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Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

# Audit of the CNMI Medical Referral Services Office



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OPA Report No.

21-03

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# Preface

During the survey phase of the audit, the Office of the Public Auditor (OPA) discovered that the Medical Referral Services Office (MRSO) routinely executes promissory notes to patients that need further financial assistance. However, OPA could not identify any law or regulation that authorizes MRSO to execute promissory notes. On March 17, 2021, OPA sought a legal opinion from the Office of the Attorney General (OAG) regarding MRSO's authority to execute promissory notes due to the significant potential risk posed by their continued issuance (see *Appendix 3*). On June 16, 2021, OPA received the OAG's response regarding the legality of MRSO's execution of promissory notes with additional legal analysis regarding the status of MRSO and consequently MRSO's regulations (see *Appendix 4*).

The OAG's legal opinion stated that MRSO does not have a legal basis to execute promissory notes to medical referral patients for medical financial assistance. Additionally, the OAG asserted that former Governor Eloy S. Inos did not have the legal authority to remove MRSO from the Commonwealth Healthcare Corporation and place it under the Office of the Governor through Executive Order No. 2013-09. As a result, MRSO's regulations, which were promulgated under the Office of the Governor, are without legal force and effect. Due to the legal determination made by the OAG, MRSO's regulations will be referred to as MRSO's "internal policies" through this report.

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## Results in Brief

The Office of the Public Auditor (OPA) conducted an audit on the Medical Referral Services Office (MRSO) for fiscal years 2018 to 2020 to determine if effective internal controls are in place to:

1. ensure proper cash management;
2. issue and enforce promissory notes; and
3. ensure compliance with applicable laws, rules and regulations (internal policies) when determining patient and escort eligibility, and make recommendations to applicable stakeholders in areas where improvements may be warranted.

To aid with the review of MRSO's internal controls, OPA requested for a list of documents from MRSO, the Department of Finance (DOF), and applicable travel agencies. However, some documents requested for were not provided for OPA's review within the given timeframe (See *Findings 2 and 6*).

OPA's recommendations for each of the findings in this report are to aid the agency in identifying appropriate internal controls to implement and to contain the cost of medical referrals by ensuring fair and equitable assessment of required patient and escort documentation, purchasing airfare tickets at reasonable rates, ensuring the validity and accuracy of all contracts and agreements, and reconciling all payments made on behalf of MRSO.

During the audit OPA found:

1. MRSO's organizational structure is unclear;
2. MRSO lacks internal controls pertaining to its contracts and agreements;
3. MRSO does not have a legal basis to execute promissory notes;
4. MRSO is not compliant with applicable laws and internal policies;
5. Patients and/or escorts are sent on medical referral at high-cost unrestricted economy airfare rates; and
6. MRSO lacks internal controls pertaining to the use of public funds through the imprest fund accounts.

These findings revealed that MRSO lacks effective internal controls to ensure (1) proper cash management and (2) compliance with applicable laws and internal policies, which poses an ongoing potential risk for fraud, waste, and abuse. Implementing effective internal controls will aid in strengthening MRSO's processes and ensure that cost cutting measures to reduce unnecessary expenses are evaluated.

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# Introduction

## Objective

The objective of the audit is to determine if the Medical Referral Services Office (MRSO) has effective internal controls to:

1. Ensure proper cash management, to include the imprest fund, contract renegotiation, reconciliation of vendor billings and payments, and contract validity;
2. Issue and enforce promissory notes; and
3. Ensure compliance with applicable laws, rules and regulations (internal policies) for patient and escort.

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

## Background

MRSO, originally known as the Medical Referral Program, was established on August 23, 1994 through Executive Order 94-3 § 105 and § 305 (Second Reorganizing Plan of 1994). The Secretary of the Department of Public Health promulgated MRSO's regulations on April 15th, 1996 and were adopted on July 15th, 1996.

The Medical Referral Program was initially under the auspices of the Department of Public Health and later the Commonwealth Healthcare Corporation (CHCC). With the exception of the inter-island medical referral program, which is managed by CHCC, MRSO was transferred to the Commonwealth of the Northern Mariana Islands (CNMI) Office of the Governor on May 2, 2013 through Executive Order 2013-09. However, as previously discussed, this Executive Order had no legal effect (*See Preface*).

### *Purpose of MRSO*

According to the internal policy, MRSO is responsible for facilitating the referral of patients to recognized referral health care facilities outside the CNMI for extended medical care. This includes lodging, ground transportation, and subsistence allowance. In addition, MRSO's internal policies indicate that it is incumbent upon the CNMI to manage the program's operations to ensure that health care benefits afforded to residents of the CNMI are provided in a cost-efficient and equitable manner. Furthermore, MRSO exists to assist with financial obligations for individuals who meet certain eligibility criteria.

## MRSO

### **Type of Service:**

“To establish, facilitate and regulate approved medical referrals of CNMI patients to a recognized referral health care facility outside the CNMI for their extended medical care.”

### **Purpose:**

“Medical Referral Services are designed to provide residents of the CNMI with the means of receiving medical and treatment specialty care, which is not available within the Commonwealth of the Northern Marianas Islands.”

Source: FY 2019 MRSO Citizen-Centric Report

Specifically, in § 75-50-715 of the internal policy, there exists an Indigent Program which provides a lifetime limit of \$80,000 to assist qualified individuals with the expenses incurred from medical procedures done outside the CNMI. The internal policy also states that any medical expense in excess of the lifetime limit shall be the patient’s full responsibility. Additionally, in § 75-50-315(a) of the internal policy, air transportation up to or equivalent to the cost of airfare to the state of Hawaii is provided to individuals who meet certain criteria.

*Contracts and agreements*

MRSO, through the CNMI Office of the Governor, has established multiple contracts and agreements with numerous vendors in the Philippines, Guam, Hawaii, California, South Korea and Taiwan. These are common locations utilized for referral services. The contracts and agreements include services for medical utilization, transportation and logistics, hotel accommodations, and office rental spaces for MRSO’s satellite offices.

One of the vendor contracts allows MRSO and the CNMI Government to:

- refer patients eligible for the Indigent Program to a network of providers, and
- avail patients to discounted medical rates for procedures from various medical facilities worldwide.

This vendor contract allows MRSO and the CNMI Government to reduce costs and increase savings on medical expenses incurred by referral patients and paid for through government funds. However, in exchange for these services, the CNMI Government permits the vendor to automatically withdraw payment reimbursements and access cost fees through the Automated Clearing House (ACH) with little to no reconciliation (See *Finding 4*).

*MRSO’s operations*

The operation of MRSO has incurred a large variance between the appropriated amount and the reported expenditures by MRSO. Table 1 reflects the increase of expenditures for each fiscal year (FY) and have raised significant concerns regarding MRSO’s budget control and cash management. This suggests that the program has either been (1) underfunded through the Budget Appropriations Act by the Legislature and/or (2) overspending its allocation.

**Table 1. MRSO's Budget Appropriation Act Figures vs. Audited Financial Figures**

<b>MRSO’s Budget and Appropriation Act Figures vs. Audited Financial Figures</b>			
<b>FY</b>	<b>Budget and Appropriations Act Figures</b>	<b>Audited Financial Figures</b>	<b>Variance (Budget Act Figures – Audited Financial Figures)</b>
<b>17</b>	\$2,689,175.00	\$9,658,148.00	\$ (6,968,973.00)
<b>18</b>	\$2,173,452.00	\$15,371,509.00	\$ (13,198,057.00)
<b>19</b>	\$2,998,339.00	\$17,001,432.00	\$ (14,003,093.00)
<b>20</b>	\$2,144,236.00	*	*

**Source:** Budget and Appropriation Act for FY17-20 and CNMI's Audited Financial Figures

\* Audited figures are not available.

Lastly, MRSO operates through three offices, one main office in Saipan, one satellite office located in Guam, and one satellite office located in Hawaii. Each office has a designated imprest fund account to assist the agency in funding for the following:

- air transportation costs
- subsistence allowances for patients and escorts
- additional hotel rooms needed when all contracted hotel rooms are occupied
- patient medication
- medical equipment rentals for patients
- prescription reimbursements
- funeral costs
- operational expenses, excluding personnel costs (Guam and Hawaii satellite offices only)

The maximum balance allowable for each imprest fund account is \$50,000 and can be replenished at any time. Each respective office prepares and issues physical checks for all imprest fund account expenses.

OPA notes that MRSO provides financial assistance for medical expenses, air transportation, lodging, ground transportation, and subsistence allowance. However, OPA found that MRSO does not have standard operating procedures for any of the three offices in operation. The lack of internal controls, such as standard operating procedures, to ensure an affordable, effective, and equitable program poses an ongoing potential risk for fraud, waste, and abuse.

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# Findings

Our audit found that the Medical Referral Services Office (MRSO) does not have adequate internal controls to ensure compliance with laws, rules and regulations (internal policies) and cash management. Specifically:

1. MRSO's organizational structure is unclear;
2. MRSO lacks internal controls pertaining to its contracts and agreements;
3. MRSO does not have a legal basis to execute promissory notes;
4. MRSO is not compliant with applicable laws and internal policies;
5. Patients and/or escorts are sent on medical referral at high-cost unrestricted economy airfare rates; and
6. MRSO lacks internal controls pertaining to the use of public funds through the imprest fund accounts.

The following sections provide detailed discussion on these findings.

## 1. MRSO's organizational structure is unclear

According to the Standards for Internal Controls in the Federal Government (Standards), issued by the Government Accountability Office, "internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. Internal control serves as the first line of defense in safeguarding assets. In short, internal control helps managers achieve desired results through effective stewardship of public resources."

Office of the Public Auditor (OPA) found that the program's only governing criteria are:

- MRSO's internal policies,
- 3 CMC § 2199 (Medical Referral Patient Family Escort),
- 7 CMC § 2204(d) (Government Liability Act), and
- MRSO's standard operating procedures (Commonwealth of the Northern Mariana Islands (CNMI) Medical Referral Algorithm) which explains the referral approval process.

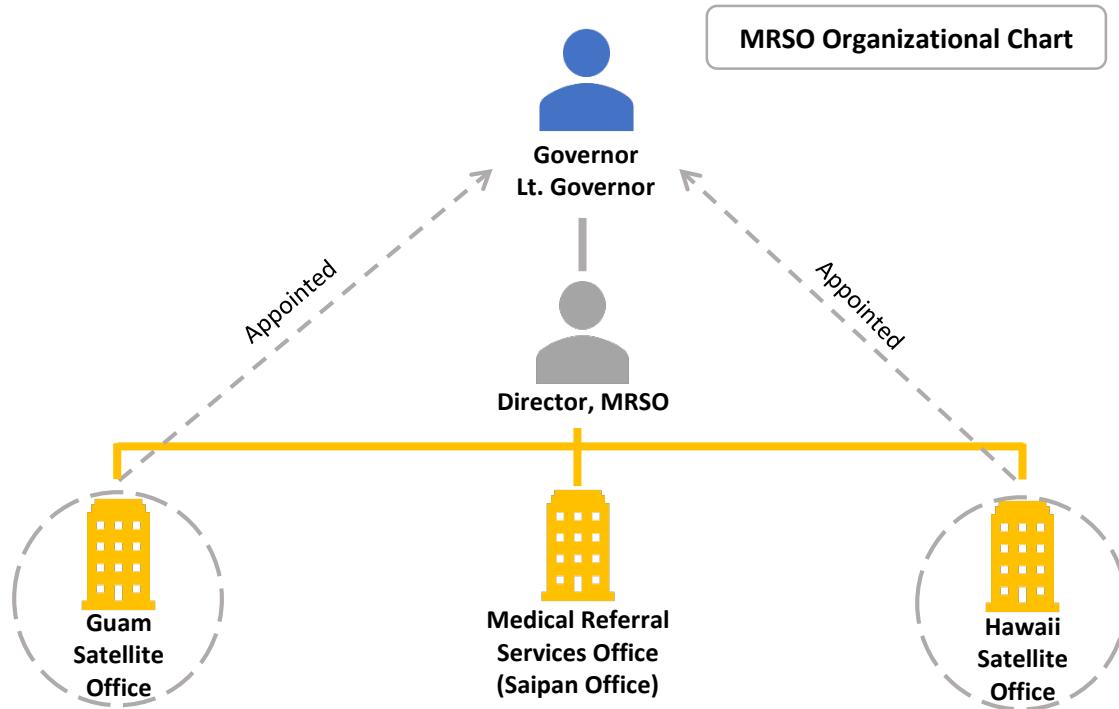
Absent an enabling legislation, statutorily authorized regulations, or adopted standard operating procedures, MRSO is left without proper guidance to ensure efficient operations (See *Preface*).

MRSO's internal policy § 75-50-001 requires that MRSO manage a program and its operation to ensure that health care benefits afforded to residents of the CNMI are provided in a cost-efficient and equitable manner. However, MRSO has been an entity under the Office of the Governor whereby funds can be reallocated to cover expenses without legislative oversight. As a result, a large variance between what was appropriated and the actual expenditures increased each fiscal year (See *Table 1*).



As shown in Figure 1, MRSO’s current organizational chart reflects that MRSO has two Gubernatorial appointed Officers In-Charge (OIC), one for the Guam satellite office and one for the Hawaii satellite office. Both of the OICs are to report to the Director of MRSO, who then reports to the Governor. However, OPA learned from interviews that on many occasions the OIC’s report directly to the Governor, bypassing the Director which impedes MRSO’s management team to communicate and function effectively.

Figure 1. MRSO Organizational Chart



Source: FY 2019 MRSO Citizen-Centric Report

**Recommendation(s):**

- Develop a plan to meet with all stakeholders and establish proper internal controls to ensure an affordable, effective, and equitable program.

**2. MRSO lacks internal controls pertaining to its contracts and agreements**

OPA notes the following risk areas pertaining to MRSO’s usage of its contracts and agreements:

1. MRSO has been utilizing terms and conditions from expired contracts and agreements.
2. Claim reimbursements and service fees for one vendor are automatically withdrawn from a CNMI revolving account with limited reconciliation.

*MRSO has been utilizing terms and conditions from expired contracts and agreements*

The Standards state that management should design mechanisms that enforce management’s directives to achieve the entity’s objective and address related risks. The lack of any valid executed formal contract between MRSO and vendors creates a risk that may negatively hamper MRSO’s operations, resources, and stakeholders.

Based on the contracts provided by MRSO on July 9, 2020, OPA discovered that MRSO’s contracts and agreements have expired for two vendors for medical utilization, two for transportation and logistics support, and six for hotel accommodations (See *Tables 2 and 3*). OPA also requested from the Department of Finance (DOF) any updates pertaining to all of MRSO’s contracts. However, no updates were provided.

**Table 2. MRSO Hotel Contracts and Agreements**

<b>MRSO Hotel Contracts and Agreements</b>					
<b>Area</b>	<b>Vendor</b>	<b>No. of Rooms Rented or Blocked</b>	<b>Contract Amount (Per Room)</b>	<b>Duration</b>	
				<b>From</b>	<b>To</b>
<b>California</b>	1	2	\$3,900.00 per month	5/16/2018	5/15/2019
		4	\$3,600.00 per month		
	2*	10	\$160.00 to \$174.00 per day	1/1/2019	12/31/2019
<b>Hawaii</b>	3	18	\$132.21 per day	10/5/2018	10/5/2019
<b>Guam</b>	4	16	\$2,100.00 per month	6/15/2017	9/30/2019
	5	39	\$75.48 per day	12/1/2017	12/31/2020
	6	15	\$31,000.00 per month**	4/1/2015	3/31/2020

**Source:** MRSO contracts and agreements.

\*Charges MRSO only when rooms are utilized. Rate depends on the season at the time of booking.

\*\*Vendor 6 is no longer in operation. However, contract amount is fixed for a total of 15 blocked rooms.

**Table 3. MRSO Medical and Transportation and Logistics Contracts**

MRSO Medical and Transportation and Logistics Contracts						
Area	Vendor	Service Type	Total Charges Per Year	Total Charges Per Contract Duration	Duration	
					From	To
San Diego	7	Transportation and Logistical Support	\$27,332.00*	\$27,332.00	10/1/2018	1/1/2019
Philippines	8	Transportation and Logistical Support	\$162,000.00	\$324,000.00	10/1/2017	9/30/2019
		Medical Referral Coordinator/Utilization Review/Medical Billing and Coding Review	\$168,000.00	\$714,000.00	5/8/2015	9/30/2019
U.S. and International	9**	Medical Coordination Services	Total Claims Paid + 15% Access Cost Fee		8/1/2019	12/1/2020

**Source:** MRSO contracts and agreements.

\*Latest contract duration is only for three months.

\*\*Vendor 9 does not have a fixed monthly rate nor is it located in a specific area.

During an interview conducted, OPA learned that the CNMI Government issued an “Request for Proposal” (RFP) for transportation and logistics services in one of the foreign countries where medical referral services are commonly sought for CNMI patients. Only one vendor submitted a bid and was therefore awarded the contract for transportation and logistics. Contract negotiation was nearly completed prior to the start of the COVID-19 pandemic. Due to the shutting down of borders worldwide and the evacuation of non-residents from certain foreign countries, the lone vendor withdrew its bid. This prompted the CNMI Government to revert to the terms and conditions of the expired contracts with its former vendor for transportation and logistics services in that particular country.

OPA learned the RFP was for one of the two services previously contracted for within that particular country. Based on a review of an email correspondence received on April 20, 2021, OPA found the CNMI Government elected to operate on a month-to-month basis for the two expired contracts previously executed for that particular country. OPA recognizes that MRSO has been operating in an unprecedented situation worldwide, however this may potentially violate CNMI Procurement Regulations.

*Automatic payment withdrawals by Vendor 9 have not been reconciled*

According to Standards, management may design control activities to include verification and reconciliation of transactions. The verification and reconciliation process will provide a better overview of the expenses paid to Vendor 9 to (1) quantify potential savings realized or (2) conduct a cost-benefit analysis for contract renegotiation.

The CNMI Government contracted Vendor 9 for discounted services on medical expenses incurred by CNMI medical referral patients. In return, the contract grants Vendor 9 the authority to automatically withdraw monthly payments through Automated Clearing House (ACH) from a revolving account for all claims paid on behalf of the CNMI Government. In addition, a 15% access cost fee for all claims paid by Vendor 9 is charged and automatically withdrawn monthly.

As of April 30, 2021, OPA noted that Vendor 9 has withdrawn an estimated \$3.3 million from the revolving account. Through MRSO and DOF, Vendor 9 provided OPA documentation claiming the total “savings” incurred by the CNMI government as of March 31, 2021. However, OPA could not validate claims of CNMI savings due to the limited data provided by MRSO and DOF.

To ensure effective internal controls are implemented for accurate reconciliation, OPA requested for documents pertaining to Vendor 9 that should have been maintained and verified at MRSO and DOF. However, OPA was notified that the listing of documents requested were forwarded directly to Vendor 9 by both MRSO and DOF. This included a listing of:

- invoices paid by Vendor 9 for individual medical claims that references to the monthly automatic ACH withdrawals;
- monthly funds transfer confirmations indicating the amount automatically withdrawn; and
- invoices for the 15% fee automatically withdrawn from the revolving account.

Although OPA received a listing of the claims paid on behalf of the CNMI Government and the monthly funds transfer confirmations, OPA found the listing of all claims:

- did not have any identifiers that reference the monthly funds transfer confirmations for reconciliation purposes;
- did not have any identifiers that reference the 15% access cost fee automatically withdrawn each month; and
- had multiple erroneous transactions that were identified by Vendor 9 and were automatically offset in the next month without concurrence from MRSO and/or DOF.

Through OPA’s analysis and interviews conducted, OPA noted that Vendor 9 automatically withdraws payments from the revolving account without invoices being reconciled or approved by MRSO to ensure accuracy and validity. Documents reviewed by OPA indicated erroneous transactions that were corrected and addressed in the subsequent month by Vendor 9 without concurrence from MRSO and/or DOF. The lack of internal controls to maintain, review, and reconcile payments timely to identify these erroneous transactions puts the CNMI Government at risk for potential fraud, waste, and abuse. In addition, the lack of reconciliation puts MRSO at risk of not properly recording potential outstanding balances for other MRSO vendors.

**Recommendation(s):**

- Collaborate with applicable stakeholders to review previously executed contracts and/or agreements and renegotiate terms to ensure a cost effective and equitable program.

- Implement standard operating procedures to ensure proper reconciliation of all vendor billings and payments.

### **3. MRSO does not have a legal basis to execute promissory notes**

Since its inception, MRSO has acted and has been viewed as a form of an alternative source of funding to referral patients for partial, if not full, medical coverage and travel arrangements. Although MRSO's internal policies indicate that patients are responsible for any medical expenses in excess of the allowable lifetime limit, MRSO continued to provide financial assistance to patients in the form of promissory notes.

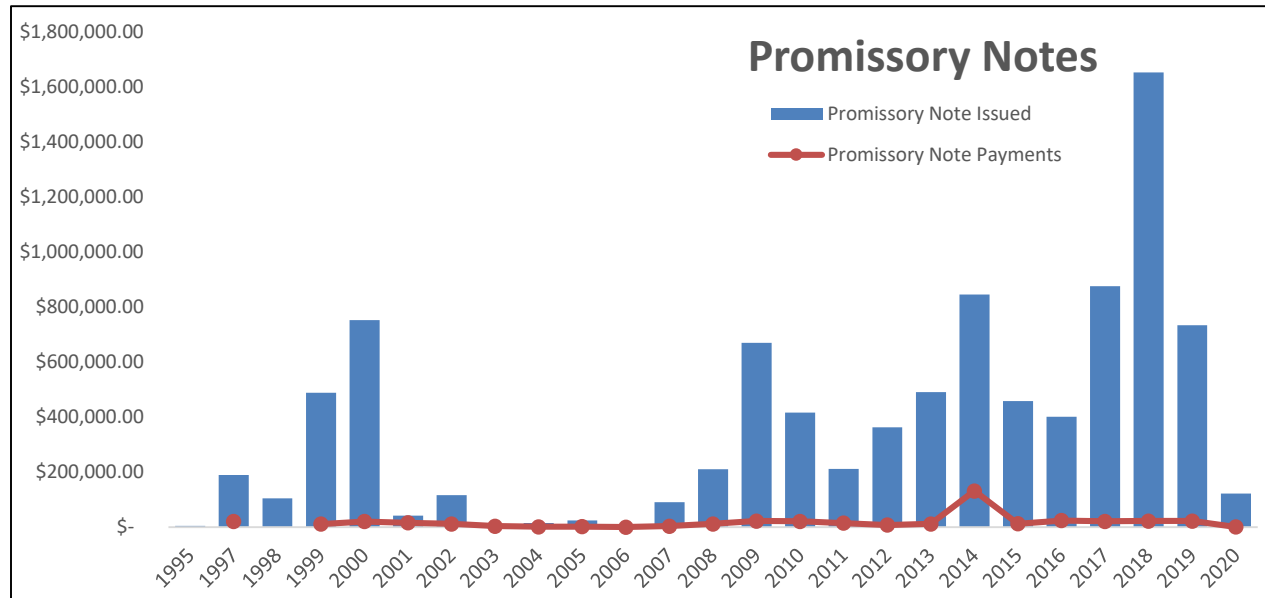
On March 17, 2021, OPA sought the opinion from the Office of the Attorney General (OAG) regarding MRSO's authority to issue promissory notes to medical referral patients for medical financial assistance. The OAG provided an opinion dated June 16, 2021 indicating that MRSO has no legal basis to execute promissory notes to medical referral patients for medical financial assistance.

The issuance of a promissory note is a mechanism that MRSO used to assist patients who:

- have exhausted the allowable lifetime limit of \$80,000 under the Indigent Program and need further assistance to meet his/her medical financial obligation;
- do not have an alternate means to pay for his/her copayment; or
- do not have insurance coverage and do not qualify for the Indigent Program and seek assistance to pay for his/her medical financial obligation.

On May 3, 2021, OPA received a listing of promissory notes executed from 1995 to 2020 (See *Figure 2*). Based on the listing provided, about 630 promissory notes amounting to an estimated \$12 million were executed. However, about 270 promissory notes reflect partial or full payments equating to an estimated total of \$420,000. The remaining estimated \$11 million is outstanding as of May 3, 2021.

**Figure 2. Promissory Notes Issued vs Promissory Notes Payments**



**Source:** MRSO’s May 3, 2021 Listing of Promissory Notes

The issuance and execution of promissory notes is at the discretion of the MRSO Director. Upon reviewing the data provided by MRSO on May 3, 2021, OPA noted that an estimated \$2 million promissory note was executed for one patient and signifies patients are able to avail to more than one promissory note with potentially unlimited amounts. On July 21, 2021, OPA requested for additional details from MRSO on the estimated \$2 million promissory note. OPA was then notified that the promissory note in question was executed in 2010; however, the estimated \$2 million was erroneously entered in the listing provided to OPA for review. This indicates that promissory notes are not reconciled for accuracy and completeness.

Upon returning to the CNMI, patients on promissory note(s) are required to:

1. Establish a payment plan at the MRSO Saipan Office.
2. Remit payments at any of the DOF cashiers.
3. Submit a physical copy of the payment receipt to the MRSO Saipan Office.

Audit procedures conducted revealed that MRSO is not enforcing its process for collection as stated in its promissory notes.

MRSO lacks documented standard operating procedures to:

- ensure equity and transparency in executing promissory notes;
- identify which promissory notes have reached its statute of limitation for collection purposes; and
- establish a robust billing and collection efforts.

Lastly, as previously discussed in the OAG opinion, MRSO does not have the legal authority to issue promissory notes (See *Preface*) and should cease the practice immediately.

**Recommendation(s):**

- Seek additional assistance from the OAG for further proceedings pertaining to the collection of promissory note(s) payments.

**4. MRSO is not compliant with applicable laws and internal policies**

The Standards require “management document in policies the internal control responsibilities of the organization.” Moreover, the Standards also indicate that management should evaluate existing processes to identify internal control issues and determine appropriate corrective actions for internal control deficiencies on a timely basis.

In addition to MRSO’s internal policies § 75-50-320 pertaining to escort eligibility provisions, 3 CMC § 2199 titled “Medical Referral Patient Family Escort” was adopted into law on April 29, 2005. Despite both MRSO’s internal policies and 3 CMC § 2199 establishing the requirements for patient eligibility to be provided a family or friend escort, MRSO’s current practice is not in compliance with these established requirements.

To date, MRSO has not adopted standard operating procedures to ensure compliance with applicable laws and its internal policies. MRSO’s internal policies require two factors in determining patient eligibility for airfare coverage: patient income and household income (See *Tables 4 and 5*). However, MRSO’s current practice only evaluates the individual patient’s income to determine eligibility for airfare coverage.

**Table 4. MRSO Income Bracket for Patient Air Transportation Coverage**

MRSO Income Bracket for Patient Air Transportation Coverage		
Patient Income	MRSO Share	Patient Share
Less than \$25,000	100%	0%
\$25,000 - \$50,000	50%	50%
More than \$50,000	0%	100%

**Source:** MRSO’s internal policies § 75-50-315

**Table 5. MRSO Household Income Bracket for Air Transportation Coverage**

MRSO Household Income Bracket for Air Transportation Coverage		
Household Income	MRSO Share	Patient Share
Less than Indigent Level*	100%	0%
\$37,500 - \$62,500	50%	50%
\$62,501 - \$75,000	Note 1	Note 1
Exceeds \$75,000	0%	100%

Source: MRSO’s internal policies § 75-50-315

Note 1: Income bracket does not exist in MRSO’s internal policies § 75-50-315

\*See Appendix 8

During the audit, OPA requested to review 151 samples to determine the effectiveness of MRSO’s internal controls to ensure compliance with applicable laws and internal policies by verifying if:

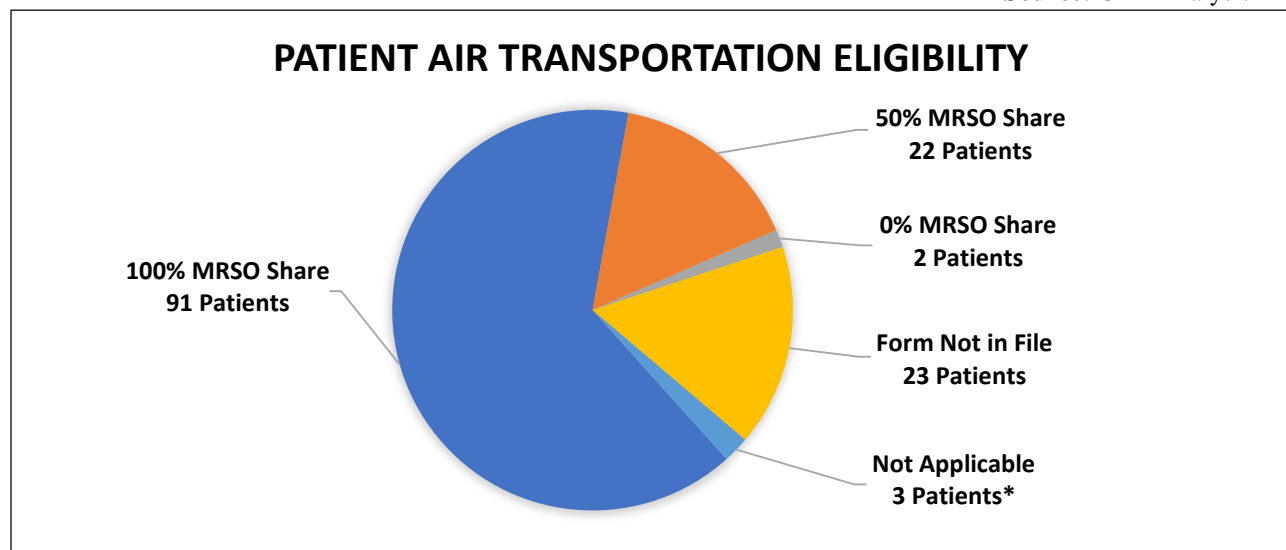
- all samples had all the applicable forms for eligibility on file;
- all applicable forms are complete, accurate, and indicates supervisory review; and
- any revisions to the completed forms were properly documented and justified.

Of the 151 samples requested, 141 samples were provided by MRSO for OPA’s review and 10 samples were not provided. Of the 141 samples provided, 119 patients were referred to locations outside the CNMI with either a medical escort, family or friend escort, or both. The remaining 22 samples were referred without an approved family or friend escort.

MRSO has two different forms that are used to determine eligibility for the indigent program and airfare coverage. Both forms are based on patient and/or escort individual incomes and household incomes. Of the 141 samples tested, 23 did not have the airfare eligibility form on file (See *Figure 3*) and six samples did not have the Indigent Program form on file (See *Figure 4*).

**Figure 3. OPA Analysis of Patient Samples for Air Transportation Eligibility**

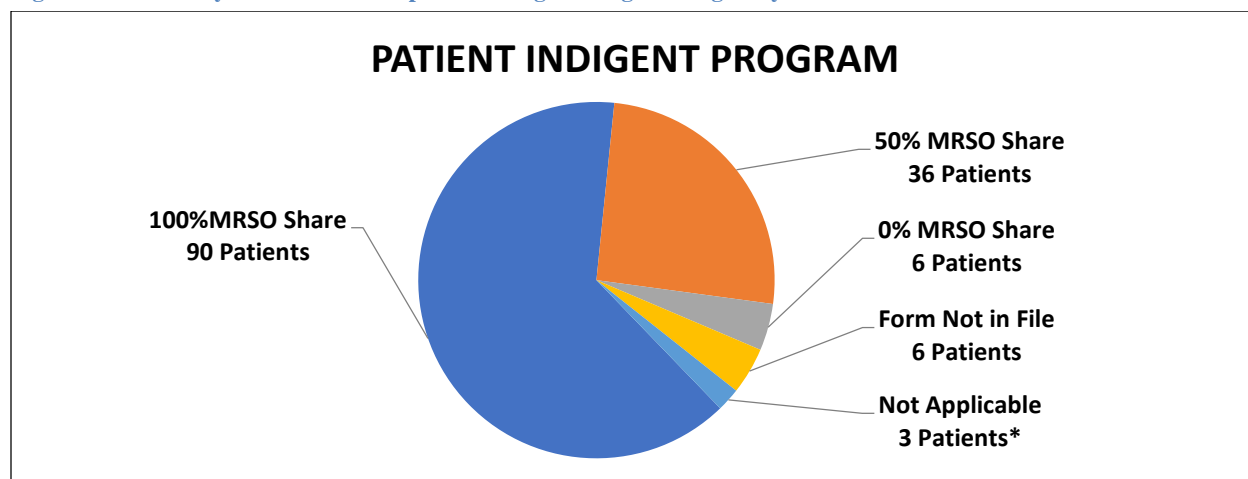
Source: OPA Analysis



\*Non-referral patients that availed to logistics services only (lodging and ground transportation).



Figure 4. OPA Analysis of Patient Samples for Indigent Program Eligibility



Source: OPA Analysis

\*Non-referral patients that availed to logistics services only (lodging and ground transportation).

MRSO’s internal policy and 3 CMC § 2199 states specific health conditions and income requirements (See *Table 6*) that an approved medical referral patient must meet in order to be entitled to a family or friend escort at the government’s expense. In addition, MRSO’s internal policy § 75-50-320(b)(3) states that “active medical referral patients are not eligible to a family or friend escort unless declared medically (physically and mentally) fit by a licensed physician and approved by the Medical Referral Committee,” putting additional suitability requirements on the escort.

Table 6. MRSO Income Bracket for Patient and Escort to Avail to a Family or Friend Escort at Government Expense

MRSO Income Bracket for a Family or Friend Escort		
Income	Patient	Escort
Less than \$70,000	Eligible	Eligible to escort patient
More than \$70,000	Not Eligible	Not eligible to escort patient

Source: MRSO’s internal policies § 75-50-320 and 3 CMC § 2199(c)(2)

In addition, § 75-50-320 of MRSO’s internal policy also states that the Medical Referral Committee (Committee) is the determining body on whether a patient should be escorted by a family or friend. However, of the 141 samples tested, OPA found seven samples where the Committee’s decision was overridden without justification by MRSO. Based on OPA’s calculation, these seven escorts cost MRSO additional airfare, subsistence allowance, lodging and ground transportation expenses.

MRSO’s internal policy and 3 CMC § 2199 states specific health conditions that an approved medical referral patient must meet in order to be entitled to a family or friend escort at the government’s expense.

As previously discussed, 119 samples were referred to locations outside the CNMI with either a medical escort, family or friend escort, or both. Of the 119 samples, 38 samples did not have the referring physician’s justification requesting that a family or friend escort be provided. Of the remaining 81 samples where the referring physician’s justification was provided, OPA could not

determine whether the physician's justification(s) comply with MRSO's internal policy or 3 CMC § 2199.

OPA's review of samples also indicates limited verification of the escort's income as required by MRSO's internal policy § 75-50-320 and 3 CMC § 2199. OPA found that of the 122 sample escorts tested, 69 samples did not have the required escort income for evaluation. In addition, MRSO lacks a separate checklist or form to properly evaluate escort requirements.

Furthermore, the review of the samples selected shows circumstances where patients and/or escorts are sent on referral despite non-compliance with the requirements as set forth by law or internal policy. These inconsistencies are further concerning because MRSO has been purchasing high-cost economy airfare tickets (See *Finding 5*).

**Recommendation(s):**

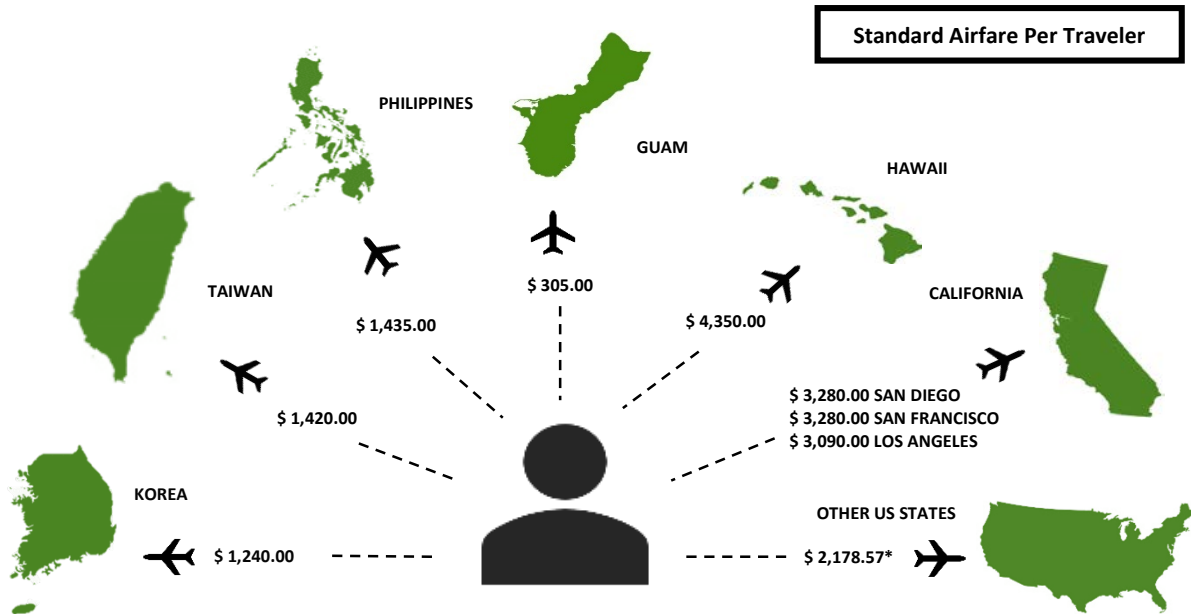
- Implement standard operating procedures to ensure fair and equitable assessment of patient and escort eligibility in compliance with the applicable requirements established in MRSO's laws and internal policies.

**5. Patients and/or escorts are sent on medical referral at high-cost unrestricted economy airfare rates.**

As best practice, the Standards state "a control cannot be effectively implemented if it was not effectively designed." In addition, the Standards also state that "a deficiency in implementation exists when a properly designed control is not implemented correctly in the internal control system."

MRSO’s internal policies require that the program operate and manage in a cost-efficient and equitable manner. Through audit procedures performed, OPA noted that airfares are purchased by MRSO for approved medical referral patients and escorts at standard high-cost airfare rates. These pre-determined rates are for unrestricted roundtrip airfare with economy seats that ranges between \$305 to \$4,350 per traveler and vary across referral locations (See *Figure 5*).

**Figure 5. Standard Airfare Per Traveler**



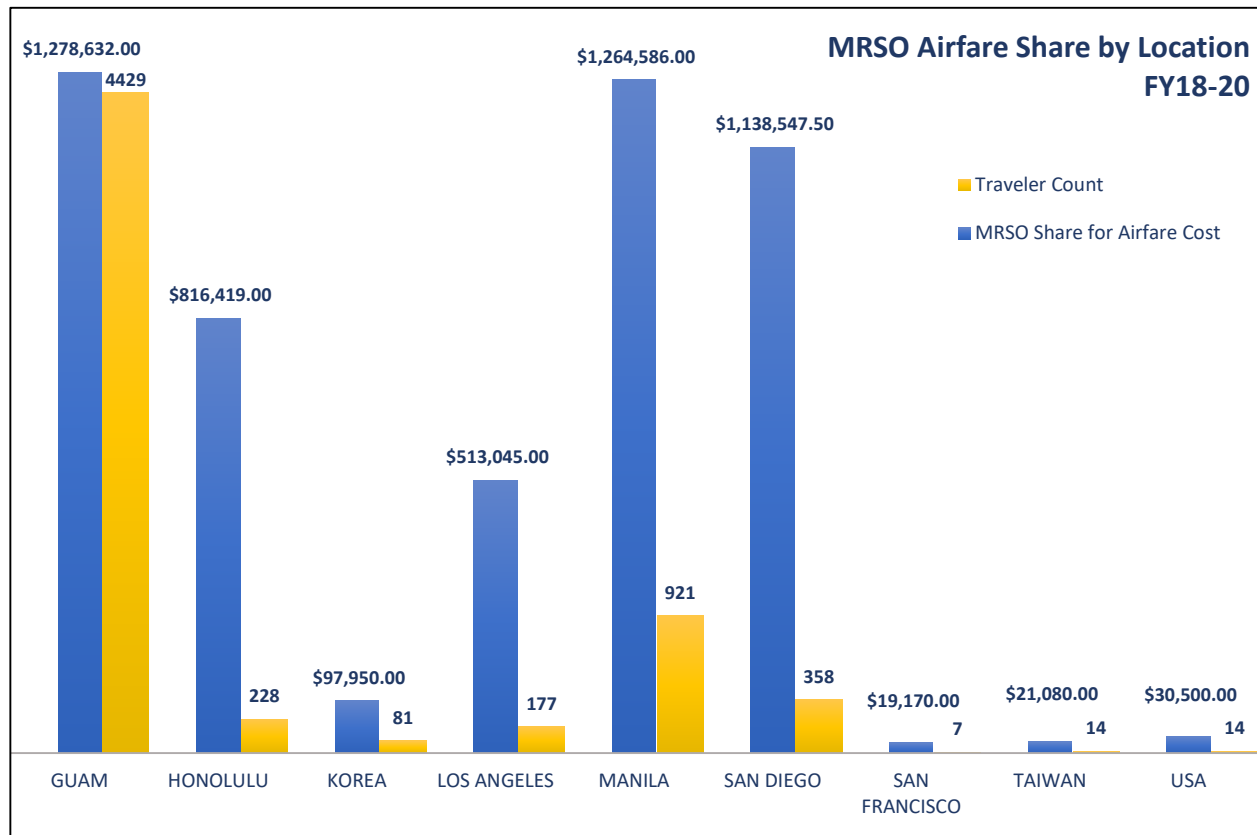
Source: OPA Analysis

\*Average airfare for other US locations

OPA learned that the predetermined high-cost airfare rates were considered to be “special rates” set by a travel agency through a previous agreement. However, MRSO could not provide a copy of the agreement. OPA requested for a copy of the agreement from the travel agencies associated with MRSO; however, none of the travel agencies had existing or previously executed agreements with MRSO.

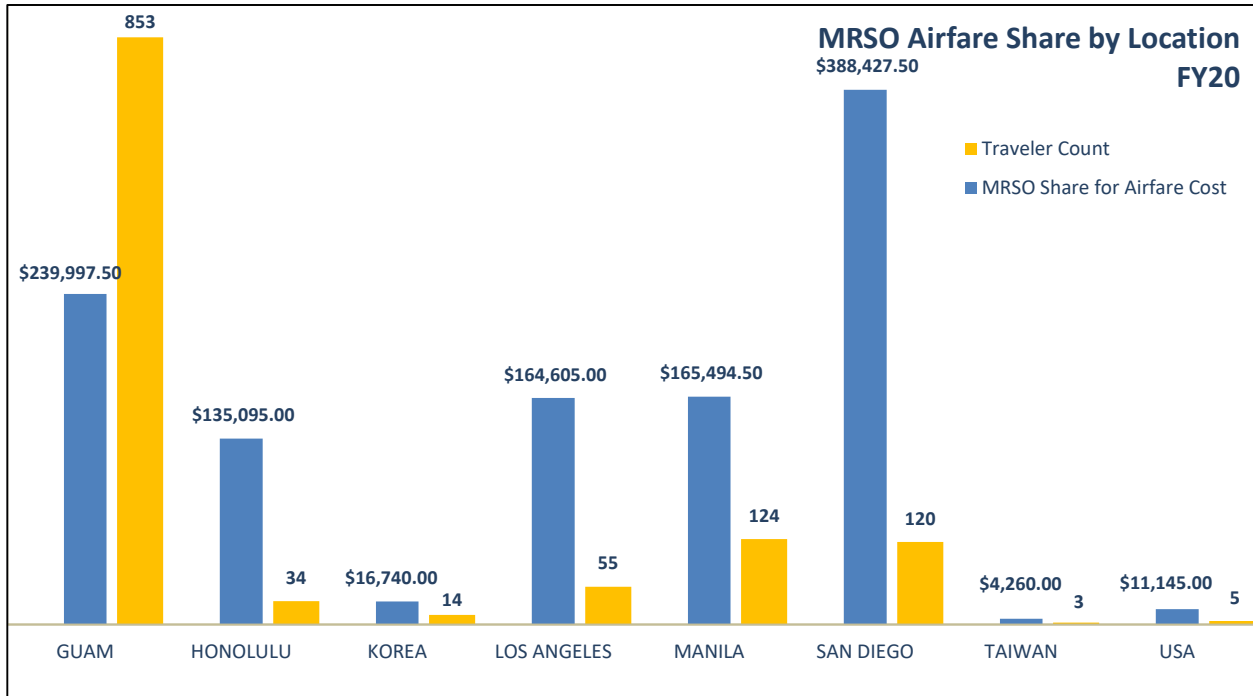
OPA also requested for a listing of all airfares purchased for medical referral patients and escorts for the period of FY18-20 from travel agencies associated with MRSO. Based on the data provided by the travel agencies, OPA found significant disparities between the number of travelers sent to Guam, Honolulu, Manila, and San Diego in FY18-20. Despite the disparities of travelers to these locations, the costs incurred across referral locations are comparable (See Figures 6, 7, 8, and 9).

Figure 6. OPA Analysis of MRSO's Airfare Share by Location for FY18-20



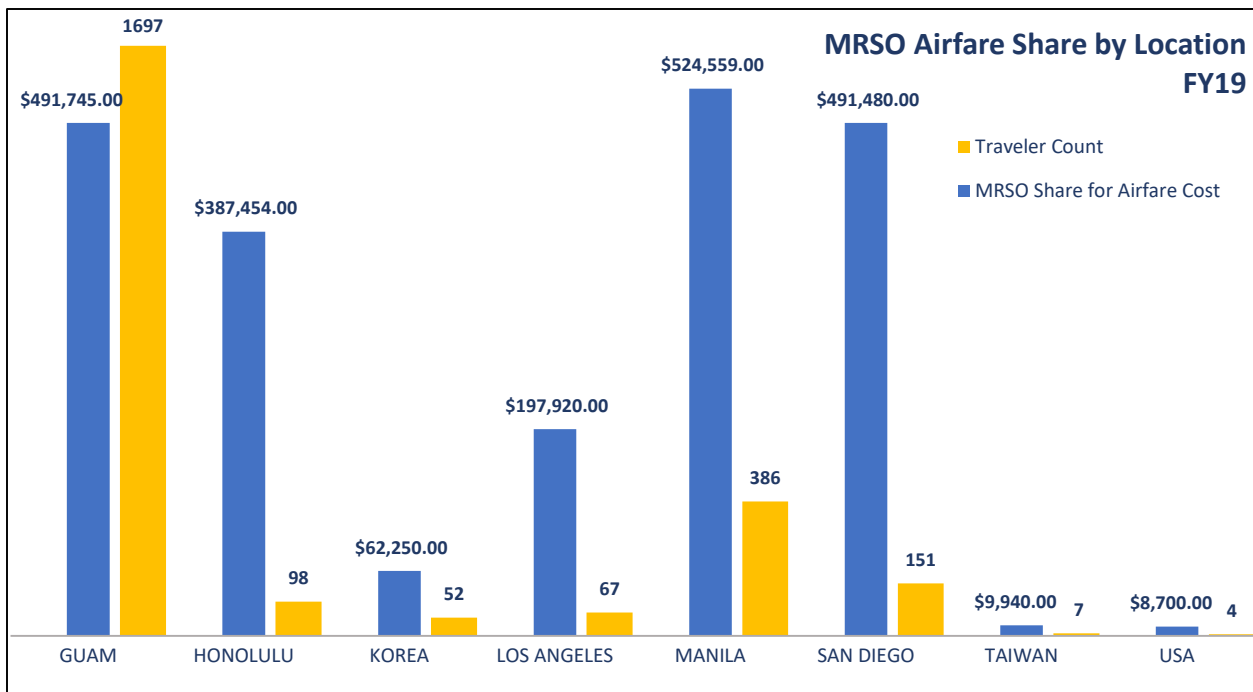
Source: Invoices provided by CNMI Travel Agencies

Figure 7. OPA Analysis of MRSO's Airfare Share by Location for FY20



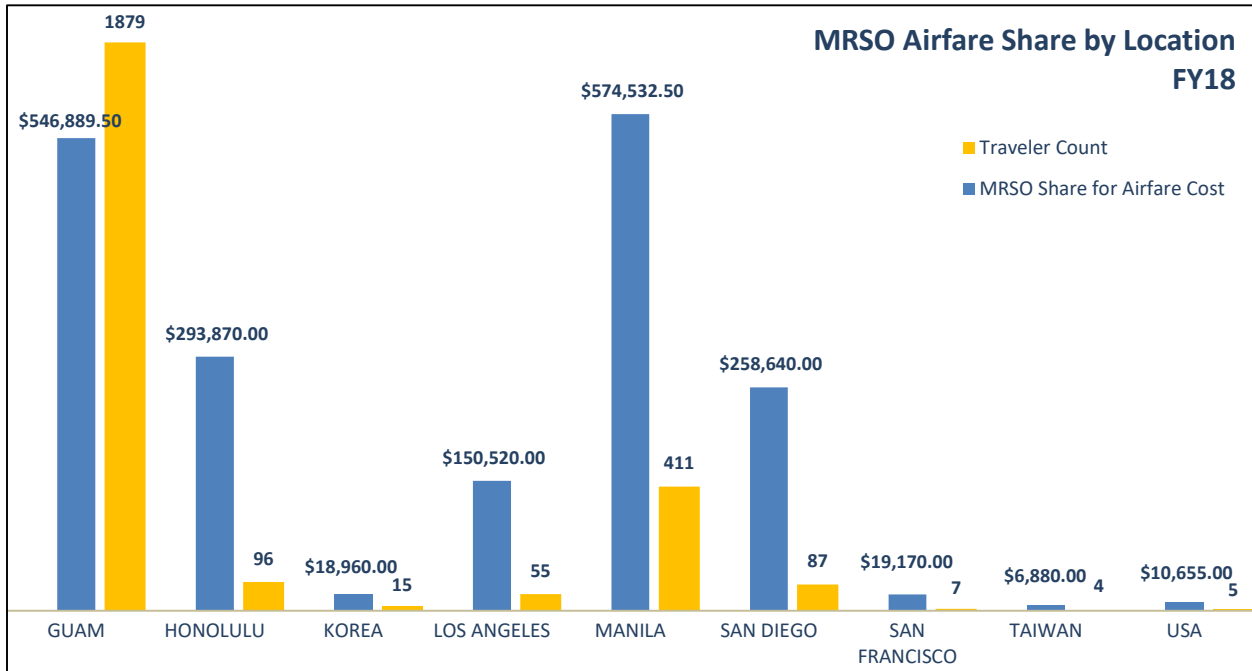
Source: Invoices provided by CNMI Travel Agencies

Figure 8. OPA Analysis of MRSO's Airfare Share by Location for FY19



Source: Invoices provided by CNMI Travel Agencies

Figure 9. OPA Analysis of MRSO's Airfare Share by Location for FY18



Source: Invoices provided by CNMI Travel Agencies

**Recommendation(s):**

- Negotiate and establish an agreement with applicable travel agencies to ensure cost effective airfare rates for patients and escort.

**6. MRSO lacks internal controls pertaining to the use of public funds through the imprest fund accounts**

Each MRSO Office (Saipan, Guam and Hawaii) has a designated imprest fund account with a maximum fund balance of \$50,000. Similar to the use of a petty cash fund, these imprest fund accounts are used for various expenses which includes, but is not limited to:

- patient and escort airfare purchases,
- subsistence allowances,
- operation expenses for the satellite offices, and
- vehicle leases and fuel.

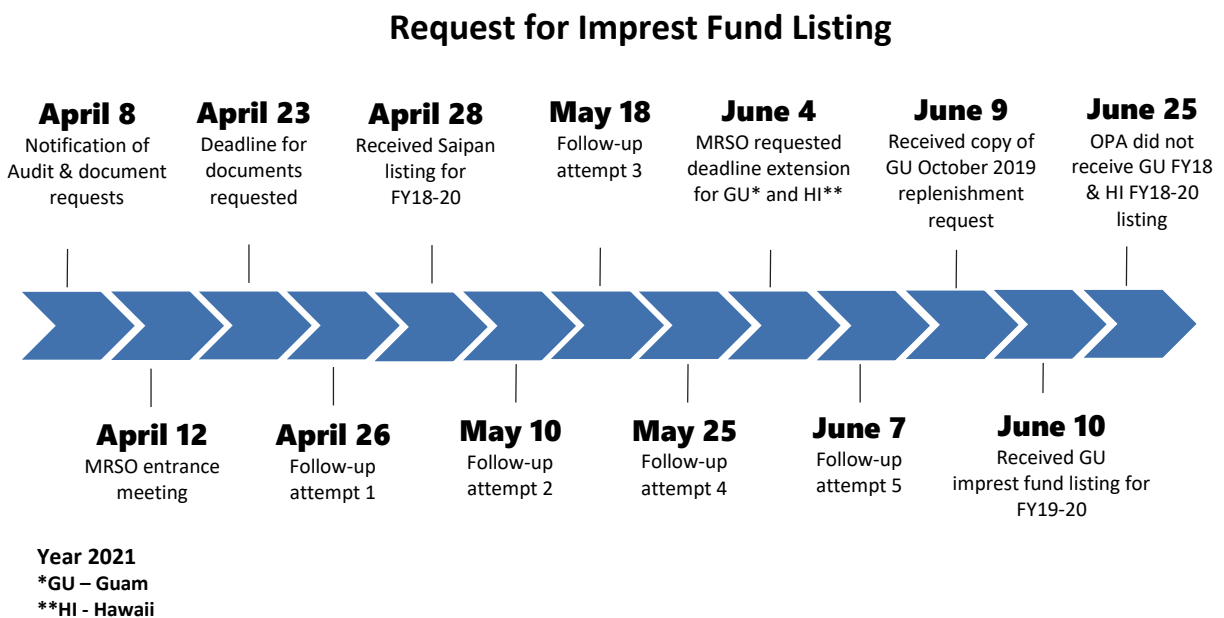
MRSO does not have standard operating procedures for its usage and replenishment of the imprest fund accounts. Furthermore, interviews conducted with MRSO indicates inconsistencies pertaining to (1) the replenishment process of the three imprest fund accounts and (2) the process of restocking of imprest fund checks.

To aid with the review of MRSO’s current internal controls for the use of all three imprest fund accounts, OPA requested for a listing of all expenses made through each of the imprest fund accounts for the periods of FY18-20. However, OPA only received a listing of all expenses made through:

- the Saipan office imprest fund account for FY18-20; and
- the Guam satellite office imprest fund account for FY19-20.

The Hawaii satellite office did not provide a listing of all expenses made through its imprest fund account for the periods of FY18-20. Figure 10 reflects OPA’s follow-up attempts to obtain the requested listing of imprest fund expenses.

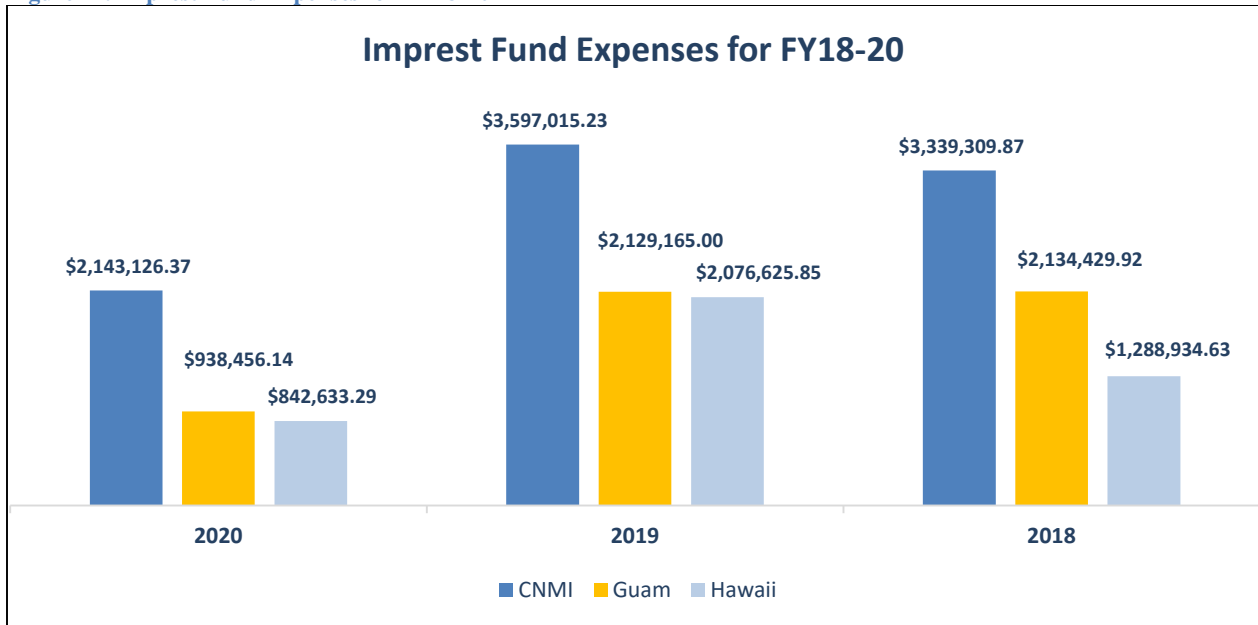
**Figure 10. OPA Timeline of Follow-up Attempts for Imprest Fund Listings from MRSO Saipan, Guam, and Hawaii**



Source: OPA Communication

Based on interviews conducted, OPA learned that the replenishment of the \$50,000 imprest fund account for each of the offices may occur more than once a week and is never denied. Furthermore, a review of the data provided by DOF reflects a significant amount of expense made using the imprest fund accounts (See *Figure 11*). The lack of standard operating procedures for the usage and replenishment of the imprest fund accounts poses a risk of improper use of the imprest funds.

**Figure 11. Imprest Fund Expenses for FY18-20**



**Source:** CNMI Department of Finance

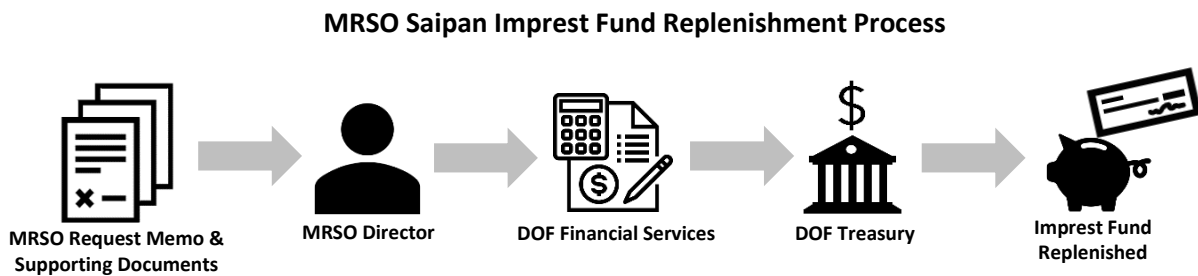


### *Inconsistent Replenishment Processes*

According to the Standards, management may design a variety of control activities to include verification and supervisory activities. The process to request for replenishment of the imprest fund accounts vary per MRSO office (See *Figures 12 and 13*).

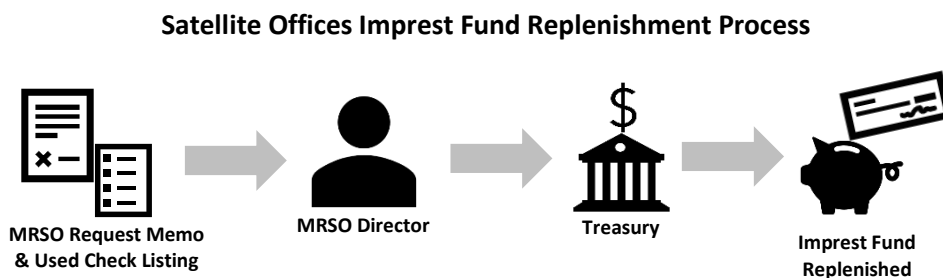
For the Saipan office, all documents justifying the used checks from the imprest fund account are sent by the MRSO Director to DOF for review, reconciliation, and approval for replenishment (e.g., invoices, receipts, etc.). For the Guam and Hawaii satellite offices, a list of the used checks is submitted to the Director of MRSO at the Saipan office for review and approval, then forwarded to DOF for reconciliation and replenishment. All physical invoices for imprest fund expenses in the Guam and Hawaii satellite offices are kept at their respective office. The Director of MRSO will only request for specific physical invoices applicable to the transaction(s) in question.

**Figure 12. MRSO Saipan Imprest fund replenishment process**



Source: OPA Analysis of MRSO's Current Processes

**Figure 13. MRSO Satellite Offices Imprest fund replenishment process**



Source: OPA Analysis of MRSO's Current Processes

Based on an interview conducted, OPA learned that MRSO and DOF implemented the use of a check writer system at the Guam and Hawaii satellite offices to (1) monitor the use of the imprest fund accounts and (2) ensure the availability of funds prior to the issuance of checks. Although the check writer system improved the booking of used funds into the general ledger, OPA learned that manual checks continue to be manually prepared in the Hawaii satellite office for vendor payments that require upfront payment.

### *Inconsistencies pertaining to utilizing and restocking imprest fund checks*

According to the Standards, management is required to ensure the segregation of duties. In addition, the Standards mentions that smaller organizations may find the task of segregating duties challenging. However, management “can respond to this increased risk through the design of the internal control system, such as adding additional levels of review for key operational processes...or checking supervisory reconciliations”.

The Saipan office and the Guam satellite office are responsible for (1) requesting to restock checks from DOF and (2) maintaining an inventory of all checks received and used. An interview with DOF revealed that the Hawaii satellite office must inform DOF before restocking its imprest fund checks. However, OPA learned from the Hawaii satellite office that its checks are ordered directly from the Bank of Hawaii – Hawaii Branch.

The interview also revealed that the Hawaii satellite office does not have standard operating procedures in place to provide guidance on the appropriate steps to take in the event that the OIC is out of the office. A review of documents indicated that a single individual from the Hawaii satellite office is authorized to prepare and sign checks on behalf of the OIC. The lack of segregation of duties in the Hawaii satellite office poses a risk of potential fraud, waste, and abuse.

OPA requested for a universal listing of all the checks issued from the three respective imprest fund accounts for FY18-20. OPA did not receive the requested listing from the Hawaii satellite office for review. However, OPA received the listing of all checks issued in FY18-20 from the Saipan office and FY19-20 from the Guam satellite office.

According to the Saipan office, all checks used from the Saipan imprest fund account are logged and inventoried. However, a listing of unused checks does not exist. OPA learned from an interview conducted that the listing of used checks for the Guam satellite office imprest fund account are categorized based on the purpose of expense (i.e. subsistence allowance, fuel, booked rooms outside contracted vendors, etc). On the contrary, the Guam satellite office does not have a universal inventory log. Based on the interview and further review of the documents provided, OPA notes that these listings are not in sequential order. The lack of one universal inventory log puts the Guam satellite office at risk for misuse and inhibits timeliness of reconciliation. In addition, the lack of internal controls to monitor and document used, voided, stale, or unused checks leaves the office at a risk for fraud, waste, and abuse of government funding.

#### **Recommendation(s):**

- Implement standard operating procedures for all three offices to safeguard check inventory of all used and unused checks.

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# Conclusion and Recommendations

The purpose of the Medical Referral Services Office (MRSO) is to provide residents of the Commonwealth of the Northern Mariana Islands (CNMI) with the means of receiving medical care and treatment for conditions which are life threatening and/or not readily available within the Commonwealth. However, the lack of effective internal controls has led the entity to spend \$27 million over its budget for the periods of FY18-19 (See *Table 1*). In addition, the OAG determined that Executive Order No. 2013-09 has no legal authority to re-allocate MRSO from the Commonwealth Healthcare Corporation to the Office of the Governor.

## Recommendation Summary

We recommend that MRSO:

1. Develop a plan to meet with all stakeholders and establish proper internal controls to ensure an affordable, effective, and equitable program.
2. Collaborate with applicable stakeholders to review previously executed contracts and/or agreements and renegotiate terms to ensure a cost effective and equitable program.
3. Implement standard operating procedures to ensure proper reconciliation of all vendor billings and payments.
4. Seek additional assistance from the OAG for further proceedings pertaining to the collection of promissory note(s) payments.
5. Implement standard operating procedures to ensure fair and equitable assessment of patient and escort eligibility in compliance with the applicable requirements established in MRSO's laws and internal policies.
6. Negotiate and establish an agreement with applicable travel agencies to ensure cost effective airfare rates for patients and escort.
7. Implement standard operating procedures for all three offices to safeguard check inventory of all used and unused checks.

## Summary of Responses

Please see APPENDIX 5 for MRSO's detailed response and APPENDIX 6 for CHCC's detailed response.

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# Appendix 1. Scope and Methodology

Our audit objective primarily focuses on the following key areas:

1. The renewal, renegotiation and/or extension of vendor contracts and agreements, and the reconciliation of vendor payment;
2. The execution of promissory notes and the collection of applicable patient payments;
3. The determination of patient and/or escort eligibility for medical and airfare financial assistance;
4. Internal controls pertaining to the replenishment and expenditure of funds from the imprest fund account, including but not limited to the reordering of applicable “checks” for each imprest fund account.

The Office of the Public Auditor (OPA) performed audit procedures to achieve the following:

1. Gained an understanding of the following:
  - a. applicable laws, regulations, memorandums, internal policies, and/or directives relevant to Medical Referral Services Office’s (MRSO) operations;
  - b. relevant prior OPA audit assignments; and
  - c. MRSO’s procedures pertaining to the four key areas listed above.
2. Requested for:
  - a. Copies of policies and procedures, if any, pertaining to the four key areas listed above;
  - b. Copies of all current/updated vendor contracts and agreements, if any;
  - c. All Vendor 9 (from December 1, 2019 to present):
    - i. listing and/or logs of invoices for all claims paid and all 15% access cost monthly fees;
    - ii. listing and/or logs of all Funds Transfer Confirmations;
    - iii. bank statements for the revolving account; and
    - iv. expense reports indicating CNMI “savings”.
  - d. A listing and/or log of all:
    - i. executed promissory notes;
    - ii. referred patients and escorts for the period of October 1, 2017 to September 30, 2020;
    - iii. invoices and billings pertaining to vendor payments for the period of October 1, 2017 to September 30, 2020;
    - iv. imprest fund expenses for the period of October 1, 2017 to September 30, 2020; and
    - v. used and unused imprest fund checks for the period of October 1, 2017 to September 30, 2020.
3. Requested for the OAG’s opinion regarding MRSO’s legal basis for executing and issuing promissory notes.
4. Interviewed key staff from MRSO and/or other affiliated government agencies and private vendors, if applicable, to document a walk-through of their processes pertaining to the four key areas.
5. Conducted sample testing procedures on the following:

- a. Current contracts and agreements, if any, to determine contract validity, vendor compliance with contractual agreements, and reconciliation of payments to vendors;
  - b. Referred patients and/or escorts that received financial assistance for medical and air transportation expenses; and
  - c. Internal controls pertaining to the replenishment of all imprest fund accounts.
6. Conducted interviews and walk-throughs to corroborate and substantiate current process and practices.
7. Analyzed the results from all testing performed to determine the effectiveness of MRSO's internal controls such as the:
  - a. process to renew or renegotiate contracts and agreements;
  - b. assessment of patient and escort eligibility requirements; and
  - c. process to replenish imprest fund accounts and restock check inventory.
8. Summarized audit results.

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

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## Appendix 2. Prior Audit Coverage

OPA has not conducted an audit specifically on the internal controls of the Medical Referral Services Office Cash Management, but has conducted audits on other areas as well as associated agency.

	Report Date & Number	Agency	Audit Title
1.	AR-05-03 08/12/2005	Hawaii Liaison Office	Audit of the Marianas Hawaii Liaison Office
2.	M-02-07 08/19/2002	Northern Mariana Islands Retirement Fund	Northern Mariana Islands Retirement Fund Investigation Report on the Hawaii Pacific Medical Referral Contract
3.	AR-LT-98-06 07/7/1998	Medical Referral Services Office	Audit on MRSO Reconciliation of Medical Claims with Straub Clinic and Hospital, Inc

# Appendix 3. OPA Request for Attorney General's Opinion



## Office of the Public Auditor

Commonwealth of the Northern Mariana Islands  
Website: <http://opacnmi.com>  
1236 Yap Drive, Capitol Hill, Saipan, MP 96950

Mailing Address:  
P.O. Box 501399  
Saipan, MP 96950  
E-mail Address:  
[mail@opacnmi.com](mailto:mail@opacnmi.com)  
Phone: (670) 322-6481  
Fax: (670) 322-7812

March 17, 2021

The Honorable Edward Manibusan  
Attorney General  
Office of the Attorney General  
Caller Box 10007  
Saipan, MP 96950

*Rec'd  
3/17/2021  
AG*

Dear Attorney General Manibusan:

**Re: Attorney General's Opinion Regarding Medical Referral's Authority to Execute Promissory Notes**

The Office of the Public Auditor (OPA) is requesting the Office of the Attorney General (OAG) to give an opinion on whether the Medical Referral Services Office (MRSO) has a legal basis to execute promissory notes to referral patients for medical financial assistance. If so, OPA requests for the OAG to identify an expenditure authority that will be responsible for formally executing MRSO promissory notes.

On July 16, 2020, OPA met with the Acting Director of the MRSO, Ronald Taisacan, and related personnel to initiate an audit on the MRSO.

During the survey phase of our audit, OPA found that MRSO is currently executing promissory notes as a mechanism to provide medical financial assistance for referral patients who:

- 1.) Have reached the lifetime limit of \$80,000 under the Medical Referral Indigent Program and need further assistance beyond the lifetime limit to meet his/her medical financial obligations;
- 2.) Do not have an alternate means to pay for his/her copayment; or
- 3.) Do not have any insurance coverage and do not qualify for the Travel for Treatment (T4T) Program under the Medical Referral Indigent Program and seek assistance to pay for his/her medical financial obligation.

The current process for issuing promissory notes only requires a verbal request to the Director or Acting Director from any MRSO caseworker when a patient is faced with one or more of the situations explained above. Once approved, the caseworker will prepare a promissory note for the patient to sign. A memo dated August 20, 2019 from the Governor, granted Angel Demapan the position of expenditure authority for all MRSO vendor contracts; however, this memo does not specify a specific individual to be responsible for executing promissory notes. The promissory notes do not require a signature from any authorized personnel acting on behalf of MRSO nor do the executed promissory notes need to be notarized.

Furthermore, each approved referral patient is entitled to an \$80,000 lifetime limit financial assistance under MRSO's indigent program. According to § 75-50-715 of MRSO's regulations,

**“Any medical expense in excess of the lifetime limit shall be the patient’s full responsibility. Medical Referral Services shall only assist with applicable air transportation and maintenance costs for future referrals of patients who have reached or exceeded the lifetime limit. Any medical estimate or expense shall solely be the patient’s responsibility.”**

Although the regulations state that the patient must be fully responsible for any medical expense exceeding the allowable lifetime limit, MRSO continues to execute promissory notes for any expense in excess of \$80,000.

On July 23, 2020, MRSO provided OPA with a listing of all promissory executed from 1995 to present. The execution of promissory notes has resulted in an estimated total of \$12 million in additional financial assistance to referred patients. Of which, only an estimated \$420,000 was collected throughout the years, leaving an estimated collectible amount of over \$11 million as of July 23, 2020.

OPA notes that MRSO does not have any enabling statute and is treated like a line-item program within budget appropriation laws. The only law that currently exists for MRSO is 3 CMC § 2199 Medical Referral Patient Family Escort, which establishes the requirements that must be met in order for a patient to be entitled to one family or friend escort at government expense. Although MRSO has one set of regulations, neither the law nor the regulations indicate MRSO’s legal basis or guidance to execute promissory notes to referral patients for their medical financial obligations.

To reiterate, OPA is requesting the OAG to give an opinion on whether MRSO has a legal basis to execute promissory notes to referral patients for medical financial assistance. If so, OPA requests for the OAG to identify an expenditure authority that will be responsible for formally executing MRSO promissory notes.

Please feel free to reach me at 322-6481 if you need additional information or have further questions.

Sincerely,



Kina B. Peter, CPA  
Public Auditor

Enclosure



# Appendix 4. Attorney General's Opinion



## Commonwealth of the Northern Mariana Islands Office of the Attorney General

2<sup>nd</sup> Floor Hon. Juan A. Sablan Memorial Bldg.  
Caller Box 10007, Capitol Hill  
Saipan, MP 96950

EDWARD MANIBUSAN  
Attorney General

LILLIAN A. TENORIO  
Deputy Attorney General

June 16, 2021

OAGOPA: 2021-248

Kina B. Peter  
Public Auditor  
Office of the Public Auditor  
1236 Yap Drive, Capitol Hill  
Saipan, MP 96950

### RE: Medical Referral's Authority to Execute Promissory Notes

Dear Public Auditor Peter:

Thank you for seeking my office's opinion regarding the issue of Medical Referral's legal authority to execute promissory notes.

As your letter correctly notes, the Medical Referral Services Office (MRSO) has no enabling statute and "is treated like a line-item program within budget appropriation laws." You state that "[t]he only law that currently exists for MRSO is 3 CMC § 2199, Medical Referral Patient Family Escort, pertaining to government-subsidized patient-escort requirements. This is true, but there is also another statute that mentions the MRSO program under the Government Liability Act, 7 CMC § 2204(d)<sup>1</sup>.

Without any apparent enabling statutory authority, MRSO was initially placed under the Department of Public Health. However, in January of 2010, through Public Law 16-51, the Commonwealth Healthcare Corporation was legally empowered to handle medical referral matters; and it effectively took control of the medical referral activities under its predecessor, the Department of Public Health.

Public Law 16-51 established the Commonwealth Healthcare Corporation as a public corporation, "to coordinate the delivery of quality healthcare to all Commonwealth residents in a financially responsible manner." PL 16-51 § 2. The law only specifically mentions medical referral in two parts under Section 3 of the public law. First, under subsection b, it states that "[t]he Corporation shall assume the functions and duties of the (1) Commonwealth Health Center; (2) the Clinics including the Rota Health Center, Tinian Health Center, the Women's Clinic, and the Children's Clinic; (3) the Community Guidance Center; (4) **interisland medical referral services**; and (5) other clinics, operations and function of the Department of Public Health as may be transferred to the Corporation by the Secretary of Public Health. PL 16-51 § 3 (with emphasis). Second, the law mentions "medical referral" only as follows: "Establish a schedule of market

<sup>1</sup> Exceptions. The government is not liable for the following claims: Any claim based on denial of, or failure to make, a medical referral to a medical facility outside the Commonwealth. 7 CMC § 2204(d).

Civil Division  
Telephone: (670) 237-7500  
Facsimile: (670) 664-2349

Criminal Division  
Telephone: (670) 237-7600  
Facsimile: (670) 234-7016

Attorney General's Investigation Division  
Telephone: (670) 237-7627  
Facsimile: (670) 234-7016

Victim Witness Advocacy Unit  
Telephone: (670) 237-7602  
Facsimile: (670) 664-2349

oriented [sic] fees to be charged for care and service at its facilities **and implement and administer low income means testing prior to the expenditure of public funds for medical referral** and other healthcare services." *Id.* (with emphasis). Significantly, the law makes no other mention of the words "medical referral" anywhere in the Act. More significantly, the law does not actually establish a medical referral office within the executive branch; rather, it established a Commonwealth Healthcare Corporation (within the executive branch), with the legal authority to address medical referral as rather limitedly described above. In other words, the law does not establish a medical referral office at all; it merely authorizes the new Commonwealth Healthcare Corporation and empowered it with the medical referral function within the new corporation.

The law also authorized the Corporation to "have and exercise each and all of the following powers: (a) Full authority to discharge the functions and duties provided by law to the Department of Public Health and transferred under this chapter to the Corporation . . . [to] [a]dopt such rules and regulations as may be necessary for the exercise of the Corporation's powers, performance of its duties, and administration of its operations . . . [and to] **[a]dopt regulations determining when off-island care is necessary and appropriate.**" PL 16-51 § 3 (with emphasis).

The Act also states that "[o]ff-island care shall not be a liability of the Corporation," and that [o]ff-island care shall be funded separately from the Corporation's funding, whether by a separate legislative appropriation or from an independent source of funding, such as universal coverage insurance or some combination thereof." *Id.*

Subsequently, in May of 2013, Governor Eloy S. Inos executed Executive Order No. 2013-09, ordering that, pursuant to his constitutional re-organization powers, "[t]he Commonwealth Healthcare Corporation shall relinquish responsibility for the administration and operation of the Off-Island Medical Referral Program; and the Office of the Governor shall assume responsibility for the administration and operation of the Off-Island Medical Referral Program.

Governor Inos based his legal authority for Executive Order No. 2013-09 on Article III, Section 15, of the CNMI Constitution:

Executive branch offices, agencies and instrumentalities of the Commonwealth government and their respective functions and duties shall be allocated by law among and within not more than fifteen principal departments so as to group them so far as practicable according to major purposes. Regulatory, quasi-judicial and temporary agencies need not be a part of a principal department. **The functions and duties of the principal departments and of other agencies of the Commonwealth shall be provided by law.** The legislature may reallocate offices, agencies and instrumentalities among the principal departments and may change their functions and duties. **The governor may make changes in the allocation of offices, agencies and instrumentalities and in their functions and duties that are necessary for efficient administration.** If these changes affect existing law, they shall be set forth in executive orders which shall be submitted to the legislature and shall become effective sixty

days after submission, unless specifically modified or disapproved by a majority of the members of each house of the legislature.

NMI Const. art. III, § 15 (with emphasis).

What is important to note in Art. III, § 15, above, is that “only the legislature may create a new executive branch agency.” *Torres v. Commonwealth Utilities Corp.*, 2009 MP 14 ¶ 19. The CNMI Supreme Court describes this constitutional provision as follows:

The first half of Article III, Section 15 addresses the creation of a government entity, while the second half addresses the authority to make changes within those entities that already exist. The first part of Article III, Section 15 states that “[e]xecutive branch offices, agencies and instrumentalities of the Commonwealth government and their respective functions and duties shall be allocated *by law*.” NMI Const. art. III, § 15 (emphasis added). Moreover, “[t]he functions and duties of the principal departments and of other agencies of the Commonwealth shall be provided *by law*.” *Id.* (emphasis added). Since Article II vests law-making authority in the legislature, and Article III, Section 15 states that agencies are created “by law,” the framers of the Constitution likely intended the legislature to be the branch responsible for creating executive branch agencies.

*Id.* (citing Art. III, § 15).

The issue here is that the Legislature never created a “Medical Referral Services Office,” or such an agency or instrumentality. The Legislature merely established a Commonwealth Healthcare Corporation with the authority to provide medical referral services within that agency, as part of its functions. A function alone, however, cannot be legally re-allocated by executive order. Art. III, § 15 states that “[t]he governor may make changes in the allocation of offices, agencies and instrumentalities and in their functions and duties that are necessary for efficient administration.” NMI Const. art. III, § 15. If the Governor is to make changes in the allocation of office functions by executive order, there must first be an office established by law for the function to be re-allocated to the receiving office. The Constitution does not permit the re-allocation of an office function to a new government entity unless created by the legislature. *Torres v. Commonwealth Utilities Corp.*, 2009 MP 14 ¶ 20 (stating that only the legislature may create a new government entity). A governor can re-allocate functions and duties, but he cannot create an entirely new government entity to which such duties and functions will be assigned. *Id.* ¶ 18. In this case, Governor Inos improperly created a new government entity, the Medical Referral Services Office, and assigned to it a mere function of the Commonwealth Healthcare Corporation, without statutory authority, making the executive order *ultra vires*. It is of no consequence that the Legislature did not reject the executive order when it was presented. *Id.* ¶ 14. The governor cannot usurp legislative authority by creating a new office within the executive branch. *Dep’t of Pub. Lands v. N. Mariana Islands*, 2010 MP 14 ¶ 26 (citing *Sonoda v. Cabrera*, 1997 MP 5 ¶ 7).

As a non-autonomous executive branch agency, the “Medical Referral Services Office” has no rights and no legal authority except that which is provided to it by law, whether by constitution or statute. *Northern*

*Marianas College v. Civil Serv. Comm'n*, 2006 MP 4 ¶ 8. Unfortunately, the Commonwealth Legislature never created a "Medical Referral Services Office" with established functions by law. As such, the MRSO regulations promulgated by the executive branch in NMIAC § 75-50-001 et. seq. are without legal force and effect.

Thus, to answer your question, MRSO has no legal basis to execute promissory notes to medical referral patients for medical financial assistance.

Thank you again for seeking an opinion from my office.

Sincerely,

  
EDWARD MANIBUSAN  
Attorney General

# Appendix 5. MRSO's Response

## AGENCY RESPONSE TO THE AUDIT FINDINGS

Pursuant to 1 CMC § 7823, the Office of the Public Auditor (OPA) maintains an Audit Recommendation Tracking System to monitor the implementation and resolution of recommendations, and publishes a status report on a semi-annual basis. OPA will contact your agency to evaluate your compliance with the recommendations every June and December until all recommendations are resolved.

SECTION 1 – AUDIT GENERAL INFORMATION	
Agency Name:	Medical Referral Services Office
Report No.:	21-03
Report Title:	Audit of the CNMI Medical Referral Services Office
Draft Report Issuance Date:	August 4, 2021
SECTION 2 – RECOMMENDATIONS AND CORRECTIVE ACTION	
Finding:	1. MRSO's organizational structure is unclear.
Recommendation:	1. Develop a plan to meet with all stakeholders and establish proper internal controls to ensure an affordable, effective, and equitable program.
Does your agency agree with the finding? <i>(If you disagree, provide an explanation and supporting evidence.)</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  Explanation:  Click or tap here to enter text.
Corrective Action: <i>(Provide detailed steps for implementing the recommendation and actions to preclude re-occurrence of the finding)</i>	Since the inception of Medical Referral Program, there was no official statute to establish its program. We take the position following the OAG's second recommendation, that the office of the Governor assume the responsibility for the administration and operation of the off-island Medical Referral Program. To encourage a legislative process in line with OAG recommendation to legally establish MRS as an independent agency under the Executive Branch and appropriately funded.
Proposed Completion Date: <i>Provide the date (mm/dd/yy) your agency expects to implement the recommendation(s).</i>	Pending legislative action, proposed completion is currently in process.
Point of Contact Name:	Ronald D. Sablan
Title:	Director
Phone Number:	483-8620
Email:	rdsablan@medrefcnmi.com


<b>Finding:</b>	<b>2. MRSO lacks internal controls pertaining to its contracts and agreements.</b>
<b>Recommendation:</b>	<b>2. Collaborate with applicable stakeholders to review previously executed contracts and/or agreements and renegotiate terms to ensure a cost effective and equitable program.</b>
Does your agency agree with the finding? <i>(If you disagree, provide an explanation and supporting evidence.)</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  Explanation:  Click or tap here to enter text.
Corrective Action: <i>(Provide detailed steps for implementing the recommendation and actions to preclude re-occurrence of the finding)</i>	Prior to February 2019, the OPA's recommendation was MRS standard practice. Now, the Special Assistant for Administration is responsible for contracts as appointed by the Governor, and MRS is not prevy to any contract negotiations and approvals.
Proposed Completion Date: <i>Provide the date (mm/dd/yy) your agency expects to implement the recommendation(s).</i>	Immediately as contract negotiation is referred back to MRS, proposed completion date will be proposed.
Point of Contact Name:	Ronald D. Sablan
Title:	Director
Phone Number:	483-8620
Email:	rdsablan@medrefcnmi.com
<b>Finding:</b>	<b>2. MRSO lacks internal controls pertaining to its contracts and agreements.</b>
<b>Recommendation:</b>	<b>3. Implement standard operating procedures to ensure proper reconciliation of all vendor billings and payments.</b>
Does your agency agree with the finding? <i>(If you disagree, provide an explanation and supporting evidence.)</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No  Explanation:  Click or tap here to enter text.

<b>Corrective Action:</b> <i>(Provide detailed steps for implementing the recommendation and actions to preclude re-occurrence of the finding)</i>	Click or tap here to enter text.	
<b>Proposed Completion Date:</b> <i>Provide the date (mm/dd/yy) your agency expects to implement the recommendation(s).</i>	Click or tap here to enter text.	
<b>Point of Contact Name:</b>	Click or tap here to enter text.	
<b>Title:</b>	Click or tap here to enter text.	
<b>Phone Number:</b>	Click or tap here to enter text.	
<b>Email:</b>	Click or tap here to enter text.	
<b>Finding:</b>	<b>3. MRSO does not have a legal basis to execute promissory notes.</b>	
<b>Recommendation:</b>	<b>4. Seek additional assistance from the OAG for further proceedings pertaining to the collection of promissory note(s) payments.</b>	
<b>Does your agency agree with the finding?</b> <i>(If you disagree, provide an explanation and supporting evidence.)</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  <b>Explanation:</b> Click or tap here to enter text.	
<b>Corrective Action:</b> <i>(Provide detailed steps for implementing the recommendation and actions to preclude re-occurrence of the finding)</i>	MRS Promissory Notes was in existence since its inception, without the full knowledge of it's legal basis to execute Promissory Notes. Promissory Notes were executed when patients currently receiving treatment, had no resources and/or have exceeded their life time limit. MRS has made attempts to seek assistance from OAG to assist in clarifying the promissory notes and how to easily execute for collection purposes.	
<b>Proposed Completion Date:</b> <i>Provide the date (mm/dd/yy) your agency expects to implement the recommendation(s).</i>	Proposed completion date will be incorporated with the proposed legislative bill, or will work out a legal procedure to correct the current concern.	
<b>Point of Contact Name:</b>	Ronald D. Sablan	
<b>Title:</b>	Director	
<b>Phone Number:</b>	483-8620	
<b>Email:</b>	rdsablan@medrefcnmi.com	

<b>Finding:</b>	<b>4. MRSO is not compliant with applicable laws and internal policies.</b>
<b>Recommendation:</b>	<b>5. Implement standard operating procedures to ensure fair and equitable assessment of patient and escort eligibility in compliance with the applicable requirements established in MRSO's laws and internal policies.</b>
Does your agency agree with the finding? <i>(If you disagree, provide an explanation and supporting evidence.)</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  <b>Explanation:</b> Click or tap here to enter text.
<b>Corrective Action:</b> <i>(Provide detailed steps for implementing the recommendation and actions to preclude re-occurrence of the finding)</i>	Standard Operating Procedure (SOP) was in place during audit. SOP was updated before audit was completed to include reference to standard processing forms and patient briefing requirements. Compliance will be closely monitored.
<b>Proposed Completion Date:</b> <i>Provide the date (mm/dd/yy) your agency expects to implement the recommendation(s).</i>	Immediately.
<b>Point of Contact Name:</b>	Ronald D. Sablan
<b>Title:</b>	Director
<b>Phone Number:</b>	483-8620
<b>Email:</b>	rdsablan@medrefcnmi.com
<b>Finding:</b>	<b>5. Patients and/or escorts are sent on medical referral at high-cost unrestricted economy airfare rates.</b>
<b>Recommendation:</b>	<b>6. Negotiate and establish an agreement with applicable travel agencies to ensure cost effective airfare rates for patients and escort.</b>
Does your agency agree with the finding? <i>(If you disagree, provide an explanation and supporting evidence.)</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  <b>Explanation:</b> Click or tap here to enter text.



<b>Corrective Action:</b> <i>(Provide detailed steps for implementing the recommendation and actions to preclude re-occurrence of the finding)</i>	Medical Referral Fee was established to avoid charges on date change, rebooking, cancellation and reissuance fees which depended on patient medical status. Recently, a new travel agency challenged the fixed fee to our advantage and now are subject to MRS negotiations with other agencies to avail to lower fees available. MRS will deal directly with airline, and bypass the travel agencies using credit card to avail the lowest cost available and avoid the aforementioned charges. This is currently in final stage of negotiation.
<b>Proposed Completion Date:</b> <i>Provide the date (mm/dd/yy) your agency expects to implement the recommendation(s).</i>	To be finalized upon issuance of credit card.
<b>Point of Contact Name:</b>	Ronald D. Sablan
<b>Title:</b>	Director
<b>Phone Number:</b>	483-8620
<b>Email:</b>	rdsablan@medrefcnmi.com
<b>Finding:</b>	<b>6. MRSO lacks internal controls pertaining to the use of public funds through the imprest fund accounts.</b>
<b>Recommendation:</b>	<b>7. Implement standard operating procedures for all three offices to safeguard check inventory of all used and unused checks.</b>
<b>Does your agency agree with the finding?</b> <i>(If you disagree, provide an explanation and supporting evidence.)</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  Explanation:  Click or tap here to enter text.
<b>Corrective Action:</b> <i>(Provide detailed steps for implementing the recommendation and actions to preclude re-occurrence of the finding)</i>	Initially, under the direction of Department of Finance and in times changes were made beyond our control. Custodian of checks and inventory control will be strictly enforced, and weekly reports will be forward to the central office. As the MUNIS Program will be implemented soon, it will eliminate the issuance of paper checks.
<b>Proposed Completion Date:</b> <i>Provide the date (mm/dd/yy) your agency expects to implement the recommendation(s).</i>	September 24, 2021 is the effective date for MUNIS program.
<b>Point of Contact Name:</b>	Ronald D. Sablan
<b>Title:</b>	Director
<b>Phone Number:</b>	483-8620
<b>Email:</b>	rdsablan@medrefcnmi.com

SECTION 3 – ACCOUNTABLE OFFICIAL			
Accountable Agency Official (Title and Name):		Medical Referral Services	
Signature:	 Ronald D. Sablan, Director	Date:	Click <b>9/2/21</b> to enter text.

# Appendix 6. CHCC's Response

## AGENCY RESPONSE TO THE AUDIT FINDINGS

Pursuant to 1 CMC § 7823, the Office of the Public Auditor (OPA) maintains an Audit Recommendation Tracking System to monitor the implementation and resolution of recommendations, and publishes a status report on a semi-annual basis. OPA will contact your agency to evaluate your compliance with the recommendations every June and December until all recommendations are resolved.

SECTION 1 – AUDIT GENERAL INFORMATION	
Agency Name:	Medical Referral Services Office
Report No.:	21-03
Report Title:	Audit of the CNMI Medical Referral Services Office
Draft Report Issuance Date:	August 4, 2021
SECTION 2 – RECOMMENDATIONS AND CORRECTIVE ACTION	
Finding:	1. MRSO's organizational structure is unclear.
Recommendation:	1. Develop a plan to meet with all stakeholders and establish proper internal controls to ensure an affordable, effective, and equitable program.
Does your agency agree with the finding? <i>(If you disagree, provide an explanation and supporting evidence.)</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  Explanation: Click or tap here to enter text.
Corrective Action: <i>(Provide detailed steps for implementing the recommendation and actions to preclude re-occurrence of the finding)</i>	As stated in the OPA Report, "absent an enabling legislation, statutorily authorized regulations or adopted standard operating procedures, MRSO is left without proper guidance to ensure efficient operations". Unfortunately, although the Attorney General believes that CHCC should be administering the Medical Referral, CHCC is unable to address this finding on organizational structure as the repeal of subsection (v) of 3 CMC §2824 by P.L 19-78 took away CHCC's specific authority to adopt regulations when off-island care is necessary and appropriate. Legislation needs to be passed to cure this organizational structure finding
Proposed Completion Date: <i>Provide the date (mm/dd/yy) your agency expects to implement the recommendation(s).</i>	Unable to determine, pending passage of MRSO enabling legislation
Point of Contact Name:	Esther L. Muna /Perlita Santos
Title:	Chief Executive Officer /Chief Financial Officer
Phone Number:	(670) 236-8201/2
Email:	Esther.muna@dph.gov.mp / perlie.santos@dph.gov.mp

<b>Finding:</b>	2. MRSO lacks internal controls pertaining to its contracts and agreements.
<b>Recommendation:</b>	2. Collaborate with applicable stakeholders to review previously executed contracts and/or agreements and renegotiate terms to ensure a cost effective and equitable program.
Does your agency agree with the finding? <i>(If you disagree, provide an explanation and supporting evidence.)</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No  Explanation:  CHCC is unable to provide concurrence or nonconcurrence to this finding as we are not a party to the agreements and contracts cited.
<b>Corrective Action:</b> <i>(Provide detailed steps for implementing the recommendation and actions to preclude re-occurrence of the finding)</i>	CHCC is unable to address this finding on internal control as the repeal of subsection (v) of 3 CMC §2824 by P.L 19-78 took away CHCC's specific authority to adopt regulations when off-island care is necessary and appropriate.
<b>Proposed Completion Date:</b> <i>Provide the date (mm/dd/yy) your agency expects to implement the recommendation(s).</i>	Click or tap here to enter text.
<b>Point of Contact Name:</b>	Click or tap here to enter text.
<b>Title:</b>	Click or tap here to enter text.
<b>Phone Number:</b>	Click or tap here to enter text.
<b>Email:</b>	Click or tap here to enter text.
<b>Finding:</b>	2. MRSO lacks internal controls pertaining to its contracts and agreements.
<b>Recommendation:</b>	3. Implement standard operating procedures to ensure proper reconciliation of all vendor billings and payments.
Does your agency agree with the finding? <i>(If you disagree, provide an explanation and supporting evidence.)</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No  Explanation:  CHCC is unable to provide concurrence or nonconcurrence to this finding as we are not a party to the procurements and payments cited.

<b>Corrective Action:</b> <i>(Provide detailed steps for implementing the recommendation and actions to preclude re-occurrence of the finding)</i>	CHCC is unable to address this finding on internal control as the repeal of subsection (v) of 3 CMC §2824 by P.L 19-78 took away CHCC's specific authority to adopt regulations when off-island care is necessary and appropriate.
<b>Proposed Completion Date:</b> <i>Provide the date (mm/dd/yy) your agency expects to implement the recommendation(s).</i>	Unable to Determine, pending passage of MRSO enabling legislation
<b>Point of Contact Name:</b>	Esther L. Muna /Perlita Santos
<b>Title:</b>	Chief Executive Officer /Chief Financial Officer
<b>Phone Number:</b>	670) 236-8201/2
<b>Email:</b>	Esther.muna@dph.gov.mp / perlie.santos@dph.gov.mp
<b>Finding:</b>	3. MRSO does not have a legal basis to execute promissory notes.
<b>Recommendation:</b>	4. Seek additional assistance from the OAG for further proceedings pertaining to the collection of promissory note(s) payments.
<b>Does your agency agree with the finding?</b> <i>(If you disagree, provide an explanation and supporting evidence.)</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No  Explanation:  CHCC is unable to provide concurrence or nonconcurrence to this finding as CHCC is not a party to these promissory notes.
<b>Corrective Action:</b> <i>(Provide detailed steps for implementing the recommendation and actions to preclude re-occurrence of the finding)</i>	CHCC is unable to address this finding on lack of legal basis to execute promissory notes as the repeal of subsection (v) of 3 CMC §2824 by P.L 19-78 took away CHCC's specific authority to adopt regulations when off-island care is necessary and appropriate. Furthermore, CHCC is not a party to these existing promissory notes.
<b>Proposed Completion Date:</b> <i>Provide the date (mm/dd/yy) your agency expects to implement the recommendation(s).</i>	Click or tap here to enter text.
<b>Point of Contact Name:</b>	Click or tap here to enter text.
<b>Title:</b>	Click or tap here to enter text.
<b>Phone Number:</b>	Click or tap here to enter text.
<b>Email:</b>	Click or tap here to enter text.

<b>Finding:</b>	4. MRSO is not compliant with applicable laws and internal policies.
<b>Recommendation:</b>	5. Implement standard operating procedures to ensure fair and equitable assessment of patient and escort eligibility in compliance with the applicable requirements established in MRSO's laws and internal policies.
Does your agency agree with the finding? <i>(If you disagree, provide an explanation and supporting evidence.)</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No  Explanation:  CHCC is unable to provide concurrence or nonconcurrence to this finding.
<b>Corrective Action:</b> <i>(Provide detailed steps for implementing the recommendation and actions to preclude re-occurrence of the finding)</i>	CHCC is unable to address this finding on internal policies as the repeal of subsection (v) of 3 CMC §2824 by P.L 19-78 took away CHCC's specific authority to adopt regulations when off-island care is necessary and appropriate.
<b>Proposed Completion Date:</b> <i>Provide the date (mm/dd/yy) your agency expects to implement the recommendation(s).</i>	Click or tap here to enter text.
<b>Point of Contact Name:</b>	Click or tap here to enter text.
<b>Title:</b>	Click or tap here to enter text.
<b>Phone Number:</b>	Click or tap here to enter text.
<b>Email:</b>	Click or tap here to enter text.
<b>Finding:</b>	5. Patients and/or escorts are sent on medical referral at high-cost unrestricted economy airfare rates.
<b>Recommendation:</b>	6. Negotiate and establish an agreement with applicable travel agencies to ensure cost effective airfare rates for patients and escort.
Does your agency agree with the finding? <i>(If you disagree, provide an explanation and supporting evidence.)</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No  Explanation:  CHCC is unable to provide concurrence or nonconcurrence to this finding as we are not a party to these agreements.

<b>Corrective Action:</b> <i>(Provide detailed steps for implementing the recommendation and actions to preclude re-occurrence of the finding)</i>	Click or tap here to enter text.
<b>Proposed Completion Date:</b> <i>Provide the date (mm/dd/yy) your agency expects to implement the recommendation(s).</i>	Click or tap here to enter text.
<b>Point of Contact Name:</b>	Click or tap here to enter text.
<b>Title:</b>	Click or tap here to enter text.
<b>Phone Number:</b>	Click or tap here to enter text.
<b>Email:</b>	Click or tap here to enter text.
<b>Finding:</b>	6. MRSO lacks internal controls pertaining to the use of public funds through the imprest fund accounts.
<b>Recommendation:</b>	7. Implement standard operating procedures for all three offices to safeguard check inventory of all used and unused checks.
<b>Does your agency agree with the finding?</b> <i>(If you disagree, provide an explanation and supporting evidence.)</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No  Explanation:  CHCC is unable to provide concurrence or nonconcurrence to this finding.
<b>Corrective Action:</b> <i>(Provide detailed steps for implementing the recommendation and actions to preclude re-occurrence of the finding)</i>	CHCC is unable to address this finding on internal controls as the repeal of subsection (v) of 3 CMC §2824 by P.L. 19-78 took away CHCC's specific authority to adopt regulations when off-island care is necessary and appropriate.
<b>Proposed Completion Date:</b> <i>Provide the date (mm/dd/yy) your agency expects to implement the recommendation(s).</i>	Click or tap here to enter text.
<b>Point of Contact Name:</b>	Click or tap here to enter text.
<b>Title:</b>	Click or tap here to enter text.
<b>Phone Number:</b>	Click or tap here to enter text.
<b>Email:</b>	Click or tap here to enter text.

SECTION 3 – ACCOUNTABLE OFFICIAL

Accountable Agency Official (Title and Name):

Chief Executive Officer/Ester L. Muña

Signature:



Date:

9/3/2021



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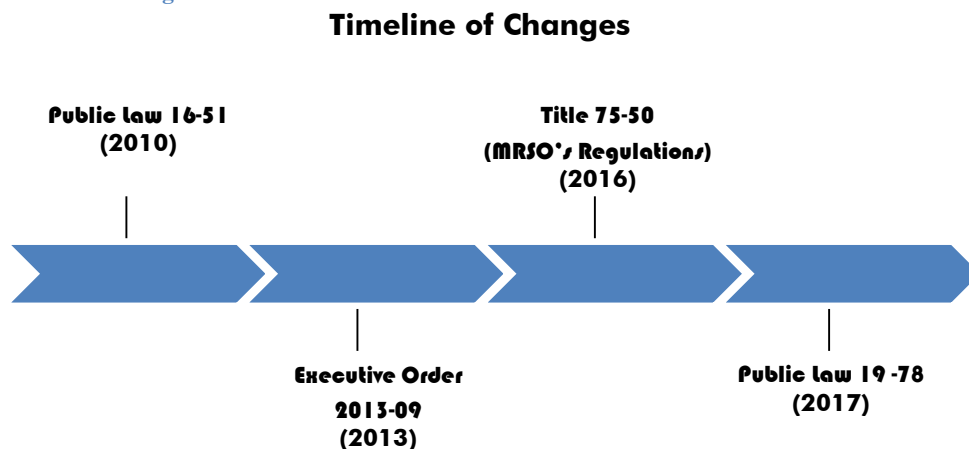
## Appendix 7. Auditor’s Response to Agency’s Comments

On September 3, 2021, OPA received a response from the Medical Referral Services Office (MRSO) and the Commonwealth Healthcare Corporation (CHCC) pertaining to the findings and recommendations as stated on the audit report. Although MRSO agreed to all the findings and recommendations, CHCC agreed to one of the six findings and neither agreed nor disagreed with the remaining five. CHCC’s response also stated that it did not have any involvement with MRSO throughout the scope of the audit. In addition, CHCC stated that it “is unable to address [the] findings on internal controls as the repeal of subsection (v) of 3 CMC §2824 by P.L 19-78 took away CHCC's specific authority to adopt regulations when off-island care is necessary and appropriate”.

In response to CHCC’s statement pertaining to the repeal of subsection (v) of 3 CMC §2824 by P.L 19-78, CHCC should seek the opinion and advice from the OAG to determine the legal entity for promulgating rules and regulations for MRSO.

As shown in Figure 14, in 2010, PL 16-51 was adopted into law, granting CHCC the authority to “adopt regulations determining when off-island care is necessary and appropriate”. In 2013, Executive Order 2013-09 was issued by former Governor Eloy S. Inos to transfer the management of off-island referrals to MRSO from CHCC to the Office of the Governor. In 2016, MRSO adopted Title 75-50, the Medical Referral Program Rules and Regulations. In 2017, PL 19-78 was adopted into law, repealing and reenacting PL 16-51, thus removing CHCC’s authority to adopt regulations pertaining to off-island medical care.

Figure 14: Timeline of Changes



The OAG asserted that former Governor Eloy S. Inos did not have the legal authority to remove MRSO from the Commonwealth Healthcare Corporation and place it under the Office of the Governor through Executive Order No. 2013-09. As a result, MRSO’s regulations, which were promulgated under the Office of the Governor, are without legal force and effect. Due to the legal determination made by the OAG, the adoption of regulations pertaining to the operations of MRSO are necessary.

## Appendix 8. Status of Recommendation

No.	Recommendation	Status
1	Develop a plan to meet with all stakeholders and establish proper internal controls to ensure an affordable, effective, and equitable program.	Unresolved
2	Collaborate with applicable stakeholders to review previously executed contracts and/or agreements and renegotiate terms to ensure a cost effective and equitable program.	Unresolved
3	Implement standard operating procedures to ensure proper reconciliation of all vendor billings and payments.	Unresolved
4	Seek additional assistance from the OAG for further proceedings pertaining to the collection of promissory note(s) payments.	Unresolved
5	Implement standard operating procedures to ensure fair and equitable assessment of patient and escort eligibility in compliance with the applicable requirements established in MRSO's laws and internal policies.	Unresolved
6	Negotiate and establish an agreement with applicable travel agencies to ensure cost effective airfare rates for patients and escort.	Unresolved
7	Implement standard operating procedures for all three offices to safeguard check inventory of all used and unused checks.	Unresolved

## Appendix 9. Indigent Program Income Brackets

MRSO’s internal policy § 75-50-701(b)(6)(i) states that “Medical Referral Services shall pay 100% of the medical and ancillary costs, transportation, official escort and maintenance costs associated with the medical referral of those patients whose family household gross income from all sources falls within the following levels”:

Indigent Program Income Bracket for 100% Medical Referral Coverage	
Family Size	Maximum Annual Income
1	\$18,021
2	\$24,378
3	\$30,736
4	\$37,093
5	\$43,451
6	\$49,808
7	\$56,165
8*	\$62,523

\*MRSO’s internal policy § 75-50-701(b)(6)(i) states additional information for family units of more than eight members.

MRSO’s internal policy § 75-50-701(b)(6)(ii) states that “Medical Referral Services shall pay 75% of patients’ medical and ancillary costs, and 100% of transportation costs, including those of an official escort, as well as maintenance costs associated with the medical referral, for patients whose family gross income from all sources falls within the following levels”:

Indigent Program Income Bracket for 75% Medical Referral Coverage	
Family Size	Maximum Annual Income
1	\$20,325
2	\$27,495
3	\$34,665
4	\$41,835
5	\$49,005
6	\$56,175
7	\$63,345
8*	\$70,515

\*MRSO’s internal policy § 75-50-701(b)(6)(ii) states additional information for family units of more than eight members.



Medical Referral Services Office  
Audit of Internal Controls  
Report No. 21-03, September 2021

## 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](http://www.opacnmi.com)
- Contact the OPA Investigators at 322-3937/8/9
- OR visit our office on 1236 Yap Drive, Capitol Hill