action: 06/26/18 – To mitigate the matter, the Department of Public Lands (DPL) will:

1. Re-train personnel to review and understand existing Standard Operating Procedures (SOP);
2. Require new hires to receive formal training in their respective field at the main Saipan Office;
3. Require Division Directors to review existing SOPs and make recommendations to update annually as needed.

With DPL’s new hire of an internal auditor, implementing Sage 100, and employing new internal policies, DPL can proceed in refining its internal processes and adopting policies that are consistent with DPL’s goals and objectives.

12/20/19 – DPL has updated and implemented its SOP for each division and ensures consistency and fairness with regards to handling of clientele. DPL has implemented “Directive 5” meetings with management to discuss unresolved issues and ensure that accounts do not remain in delinquent status for more than 90 days. Accounts found noncompliant are issued violation notices, which must be cured within 30 days from receipt of notice. Furthermore, each division has a tracking system to monitor due dates and submission dates of required documents, account statuses, and incoming/outgoing correspondences for all leases, temporary occupancy agreements, and agricultural grazing permits.

07/07/20 – The Real Estate and Compliance Division have been working closely with the Compliance Division and Finance Division to ensure leases and permits are processed and renewed in a timely manner. Directive 5 meetings enable discussions on the status of leases and permits at each division. Implementation of the internal tracking system has greatly assisted staff in monitoring and tracking the process of lease and permits. Staff are able to access, share, and post updates to the tracking system database and print needed reports.

Completion Date: None provided.

Status: Resolved

OPA Notes: The OPA reviewed DPL’s updated SOPs, the DPL Secretary’s Directive 5 documenting the policy for monthly management meetings, and other relevant documents. On 12/03/20, OPA interviewed various division directors and confirmed DPL’s use of its tracking system to monitor the statuses and expiration of leases and permits, and staff’s progress with renewals. OPA considers this recommendation resolved.

Recommendation 4: (a) Review and monitor all leases and permits to ensure that fees are properly assessed.
(d) Utilize a reliable accounting software to eliminate redundant tasks and process transaction efficiently.

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Corrective Action: 06/26/18 – DPL had already procured a new accounting software, however, implementation of the software was delayed due to the contractor’s inability to provide training. DPL is in the process of procuring a trainer specialized in the software to train all accounting staff. Once implemented, it will eliminate redundant manual inputting of transactions and improve the integrity of our financial management system and reporting capabilities. This measure will also be an added measure to ensure compliance with lease agreements and permits where it concerns collections.

12/12/19 – DPL procured a new accounting software and is in the process of implementing it as its main accounting software. By working closely with other divisions, the Finance Division has taken steps to bill accurately and assess fees accordingly. In recent months, DPL billed several lessees for BGRT previously uncollected.

07/07/20 – The Finance Division has been working closely with the Compliance and Real Estate Divisions ensuring expired leases and permits are renewed in a timely manner. It also includes the monitoring of leases whose appraisals are due every end of each five-year period to ensure fees are computed accurately based on approved appraised fair market value of leased property. The Finance Division has been regularly sending out billings of rental and Business Gross Revenue Tax (BGRT) fees and aggressively collecting payments to reach revenue forecast and avoid customer accounts from becoming delinquent. The new accounting software has been implemented and includes the accounts receivable module, accounts payable, cashiering and general accounting.

Completion Date: None provided.

Status: Resolved

OPA Notes: On 12/03/20, OPA reviewed documents provided by DPL and interviewed division directors. OPA confirmed that Finance Division staff monitor when appraisal reports are due and submissions of BGRT through their tracking system. Additionally, the new accounting software enables staff to prepare billing statements each month. OPA considers this recommendation resolved.

Commonwealth Healthcare Corporation – Patient Revenue Cycle Management

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

Commonwealth Healthcare Corporation

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

Recommendation 4: Develop a plan of action that is effective and timely, and addresses the current backlog related to coding, billing, collection, and posting payments.

Corrective Action: 02/27/17 – The Commonwealth Healthcare Corporation (CHCC) recently hired a Revenue Cycle Director and a Comptroller who will focus on the critical areas of healthcare finance that will strengthen and support the Chief Financial Officer’s roles and responsibilities moving forward.

06/01/2017 – Hire temporary staff to address the backlog related to coding and billing. Currently we are hiring full time employees for our Collections Department to assist with the posting and other duties. We also recently hired a Coder Educator to assist with the backlog.

06/11/20 – CHCC is continuously working to catch up on the backlog related to coding, billing, collection, and posting payments. For coding and billing, while it is ideal to hire staff to catch up, it is also difficult to find experienced individuals who understand the regulatory requirements and national standards for coding and billing. Even with this difficulty, CHCC still included additional staff in the current and future budgets to help address this issue, and although some individuals may be new to this field, we can accomplish this goal slowly. Additionally, CHCC has been looking into acquiring the services of a dialysis specific Electronic Health Record (EHR) and billing system company. Seeing this through will alleviate some staff time and provide efficiency with other billing duties.

12/04/20 – As the number of services provided grow, the coding, billing, and collection posting backlog continues to become a battle. To help alleviate and lessen the backlog, CHCC has contracted a dialysis specific EHR and billing company to handle our outpatient dialysis claims, which involve all three steps (coding, billing, and payment posting) for those specific services. The contractor has taken over the billing for services rendered October 1, 2020 and forward. Additionally, because the current system, RPMS, requires a lot of manual work for the Billing and Collections team, securing a new EHR and revenue cycle management (RCM) software will allow our employees to catch up a lot quicker as many manual processes will go away. The estimated go-live date for the new EHR may be early 2021. In the meantime, we have other non-RCM staff assisting with administrative duties that the Billing and Collections team need help with. This allows them to focus solely on the tasks they do best. Moreover, temporary staff are being sought to assist with, for example, posting backlogs.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: The OPA considers this recommendation unresolved and will schedule future follow-ups to determine whether CHCC’s actions have resulted in observable progress towards addressing the backlogs.

Recommendation 8: Update contracts with insurance companies.

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Corrective Action: 12/04/20 - CHCC and contracted insurance companies have finalized the payer contracts with an effective date of October 1, 2020.

Completion Date: Ongoing

Status: Resolved

OPA Notes: OPA reviewed the contracts between CHCC and private insurance companies and noted that they were updated with effective dates of October 1, 2020.

Department of Lands and Natural Resources – Outer Cove Marina

Report No. 15-03, Issued October 5, 2015
Department of Lands and Natural Resources
Audit of the Outer Cove Marina for Calendar Year 2014

- Recommendation 1:** The Department of Lands and Natural Resources (DLNR) should enforce the Outer Cove Marina (OCM) Regulations by conducting the following:
- (a) Apply the appropriate berthing slip fees when billing its tenants. Management should also consistently review and monitor the assessment, billing, and collection of berthing slip fees.
 - (b) Assess and collect security deposits from all its tenants. DLNR should work with the DOF to ensure that security deposits are accounted for separately and not commingled with berthing fee revenues.
 - (c) Assess and collect the proper delinquency fees. Management should consistently review and monitor the assessment, billing, and collection of penalty fees.
 - (d) Revisit the Regulation requirement pertaining to passenger departure fees and adopt a final decision. If the intention of DLNR is to suspend or not collect passenger departure fees, DLNR should amend the Regulations to reflect this change.

Corrective Action: 04/30/15 – The Then-DLNR Secretary issued letters informing tenants of DLNR’s implementation of the regulations effective June 1, 2015.

06/14/16 – DLNR informed the OPA that the Department of Public Works assessed the condition of the dock and concluded that it is potentially subject to failure. DLNR is no longer accepting berthing applications from commercial boat owners. However, commercial boat owners are authorized to berth at their own risk after signing DLNR’s “Waiver, Release of Liability, and Indemnification Agreement” at no charge. The agreement prohibited the loading and unloading of passengers at the dock. DLNR is seeking advisement from the Office of the Attorney General (OAG) regarding collection of arrearages and penalty fees from tenants with delinquent accounts.

10/02/19 – DLNR issued an “Update on Outer Cove Marina”. The document contained emergency guidelines authorizing large size vessels to conduct operations at OCM. Loading and unloading of passengers can only be allowed after safety rails are in place at specific slips. Owners are required to resume paying DLNR to berth at OCM. Passenger departure fees will be reduced from \$4 to \$3 per head until further notice. Small size vessels are authorized to berth their boats at OCM. Loading and unloading of commercial passengers can only be allowed at the Transient Dock at the Smiling Cove Marina for vessels that register with the Division of Fish and Wildlife. Owners are required to resume paying DLNR to berth at OCM.

01/07/20 – (a) Two staff members have been assigned to review and monitor the assessment, billing, and collection of fees. (b) DLNR has begun collecting berthing fees on a monthly basis beginning with October 2019. Security deposit fees are also being collected. DLNR is working with DOF in creating a separate revenue account for security deposits. (c) Two staff members have been assigned to assist the Secretary with assessing and collecting proper delinquency fees as needed. (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 docks.

06/16/20 – Due to the COVID-19 emergency, which shutdown the travel industry worldwide, DLNR has decided to waive the collection of fees until such time commercial operations at

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OCM resume. DLNR is also looking into amending the current OCM management regulations in order to reduce the amount of berthing fee and the security deposit for a one-year period.

12/17/20 – DLNR will need to seek the Governor and the Attorney General’s assistance in addressing this particular issue.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: In December 2019, OPA requested to review the invoices and receipts for all vessels berthing at OCM. DLNR was unable to provide the invoices and receipts for all vessels. OPA was unable to perform reviews for subsequent reporting of ARTS due to the pandemic and DLNR’s 12/17/20 response which appears to be a re-evaluation of the matter.

Recommendation 2: 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.

Corrective Action: 09/23/15 – DLNR will address the situation with the Marina Officer and require a full detailed report as to how this became about, to include possible administrative remedies.

06/14/16 – DLNR will be working with the OAG to seek legal advice and take appropriate actions for the impoundment or removal of vessels with arrearages and/or unauthorized vessels berthing at OCM.

06/16/20 – DLNR received OAG’s response to their 03/02/20 Legal Services Request regarding removal of illegally berthed vessels. In their response, the OAG outlined DLNR’s regulatory authority and the necessary procedures to successfully remove illegally berthed vessels at OCM.

12/17/20 – DLNR is seeking funds to address the workforce furlough of 2020 and address this recommendation.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: OPA will continue following up on DLNR’s progress towards addressing the recommendation.

Recommendation 5: Prior to making formal audit recommendations, generally accepted government auditing standards stresses that a cost/benefit analysis be conducted. OPA is not, at this time, equipped to conduct engineering studies and calculations to determine the needed renovations to provide an adequate level of safety. Prior to any expenditure of funds an engineering study should be conducted to determine needed repairs and the costs associated with such repairs. Only at that time can management make informed decisions.

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.

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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.

Corrective Action: 06/14/16 – DLNR is finalizing a request for proposal (RFP) for a multi-year contract to redevelop, maintain and operate marina facility concession to interested parties.

12/27/17 – DLNR is working with DPW in drafting an RFP requiring a developer to design, construct, and operate a new and safer facility.

04/23/18 – DLNR received clearance from DPW to begin advertising the RFP. Proposals will be reviewed by a panel of members from both DLNR and DPW.

06/13/19 – DLNR informed OPA that they published an RFP for an agreement to fund, design, construct and manage a new OCM facility for a period of one month in 2018 and from April to May in 2019. However, DLNR did not receive any proposals. DLNR has also reached out to the Division of Procurement and Supply, Office of Planning and Development, and the National Park Services for referrals or guidance.

01/07/20 – DLNR began seeking the help of the U.S. Army Corp of Engineers in November 2019 to develop a plan to address the issues at OCM which may be available in January 2020. The DPW will use the design to draft an RFP for the construction of a marina. In the meantime, DLNR is communicating with other agencies for funds to install aluminum ramps at one of the docks.

06/16/20 – DLNR received a “fee quote” from the U.S. Army Corp of Engineers for a repair plan of OCM. The quote included the cost of conducting engineering and environmental studies, and developing conceptual designs of the breakwater structure and berthing infrastructure.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: OPA will continue following up on DLNR’s progress towards addressing the recommendation.

Department of Public Safety – Evidence Facility

Report No. 15-01, Issued March 11, 2015

Department of Public Safety

Audit of the Department of Public Safety, Evidence Preservation, Accountability, and Control Section

Recommendation 1: The Department of Public Safety’s (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.

Corrective Action: 12/01/20 – DPS informed the OPA that improvements to the Evidence Facility are almost complete.

Completion Date: 12/09/20

Status: Resolved

OPA Notes: OPA considers the recommendation resolved based on the improvements that were observed during OPA’s site observation conducted on 12/09/20 at the Evidence Facility. According to the Custodian, the need for additional improvements have been communicated to the DPS Commissioner.

Department of Finance – Excise Taxes

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

Department of Finance, Division of Customs Services

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

Recommendation 2: The Division of Customs Services (Customs) 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.

Corrective Action: 09/03/14 – Customs agrees with the finding. Customs has made corrective action to not release cargo to an importer/business with outstanding accounts. And, installment payment plans shall be at the approval of the Director.

12/14/15 – Customs informed the OPA that the CNMI Tax System is now designed to flag Customs Officers twice at the time of assessment to indicate that the importer’s account is delinquent.

12/10/19 – Customs informed OPA that they created an *Authorization to Release Cargo* Form to justify the release of cargo to importers with outstanding excise tax. This form is to be used when a taxpayer has issues, such as off island check payments, tax disputes or other justified reasons. The Director designated specific Customs Officers as approving signatories of the form in a memo dated 12/19/19. The memo further required the use of the form if and when there are tax issues/arrears, and wherein cargo may be released as long as it is approved by the Director or designee. Staff must ensure that the form is always attached to the declaration of entry.

05/26/20 - The Authorization to Release Cargo form is used for taxpayers with issues, such as; tax disputes, off-island checks, etc.

Completion Date: Ongoing

Status: Unresolved

OPA Notes: On 12/16/20, OPA reviewed the documentation for several releases of cargo to importers with outstanding excise tax and noted that the Authorization to Release Cargo form for one of the sampled releases of cargo lacked the approving signature of the Director or his designees. Customs informed OPA that they are currently reviewing its regulations and procedures to comply with Public Law 21-42 which was approved on 02/05/21 and effective 90 days after approval. OPA will review the provisions of the public law and follow up on Customs’ progress towards addressing the recommendation.

Recommendation 4: OPA recommends that written procedures be developed to immediately pursue importers with outstanding receivable balances that are greater than 30 days past due.

Corrective Action: 09/03/14 – Customs agrees with the finding. Specifically, Customs is in the process of amending § 70-101.1-150 of its regulations to enable Customs to collect its own receivables that are greater than 90 days.
09/28/17 – Customs adopted its revision of § 70-101.1-150 of the Customs Service Regulations which allows the Division to collect its own receivables that are greater than 90 days.

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08/17/18 – Customs adopted a Standard Operating Procedures (SOP) Manual which states that Customs will forward the delinquent accounts of unresponsive importers to the Office of the Attorney General for legal proceedings.

12/20/19 – Customs informed OPA of their plan to revise its SOP to handle collection of unpaid billings administratively, rather than referring matters to the Office of the Attorney General for legal proceedings.

11/23/20 – Customs' SOP has been updated, however the billing, lien & levy form and procedure is being reviewed by the Assistant Attorney General.

Completion Date:	Ongoing
Status:	Unresolved
OPA Notes:	OPA will continue following up on Customs' progress towards addressing the recommendation.