



# Office of the Public Auditor

## A Report to the Citizens of the CNMI

### Fiscal Year 2021

October 1st, 2020 - September 30th, 2021

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## Leadership

### Public Auditor

Kina B. Peter, CPA

January 2021 - present

(Acting PA - December 2020)

Michael Pai, CPA

October 2008- November 2020

### Audit Staff

David Blake, CPA

Dora Deleon Guerrero, CPA

Wilma Atalig-Fejeran, CFE

Joaquin Borja, CFE

Jolene Nicole Muna, CFE

Joshua Diaz, CFE

Miguel Demapan

Jane Salgado

Manuel Villagomez

Trini Macduff

### Investigative Staff

Ashley Kost, JD

Juan Santos

Edward Cabrera

Josue Cruz

JB Cepeda

Lianna Quitugua

Nikonia Tudela

### Administrative Staff

Michelle Camacho

Christine Francisco

## About OPA

The Office of the Public Auditor (OPA) is an independent agency of the Commonwealth Government tasked with the responsibility to audit the receipt, possession, and disbursement of public funds and to perform such other duties as required by law. OPA publishes audits and special reports, as well as monitors audit recommendations through a tracking system. OPA provides presentations on the CNMI Ethics Act and investigates cases of fraud, waste, and abuse. OPA's mandates include overseeing the CNMI's Citizen Centric Reporting and the audits of all government entities and agencies. Additionally, OPA receives the submission of the Campaign Statements of Account from candidates and the Statements of Financial Interest from all elected and appointed government officials. OPA also assists the Election Commission with CNMI elections.

## About The Public Auditor

Public Auditor Kina B. Peter was sworn into office on January 8, 2021 and is the first appointed female Public Auditor for the CNMI. She is a Certified Public Accountant (CPA) with over 20 years work experience in the field of Accounting and Finance with global experience managing the accounting operations for multiple entities in Asia and Australia. While working at Deloitte & Touche, LLC in Saipan, Kina had experience in leading audits for government agencies in the CNMI, as well as the Micronesian region.

## OPA's Strategic Vision

- Execute audits and investigations with the highest integrity, objectivity and high standards according to law, regulations and professional standards.
- Operate with efficiency, effectiveness and professionalism.
- Educate and enforce compliance with law and regulations.
- Focus on governance to prevent and detect fraud, waste, and abuse of public funds.
- Communicate with stakeholders regularly and frequently to promote government transparency and accountability while advancing the public trust in government spending and operations.
- Attract, develop, and retain top talent.

## Accomplishments

- New audit system platform procured, to be launched in the first quarter of FY 2022.
- 4 new auditors were hired: 3 backfills and 1 new auditor.
- 3 new investigators were hired: 2 backfills and 1 new investigator.
- The Investigations office was awarded nearly \$13 thousand for trainings from the Judge Advocate General (JAG). These funds will be used to support sending Investigative staff to training hosted by the US Inspector General (IG).
- OPA held its first Annual off-site LEAN strategic meeting aimed to streamline processes for Audits and Investigations.
- New Public Auditor appointed.





# OPA Activities

**Audits, Reviews, Investigations, & Training**  
**October 1st, 2020 - September 30th, 2021**

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## Reports Issued

### Audits and Review Reports Issued:

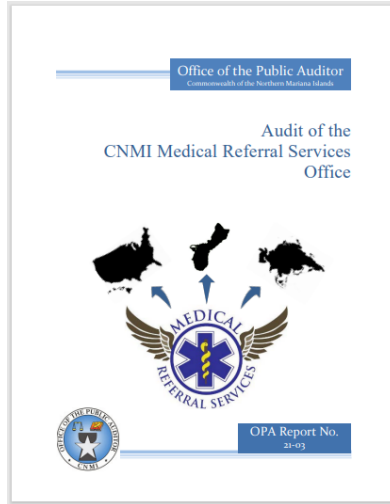
Department of Lands and Natural Resources -  
 Outer Cover Marina Facility  
 Medical Referral Services Office  
 Typhoon Disaster Compensation

### Legislative Comments Issued For:

Senate Bills: 22-007, 22-15, 22-24, 22-51  
 House Bills: 22-33, 22-09, 22-24, 22-63, 22-64,  
 22-61, 22-62

**No. of Procurement Appeal Decisions Issued: 6**

**No. of Ethics Appeal Decisions Issued: 1**



## Staff Training

In FY 2021, OPA staff attended the following trainings:

### Graduate School USA highlights:

- Auditing in the time of COVID
- Internal Control and COVID-19
- Pandemic Relief Funding
- Practical Ethics for Government
- Financial and Investigative Auditing
- Enterprise Risk Management
- Quick Response Auditing
- Grants Management
- Effective Audit Resolution, Follow-up and Implementation
- Government Auditing Standards - Yellow Book Update

### Pacific Association of Supreme Audit Institutions (PASAI):

- Basics of Environmental Auditing and a Crash Course on SDGs

### US Secret Service:

- National Computers Forensic Institute

## Audit Recommendation Tracking (ARTS)

OPA conducts bi-annual follow-ups with audited agencies to ensure implementation of audit recommendations. OPA tracked a total of 36 audit and inspection recommendations as of December 2020. Of the 12 new audit recommendations, 1 was resolved and 11 remain unresolved. Of the 24 recommendations that continue to be tracked from previous ARTS, 8 have been resolved and 16 remain unresolved. Visit our website at [www.opacnmi.com](http://www.opacnmi.com) to view our full ARTS reports.

## Investigations

The OPA Investigations Division recorded eighty-four (84) investigational tips during FY 2021. These tips/complaints were received through the OPA Hotline portal, walk-ins, or internal referrals.

Origin of Tip/Complaint	Count
Saipan	72
Rota	6
Tinian	5
Northern Island (Pagan)	1
<b>Total</b>	<b>84</b>

*Status of Tip/Complaint	Count
Active Investigation	2
Open	16
Closed/Referred	17
Closed/Unfounded	33
Closed/Not in OPA Jurisdiction	8
Duplicate Tip/Complaint	9
Forwarded to USAO	1
Forwarded to CNMI AGO	1
<b>Total Unduplicated Count</b>	<b>84</b>

\*Tips/Complaints can be listed under multiple categories



OPA Staff attended APIPA 2021 virtual training

## APIPA 2021



OPA participated in the 32nd Association of the Pacific Islands Public Auditors' (APIPA) virtual conference from Aug. 23 - Sept. 3, 2021. In addition to plenary sessions, this year's conference held audit & financial tracks for participants to engage with a wide range of topics relevant to auditing in the Pacific. This year's training also covered topics on auditing during a global pandemic. Along with OPA, this year's conference had 82 registered participants from various agencies across the CNMI government.

## NASACT 2021



A team from OPA attended the National Association of State Auditors, Comptrollers and Treasurers (NASACT) Annual conference. Topics ranged from auditing & managing federal funds related to COVID-19 (CARES and ARPA), data analytics, Governmental Accounting Standards Board (GASB) updates, and cybersecurity trends.



OPA Staff held its first Annual LEAN Meeting





# OPA Financials

## Budget and Expenditures

October 1st, 2020 - September 30th, 2021

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### Budget to Actual

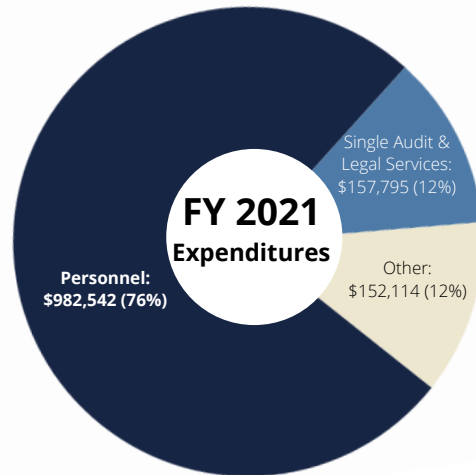
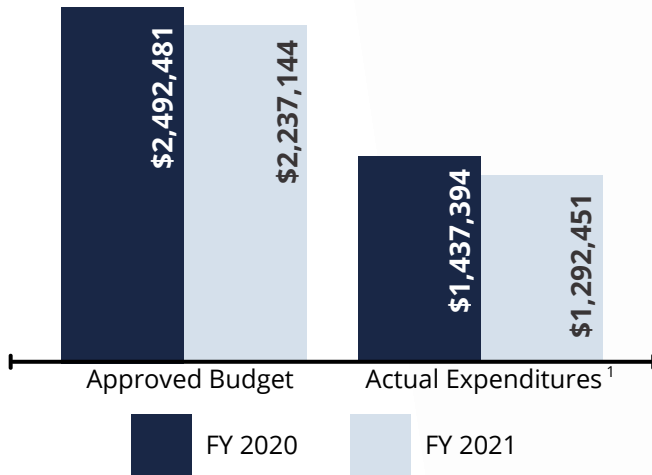
	Approved Budget		Actual Expenditures <sup>1</sup>	
	FY 2020	FY 2021	FY 2020	FY 2021
Personnel	\$1,519,591	\$1,261,493	\$1,030,190	\$982,542
Operations	\$972,890	\$1,110,651	\$407,204	\$309,909
<b>TOTAL</b>	<b>\$2,492,481</b>	<b>\$2,237,144</b>	<b>\$1,437,394</b>	<b>\$1,292,451</b>

<sup>1</sup>Source: Department of Finance - FY 2021 OPA Expenditure Reports (unaudited).

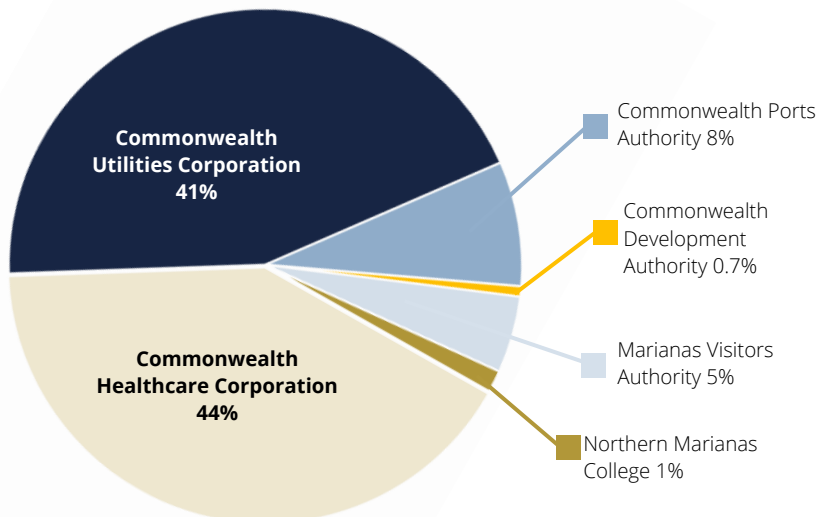
#### Financial Impact

Reduced expenditures primarily due to:

- COVID-19 and austerity measures
- Reduction of workforce through attrition



### Estimated<sup>2</sup> FY 2021 Autonomous Agencies 1% Fee: \$2.1 million



#### Public Auditor's Fee 1 CMC \$ 7831

(a) 1% of all amounts appropriated by Commonwealth Law for all Government agencies' operations and activities are to be withheld for OPA.

(b) Executive directors of all public corporations shall pay to the Public Auditor 1% of its total operations budget from sources other than legislative appropriations .

<sup>2</sup>Estimate is based on House Bill 21-124 (FY 2021 Appropriations Act). Actual 1% fee is subject to change once audited FY 2021 financial figures are made available.



# Future Outlook Initiatives and Challenges

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## The Investigation Process

### 1. Receive Tip/Complaint



A tip or complaint is received through anonymous submission via online portal submission, phone call, or letter. The tip or complaint is recorded.

### 2. Evaluate Tip/Complaint



Each tip/complaint is evaluated against the investigative functions, priorities, and guidelines for the following outcomes below. Based on evaluation, one of the three courses of actions below are followed.

### 3A. Refer to appropriate agency



Tips/Complaints outside of OPA's jurisdiction are forwarded to the appropriate agencies (e.g. Office of the Attorney General, Department of Public Safety).

### 3B. Initiate Investigative Activity



If the decision is made to initiate an investigation, an investigative plan of action is developed and executed.

### 3C. No Further Action



Tips/complaints without sufficient information provided or not pertinent to OPA's mission require no further action (e.g. Tips or complaints with no actionable information provided).

We want to hear from you! Do you like this report? Do you have any suggestions? Would you like to see any other information? Please let us know by contacting OPA at (670) 322-6481 or mail@opacnmi.com



## Key Initiatives

- Monitor incoming American Rescue Plan Act (ARPA) government spending.
- Perform extensive risk assessment across the various government agencies.
- Identify key internal control strengths and weaknesses.
- Establish audit cycles to provide more effective prevention and detection of fraud, waste, and abuse of government resources.
- Attract talent to backfill open positions.
- Execute a digital transformation focused on reducing costs and increasing efficiency and productivity.
- Develop team skills to expand capabilities on financial risk audits and reviews.
- Develop plan to restore existing office buildings to afford the team a healthy and safe working environment.
- Develop plan to collect unpaid OPA fees of 1% per 1 CMC § 7831; estimated amount to date of approximately \$30 million.
- Establish standard billing process to collect OPA fees of 1%.
- Identify areas of duplication of function and areas of potential cost savings in government.
- Address tips/complaints for both Rota and Tinian on a quarterly basis or as needed.
- Revise procurement appeals regulations and process.



OPA Staff held its first Annual LEAN Meeting

## The Audit Process

### Survey Phase



We obtain background information on an agency to understand its tone and internal controls. We identify and prioritize potential audit topics based on a risk-assessment. We conduct testing. If necessary, we move on to the next phase.

### Planning Phase



We formulate a clear objective and prepare an audit plan and program to measure that objective. We meet with the agency at an entrance conference to discuss the objective and scope of the audit.

### Fieldwork Phase



We collect and examine information relevant to the audit. This is done through interviews, document and data analyses, and observations. We meet with the agency to discuss the preliminary findings.

### Report Writing Phase



Based on fieldwork, we finalize our findings and recommendations in a draft report. The draft report is sent to the agency for their response, which is included in the published report. We also meet with the agency to discuss the report at an exit conference.

## FY 2022 Future Outlook and Challenges

- Implement a successful audit and investigations management system.
- Develop recurring audit cycles for agencies based on a risk-based approach.
- Kick-off process for developing OPA's long term strategic plan.
- Obtain a successful outcome on upcoming peer review.
- Promote team development and provide opportunities to obtain relevant professional licensures to advance team capabilities.
- Identify opportunities to enhance OPA's operation and strengthen authority to effectively carry-out its official mandates through revised legislation.
- Host workshops/training across departments/agencies relevant to audit topics or public law.
- Establish a monitoring cycle for CNMI government spending.
- Work with the Secretary of Finance and agencies to improve results of external audits (i.e. meet federal reporting deadlines, follow through on corrective action plans, etc.).
- Clear backlog of investigations resulting from COVID-19 and austerity measures impacting travel to Rota and Tinian.