



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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March 01, 2022

Interagency Audit Coordinating Advisory Group:

The Honorable Jude U. Hofschneider, Senate President

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

The Honorable Angel Demapan, Minority Leader for the House of Representatives

Mr. David Atalig, Secretary of Finance

Ms. Nadia B. Pua, Acting Special Assistant for the Office of Management and Budget
Saipan, MP 96950

Report on CNMI Agencies' Implementation of Audit Recommendations

Dear Interagency Audit Coordinating Advisory Group:

Enclosed is a copy of the status report on CNMI agencies' implementation of recommendations reported in audit and inspection reports issued by the Office of the Public Auditor (OPA) as of December 31, 2021. OPA tracked 36 audit and inspection recommendations from June 30, 2021 to December 31, 2021 which include 9 recommendations from two new audit reports.

OPA's procedures include sending follow-up emails and contacting government agencies. This report incorporates agency responses obtained by OPA as of our cutoff date of January 26, 2022.

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

Sincerely,

Dora Deleon Guerrero, CPA
Audit Manager

Cc: Honorable Ralph DLG. Torres, Governor
Kina B. Peter, OPA

Executive Summary
Report on CNMI Agencies' Implementation of Audit Recommendations
As of December 31, 2021
Report No. 22-01, March 01, 2022

Background

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

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

OPA has not received any request for consultation from the Coordinating Group since 2000. However, OPA continues to issue follow-up letters, email messages, and/or contact agencies with outstanding recommendations to request for information on corrective actions taken to implement OPA's audit and inspection recommendations. This report incorporates agency responses obtained by OPA on or before January 26, 2022. In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals are not disclosed in OPA's ARTS report.

Classification of OPA Audit Recommendations

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

Status of OPA Audit Recommendations

OPA tracked a total of 36 audit and inspection recommendations as of December 31, 2021 which includes 2 new recommendations issued to the Department of Lands and Natural Resources and 7 new recommendations issued to the Commonwealth Healthcare Corporation. OPA requested agencies to provide statuses on the corrective actions they have taken to resolve each recommendation. Four agencies provided official responses to OPA. However, based on the responses and the results of conducting follow-up procedures at one agency, OPA has determined the recommendations to be unresolved. The table below presents the total number of unresolved audit and inspection recommendations as of December 31, 2021.

Audit and Inspection Reports	Report No.	Report Date	Response Received	Unresolved
DLNR – Audit of the DLNR Outer Cove Marina Facility	21-04	11/10/2021	Not applicable ^A	2
Audit of the Outer Cove Marina	15-03	10/5/2015	Not applicable ^B	3
CHCC – Audit of the CNMI Medical Referral Services Office	21-03	9/23/2021	✘	7
DOF – Audit of Hotel Occupancy Tax	20-07	9/2/2020	✘	9
DOF – Audit of the CNMI Government Travel Policy	20-06	8/18/2020	✓	2
DOF – Audit of Government Vehicles	20-03	2/26/2020	✘	2
DOF – Audit of Fuel Contract	20-02	1/28/2020	✘	5
CEC – Inspection of Ballot Accountability	19-04	6/18/2019	✘	3
CHCC – Audit of Patient Revenue Cycle	17-01	3/16/2017	✓	1
DOF – Audit of Excise Taxes	14-01	9/29/2014	✓	2
Total				36

^A The agency's response was incorporated into the audit report which was published on 11/10/2021.

^B Please refer to page 3.

Department of Lands and Natural Resources - Outer Cove Marina Facility

Report No. 21-04, Issued November 10, 2021
Department of Lands and Natural Resources
Audit of the DLNR Outer Cove Marina Facility

Recommendation 1: Meet with applicable stakeholders to establish an executable action plan to restore the Outer Cove Marina (OCM).

Corrective Action: 11/02/21 – Department of Lands and Natural Resources (DLNR) initial response to audit report – Awaiting funding from the central government for the following plans to build, construct, and manage a new facility. This Department is seeking funding assistance from the Governor’s Infrastructure and Recovery Program (IRP) for the OCM Break Water Project. This will be the first initial proposed project plan to be contracted.

Agency Proposed Completion Date: Unknown

Status: Unresolved

OPA Note: OPA will follow up on DLNR’s progress towards addressing the recommendation in the next reporting period.

Recommendation 2: Identify and establish applicable safety standards for the OCM.

Corrective Action: 11/02/21 – DLNR initial response to audit report – Acquire funds needed to first inquire the design of the OCM facility from an Engineering Firm. Once done, more funding will need to be acquired to build/construct a new and safer facility. Finally, funding source will also be needed to provide staffing for maintenance or up keeping of a docking facility on a yearly basis.

Agency Proposed Completion Date: Unknown

Status: Unresolved

OPA Note: OPA will follow up on DLNR’s progress towards addressing the recommendation in the next reporting period.

STATUS OF AUDIT RECOMMENDATIONS

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

Since the issuance of the audit report on October 5, 2015, DLNR's responses to OPA's follow ups on the status of addressing the remaining recommendations did not indicate any significant progress. In its recent response dated as of 06/30/21, DLNR expressed that it lacked the necessary personnel and funding to address the recommendations and will continue to seek assistance from the current administration and the Legislature. Please see OPA's ARTS report for the period as of December 31, 2020 for details on these recommendations.

OPA recently published a separate report on the audit of the OCM Facility (OPA Report No. 21-04) on 11/10/21. The audit found that DLNR did not have an executable action plan to restore OCM to safety standard condition and has not preserved the safety of the OCM as required by regulation. Given the safety risks associated with the unsafe conditions of OCM and that proper enforcement of its regulations is contingent upon DLNR's success of providing a safe and functioning marina, OPA will focus on DLNR's efforts towards addressing the recommendations issued under OPA Report No. 21-04 moving forward.

Commonwealth Healthcare Corporation – CNMI Medical Referral Services Office

Report No. 21-03, Issued September 23, 2021
Commonwealth Healthcare Corporation
Audit of the CNMI Medical Referral Services Office

Recommendation 1: Develop a plan to meet with all stakeholders and establish proper internal controls to ensure an affordable, effective, and equitable program.

Corrective Action: 09/03/21 – Commonwealth Healthcare Corporation’s (CHCC) initial response to audit report – 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 Public Law (PL) 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.

12/31/21 – No response.

Agency Proposed
Completion Date: No response

Status: Unresolved

OPA Note: On September 30, 2021, the Legislature passed PL 22-08 containing section 709(e) which stated, “The Commonwealth Healthcare Corporation shall administer the CNMI Medical Referral Program or its successor, including both inter-island and off-island referrals, consistent with its duties and responsibilities under Title 3 sections 2821 *et seq.* of the Commonwealth Code. The expenditure authority for all funds appropriated or allocated to inter-island and off-island medical referral services and administration (inclusive of BU 1979, 1979A and any new business units established for CHCC Medical Referral) shall be the CEO of the Commonwealth Healthcare Corporation or his or her designee.”

On 11/11/21, OPA requested CHCC to provide a status update on the actions they have taken to address the recommendation, and communicated the provision contained in section 709(e) of PL 22-08.

CHCC did not provide a response to OPA as of December 31, 2021.

Recommendation 2: Collaborate with applicable stakeholders to review previously executed contracts and/or agreements and renegotiate terms to ensure a cost effective and equitable program.

Corrective Action: 09/03/21 – CHCC initial response to audit report – CHCC is unable to address this finding on internal control as the repeal of subsection (v) of 3 CMC § 2824 by PL 19-78 took away CHCC’s specific authority to adopt regulations when off-island care is necessary and appropriate.

12/31/21 – No response.

STATUS OF AUDIT RECOMMENDATIONS

Agency Proposed
Completion Date: No response

Status: Unresolved

OPA Note: On 11/11/21, OPA requested CHCC to provide a status update on the actions they have taken to address the recommendation, and communicated the provision contained in section 709(e) of PL 22-08 (See OPA Note under Recommendation 1).

CHCC did not provide a response to OPA as of December 31, 2021.

Recommendation 3: Implement standard operating procedures to ensure proper reconciliation of all vendor billings and payments.

Corrective Action: 09/03/21 – CHCC initial response to audit report – CHCC is unable to address this finding on internal control as the repeal of subsection (v) of 3 CMC § 2824 by PL 19-78 took away CHCC’s specific authority to adopt regulations when off-island care is necessary and appropriate.

12/31/21 – No response.

Agency Proposed
Completion Date: No response

Status: Unresolved

OPA Note: On 11/11/21, OPA requested CHCC to provide a status update on the actions they have taken to address the recommendation, and communicated the provision contained in section 709(e) of PL 22-08 (See OPA Note under Recommendation 1).

CHCC did not provide a response to OPA as of December 31, 2021.

Recommendation 4: Seek additional assistance from the OAG for further proceedings pertaining to the collection of promissory note(s) payments.

Corrective Action: 09/03/21 – CHCC initial response to audit report – 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 PL 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.

12/31/21 – No response.

Agency Proposed
Completion Date: No response

Status: Unresolved

OPA Note: On 11/11/21, OPA requested CHCC to provide a status update on the actions they have taken to address the recommendation, and communicated the provision contained in section 709(e) of PL 22-08 (See OPA Note under Recommendation 1).

CHCC did not provide a response to OPA as of December 31, 2021.

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Recommendation 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.

Corrective Action: 09/03/21 – CHCC initial response to audit report – CHCC is unable to address this finding on internal policies as the repeal of subsection (v) of 3 CMC § 2824 by PL 19-78 took away CHCC's specific authority to adopt regulations when off-island care is necessary and appropriate.

12/31/21 – No response.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: On 11/11/21, OPA requested CHCC to provide a status update on the actions they have taken to address the recommendation, and communicated the provision contained in section 709(e) of PL 22-08 (See OPA Note under Recommendation 1).

CHCC did not provide a response to OPA as of December 31, 2021.

Recommendation 6: Negotiate and establish an agreement with applicable travel agencies to ensure cost effective airfare rates for patients and escort.

Corrective Action: 09/03/21 – CHCC initial response to audit report – CHCC did not comment on a corrective action for the above recommendation.

12/31/21 – No response.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: On 11/11/21, OPA requested CHCC to provide a status update on the actions they have taken to address the recommendation, and communicated the provision contained in section 709(e) of PL 22-08 (See OPA Note under Recommendation 1).

CHCC did not provide a response to OPA as of December 31, 2021.

Recommendation 7: Implement standard operating procedures for all three offices to safeguard check inventory of all used and unused checks.

Corrective Action: 09/03/21 – CHCC initial response to audit report – CHCC is unable to address this finding on internal controls as the repeal of subsection (v) of 3 CMC § 2824 by PL 19-78 took away CHCC's specific authority to adopt regulations when off-island care is necessary and appropriate.

12/31/21 – No response.

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Agency Proposed
Completion Date:

No response

Status:

Unresolved

OPA Note:

On 11/11/21, OPA requested CHCC to provide a status update on the actions they have taken to address the recommendation, and communicated the provision contained in section 709(e) of PL 22-08 (See OPA Note under Recommendation 1).

CHCC did not provide a response to OPA as of December 31, 2021.

Department of Finance – Hotel Occupancy Tax

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

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

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

02/24/21 – DRT is currently developing draft regulations for review and approval. DRT has determined that audit procedures will be for internal use only and not for publication. Proposed completion date September 30, 2021.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed
 Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2021.

Recommendation 2: Adopt a procedures manual for auditing HOT.

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

02/24/21 – Programming development is ongoing. A draft procedure manual is in development for review and approval and for internal use only. The draft procedure manual will not be published. Proposed completion date September 30, 2021.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed
 Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2021.

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

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

02/24/21 – Programming development is ongoing. A draft procedure manual is in development for review and approval and for internal use only. The draft procedure manual will not be published. Proposed completion date September 30, 2021.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2021.

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

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

02/24/21 – Programming development is ongoing. A draft procedure manual is in development for review and approval and for internal use only. The draft procedure manual will not be published. Proposed completion date September 30, 2021.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2021.

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

Corrective Action: 8/26/2020 – DRT initial response to audit report – To address this finding, DRT will work with the tax system developers to mimic the income tax matching process to flag non-filings of HOT (Form OS-3300) based on revenues reported in the BGRT (Form OS-3105) tax activity codes. DRT would like to note that the lack of resources has hindered the Compliance Branch from immediately notifying taxpayers of non-filings. Lack of resources include adequate staffing, mailings, postage, and other necessary requirements to send out notices immediately

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and consistently. Additionally, DRT has found that a compliance review prior to a business license renewal has been effective at encouraging taxpayers to remit full payment of tax dues to receive a license. Because our tax structure is built on voluntary timely reporting business revenues, penalties and interest on a tax balance, and other collections actions, are usually effective deterrent of late filing. DRT is also aware of the lack of taxpayer education and knowledge on tax preparation and could be the cause of improper reporting. Thus, DRT will also be developing guidance for proper HOT reporting to be issued with new or renewed business licenses for relevant tax activities.

02/24/21 – Program development and finalization of taxpayer guidance is ongoing. Proposed completion date September 30, 2021.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2021.

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

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

02/24/21 – Program development and finalization of taxpayer guidance is ongoing. Proposed completion date September 30, 2021.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2021.

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

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

02/24/21 – Program development and finalization of taxpayer guidance is ongoing. Proposed completion date September 30, 2021.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed
Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2021.

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

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

02/24/21 – Program development and finalization of taxpayer guidance is ongoing. Proposed completion date September 30, 2021.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed
Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2021.

Recommendation 9: Promptly review the rules and regulations and laws that impact DRT's enforcement of the HOT Law, and implement appropriate procedures for uniformly enforcing business license

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requirements and the HOT Law on all operations of short-term lodging, including operations conducted at private residences.

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

02/24/21 – Development of enforcement procedures is ongoing and will be for internal use only. Proposed completion date September 30, 2021.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed
Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2021.

Department of Finance – CNMI Government Travel Policy

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

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

Corrective Action: Letter dated 01/15/21 – The Department of Finance (DOF) informed OPA that the proposed Uniform Travel Policy was published in the Commonwealth Register on September 28, 2020 (Vol. 42, No. 09), and has yet to reach the official website of the CNMI Law Revision Commission. The DOF Travel Section, key management, and staff has been notified of the promulgation of the Uniform Travel Policy for adoption. DOF will continue to work alongside all relevant agencies for consistent implementation of the newly established policy. Further, DOF hopes that with the promulgation of the Uniform Travel Policy, all travel processes for the Commonwealth Government employees are consistent with all applicable laws, and allow for the most economical use of government resources all while preventing fraud, waste, and abuse. The travel regulations were adopted on 10/28/2020.

03/11/21 – OPA noted that the travel regulations do not appear to explicitly prohibit the purchase of an airline ticket for travel in first class, business class, or any other premium class designation as required by 1 CMC § 7407(f).

06/30/21 – DOF agrees with this finding. We are in the process of amending the language of the travel regulations to specifically prohibit the purchase of non-economy travel tickets, and to prevent any ambiguity. Proposed completion date 09/30/21.

12/31/21 – DOF has not amended the travel regulations to prohibit first class travel. DOF informed OPA that they will update the travel regulations by January 07, 2022.

Agency Proposed
 Completion Date: January 07, 2022

Status: Unresolved

OPA Note: OPA was unable to locate any publication of proposed amendments to the travel regulations within the Commonwealth Register as of 01/24/22.

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

Corrective Action: 11/16/21 – Response from the Office of the Senate President – Senate Bill 22-65 was referred to the Senate Committee on Judiciary, Government, Law, and Federal Relations on October 12, 2021. The Committee requested for public comment on Senate Bill 22-65 on October 28, 2021. Senate Rule 7 section 8 requires the Committee to submit its report no later than December 11, 2021.

Agency Proposed
 Completion Date: Ongoing

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Status: Unresolved

OPA Note: OPA recognizes the Senate for its effort at resolving the recommendation by introducing Senate Bill 22-65 in which section 3 aims to address the conflict between PL 15-86 and PL 20-87. However, OPA considers the recommendation unresolved until any conflicts within current travel law(s) are addressed through the Legislature's enactment of law(s).

Department of Finance – Government Vehicles

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

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

Corrective Action: 02/14/20 – DOF-P&S initial response to audit report – Staff has started work to reconcile the vehicle information database/spreadsheet to ensure accurate and updated information. We have recently been awarded federal grants to address similar issues with our fixed asset inventory, and this will allow us to obtain the necessary resources and capacity to conduct physical inventory and provide the verification of our records.

06/30/20 – Response did not provide any significant update.

12/31/20 – Based on OPA’s interviews with DOF-P&S staff on 12/03/20, DOF-P&S was unable to address the recommendation due to their prioritization of the Governor’s Directive No. 2020-006 dated 04/27/20. The directive instructed DOF-P&S to assist with addressing the fixed asset inventory findings of the CNMI Single Audit to maintain access to awarded and future federal grants. DOF-P&S informed OPA that they will resume their efforts toward addressing the recommendation as soon as they fulfill the directive.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: DOF-P&S did not provide a status update on its corrective action(s) as of December 31, 2021.

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

Corrective Action: 02/14/20 – DOF-P&S initial response to audit report – Staff are reviewing the pertinent laws, rules, and regulations of property management. The Division is working to procure a stencil

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machine to properly mark government vehicles before being released to the individual agency. As part of our goals for FY 2021, we endeavor to implement a more user-friendly and efficient system by formulating standard operating procedures and user-friendly forms for government offices and agencies to comply. We also plan to revise current laws and regulations with consultation from the Office of the Attorney General, if necessary, to meet the demands of current work environment, while still maintaining controls to ensure public accountability.

06/30/20 – No response.

12/31/20 – Based on OPA’s interviews with DOF-P&S staff on 12/03/20 and 12/15/20, DOF-P&S was unable to address the recommendation due their prioritization of the Governor’s Directive No. 2020-006 dated 4/27/20. The directive instructed DOF-P&S to assist with addressing the fixed asset inventory findings of the CNMI Single Audit to maintain access to awarded and future federal grants. DOF-P&S informed OPA that they will resume their efforts toward addressing the recommendation as soon as they fulfill the directive.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed
Completion Date:

No response

Status:

Unresolved

OPA Note:

DOF-P&S did not provide a status update on its corrective action(s) as of December 31, 2021.

Department of Finance – CNMI Government Fuel Contract

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

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

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

06/30/20 – Response did not provide any significant update.

12/31/20 – Based on OPA’s interviews with DOF-P&S staff on 12/03/20 and 12/15/20, DOF-P&S is working on an SOP for all fuel cards and will implement it before the next fuel contract is executed. Additionally, DOF-P&S will communicate the requirements of the SOP by including it in the next Invitation to Bid.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: DOF-P&S did not provide a status update on its corrective action(s) as of 12/31/21.

Recommendation 2: Maintain a listing of all fuel cards.

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

06/30/20 – Response did not provide any significant update.

12/31/20 – During OPA’s interviews with DOF-P&S staff on 12/03/20 and 12/15/20, DOF-P&S informed OPA that they started tracking the fuel cards and provided copies of their listings for active and surrendered/returned fuel cards. However, OPA noted that DOF-P&S has yet to complete verifying the accuracy of its listings against the fuel supplier’s records.

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06/30/21 – No response.

12/31/21 – No response.

Agency Proposed
Completion Date:

No response

Status:

Unresolved

OPA Note:

DOF-P&S did not provide a status update on its corrective action(s) as of December 31, 2021.

Recommendation 3:

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

Corrective Action:

01/20/20 – DOF-P&S initial response to audit report – DOF will inform agency heads periodically the process to obtain fuel cards. A memo has previously been issued to remind heads of agencies that all corporate cards must be approved by the Secretary of Finance, to ensure that operations work efficiently with proper management of receipts from such fuel purchases. Moreover, updates to our procurement systems and processes is currently undergoing major review to ensure that fuel purchases and mechanisms are updated and controlled. In the near future, DOF plans to implement a P-card program that will allow DOF more control measures to directly account for expenditures in real-time and make individual agencies and cardholders more responsible.

06/30/20 – Response did not provide any significant update.

12/31/20 – Based on OPA’s interviews with DOF-P&S staff and review of relevant documentation on 12/03/20 and 12/15/20, DOF has issued memos in 2020 for all department and activity heads to surrender and prohibit the use of corporate cards. Although DOF-P&S has begun actively retrieving corporate cards, OPA noted that several agencies are currently authorized to use corporate cards according to DOF-P&S’ listings.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed
Completion Date:

No response

Status:

Unresolved

OPA Note:

DOF-P&S did not provide a status update on its corrective action(s) as of December 31, 2021.

Recommendation 4:

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

Corrective Action:

01/20/20 – DOF-P&S initial response to audit report – DOF will inform agency heads periodically the process to obtain fuel cards. Additionally, discussions with the vendor will be ongoing for valid fuel card issuance to ensure that agencies are not circumventing DOF. Updates to our procurement systems and processes is currently undergoing major review to ensure that the fuel purchases and mechanisms are updated and controlled. In the near future, DOF plans to implement a P-card program that will allow DOF more control measures to

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directly account for expenditures in real-time and make more responsible individual agencies and cardholders.

06/30/20 – No response.

12/31/20 – During OPA’s interview with DOF-P&S staff on 12/03/20 and 12/15/20, OPA was informed that DOF-P&S’ revisions to the fuel contract and the adoption of its SOP, once completed, may address the recommendation.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed
Completion Date:

No response

Status:

Unresolved

OPA Note:

DOF-P&S did not provide a status update on its corrective action(s) as of December 31, 2021.

Recommendation 5:

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

Corrective Action:

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

06/30/20 – No response.

12/31/20 – During OPA’s interviews with DOF-P&S staff on 12/03/20 and 12/15/20, OPA was informed that DOF-P&S’ revisions to the fuel contract and the adoption of its SOP, once completed, may address the recommendation. Once finalized, DOF-P&S plans to email the revised fuel contract and SOP to all agency head so that agencies are informed of the contract provisions and requirements of the SOP.

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed
Completion Date:

No response

Status:

Unresolved

OPA Note:

DOF-P&S did not provide a status update on its corrective action(s) as of December 31, 2021.

Commonwealth Election Commission – Ballot Accountability

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

Commonwealth Election Commission

Inspection of the CEC Ballot Accountability for the 2018 General Election

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

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

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

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: CEC did not provide a status update on its corrective action(s) as of December 31, 2021.

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

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

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed Completion Date: No response

Status: Unresolved

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OPA Note: CEC did not provide a status update on its corrective action(s) as of December 31, 2021.

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

Corrective Action: 12/31/20 – CEC had provided training and testing to the election officials. We acknowledged that the Election Official’s Training Pamphlet required additional procedures based on the election law, hence, the training presentation and testing procedures will be more adequate. However, the Commission had the opportunity to employ election officials throughout the 21 days early voting period for hands-on training which was tremendously helpful based on the election day observation.

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

06/30/21 – No response.

12/31/21 – No response.

Agency Proposed
Completion Date: No response

Status: Unresolved

OPA Note: CEC did not provide a status update on its corrective action(s) as of December 31, 2021.

Commonwealth Healthcare Corporation – Patient Revenue Cycle Management

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

Commonwealth Healthcare Corporation

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

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

Corrective Action: 06/30/21 – As the CHCC continues to tackle on additional services, including COVID vaccinations, the number of claims needing to be worked on has also increased. To alleviate and lessen this backlog, not only has the CHCC contracted with GAIA (a dialysis specific coding and billing company), we have also hired temporary billers to help with the surge in COVID vaccination claims. Additionally, we have internal help assisting with the payment posting backlog. The tedious manual processes that the RPMS requires is the leading cause of this backlog. For other hospital systems, automatic charges are added onto claims whenever a code is entered; while at CHCC, both codes and charges needed to be manually entered. Furthermore, other hospital systems have automatic payment posting, in which the RPMS is not setup to accept. Thus, despite all the effort, CHCC does anticipate to have a reduced backlog once we go-live with the new hospital system which is scheduled for some time before the new fiscal year. The new system, RCM Cloud/Carevue, will allow for quicker coding and billing processes, along with automated payment postings (granted that the payers provide electronic remits that could be uploaded into the system).

Billing Backlog	
Action	Timeline
Legacy Accounts: to be reviewed and completed, possibly by another vendor.	Decision to be determine before 10/1/2021.
Dialysis Accounts: completed by GAIA (dialysis specific EHR and billing vendor).	Ongoing
COVID Vaccinations	Ongoing
All others: completed by CHCC staff	Ongoing

Posting Backlog	
Action	Timeline
Setup 835 and electronic remits when going live with the new system. This is also dependent on the payer’s progress in completing this goal.	10/1/2021 - Tentative

Proposed completion date – See above. Once CHCC is live with the new system, the backlog will be reduced significantly due to eliminating manual processes that are required today.

12/30/21 – CHCC would like to request that the CNMI OPA revisit these findings one year after our new Revenue Cycle Management software implementation. The new system, RCM Cloud/Carevue, will allow for quicker coding and billing processes, along with automated payment postings (granted that the payers provide electronic remits that could be uploaded into the system).

We are also requesting to change the period subject to audit. CHCC believes that measuring our performance based on our ability to close out bills and post payments on 2017 services does not provide any benefit to CHCC as those billings would have been beyond the threshold

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on what is collectible and posting payment backlogs will just reclassify a significant amount of third-party receivable to our uninsured or underinsured members on the community.

With the limited resources afforded to the sole hospital and the Territorial health system in the CNMI, CHCC believes that prioritizing the utilization of our resources to process current bills that would generate cash flows is the most prudent use of these limited resources.

Agency Proposed
Completion Date:

CHCC requested that OPA audit CHCC's ability to manage accounts receivable based on this new system by December 31, 2022.

Status:

Unresolved

OPA Note:

OPA will schedule follow-up procedures to determine whether CHCC's actions addresses the recommendation.

Department of Finance – Excise Taxes

Report No. 14-01, Issued September 29, 2014
Department of Finance, Division of Customs Services
Audit of the Division of Customs Service on Assessment and Collection of Excise Taxes for Calendar Year 2013

Recommendation 2: The Division of Customs Services (Customs) should strictly adhere to its policy of holding future cargo until outstanding balances are satisfied. If cargo is released without the full payment of outstanding taxes or without the approval of a payment plan, adequate documentation and approval by the Director should be maintained in the files.

Corrective Action: 11/22/21 – Per Customs’ response: Effective May 06, 2021, Public law 21-42 allowed Customs to defer payments for a period of 30 days and 15 days respectively for post-clearance payments for qualified low risk importers. We have since been able to collect the duties on imports for importers not qualified and reduce the number of importers with outstanding debts in our aging report. Failure to pay will result in cargoes being put on hold. Refer to Commonwealth Register Volume 43 Number 02, February 28, 2021 Page 045414 for references to the amendments on NMIAC § 70-10.1-145 Payment of Taxes; Release of Goods. Note: amendment has not been codified, but has already been proposed and adopted as of Nov. 12, 2021.

Agency Proposed Completion Date: May 06, 2021

Status: Unresolved

OPA Note: According to § 70-10.1-155 of Customs’ amended regulations, "Consignees owing the Commonwealth excise taxes which are not paid upon entry (or within the grace period allowed for qualified low risk importers) shall be denied clearance and release on future imports of goods, commodities, or merchandise. The Customs Service shall require consignees to pay any outstanding excise taxes, penalties, and interest on imported goods, commodities, or merchandise prior to the release of such goods, commodities, or merchandise."

On 01/20/22 and 01/21/22, OPA reviewed supporting documentation for releases of cargo to 8 approved low risk importers. OPA noted a total of 11 instances of cargo being released to 4 low risk importers who failed to pay prior excise taxes within the 30-day grace period. Additionally, the files for 2 approved low risk importers did not contain documentation for tax clearance from the Division of Revenue and Taxation for a two-year period as required by regulations to qualify as low risk importers. According to Customs’ response to the noted discrepancies, Customs reminded staff of its policy to hold any shipment for importers with outstanding balances. Customs’ Authorization to Release Cargo form will be used to document authorized releases of cargo to importers who have filed an appeal, are pending Customs’ adjustments/offsets of their outstanding balances for overpayments, or other justifiable circumstances. Customs also informed OPA that applications for low risk importer status will not be approved until required documents are provided. Due to the level of risk associated with the finding, OPA considers this recommendation unresolved.

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

Corrective Action: 09/28/17 – Customs adopted its revision of § 70-10.1-150 of the Customs Service Regulations which allows the Division to collect its own receivables that are greater than 90 days.

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

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

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

11/22/21 – Per Customs' response: The SOP has been updated; however, the billing, lien & levy form and procedure is with the Assistant Attorney General. This issue is addressed also in the passing of Public Law 21-42. Only through the applications process and approval by the Director will importers be able to defer any payments. Importers who do not meet the qualifications will be required to pay their duties prior to release of such goods.

Agency Proposed
Completion Date:

May 07, 2021

Status:

Unresolved

OPA Note:

Written procedures for the collection of outstanding excise tax would provide guidance for collecting from importers who become inactive or unresponsive to Customs' holding of future cargo and initial collection efforts.