

COMMONWEALTH OF THE  
NORTHERN MARIANA ISLANDS

INDEPENDENT AUDITORS' REPORTS ON  
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2020

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Honorable Arnold I. Palacios  
Governor  
Commonwealth of the Northern Mariana Islands:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the aggregate discretely presented component units, the Department of Public Lands major fund, and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands (CNMI) as of and for the year ended September 30, 2020, and the related notes to the financial statements. We were also engaged to audit the financial statements of the governmental activities, and each of the remaining major funds. These financial statements collectively comprise the CNMI's basic financial statements, and have issued our report thereon dated January 30, 2023. Our report stated that the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements of the governmental activities, the General Fund, the Grants Assistance Governmental Fund, the Coronavirus Relief Governmental Fund and the Saipan Amusement Governmental Fund, due to the inability to obtain sufficient appropriate audit evidence for the balance and financial activity of advances, general receivables, other liabilities and accruals, other revenues and expenditures/expenses and due to the CNMI not recording pension expense and a related net pension asset or liability, deferred inflows of resources and deferred outflows of resources as of and for the year ended September 30, 2020 as required by Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; the lack of adoption of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our report also contains adverse opinions due to the financial statements of the Commonwealth Healthcare Corporation and the Northern Mariana Islands Settlement Fund not being included in the financial statements, and includes explanatory paragraphs concerning noncompliance with Interim Pension Obligation Bond Covenants, the correction of errors, going concern and the impact of COVID-19. Our report also includes a reference to other auditors who audited the financial statements of the Marianas Public Land Trust, the Northern Marianas College, the Public School System and the Marianas Visitors Authority, as described in our report on the CNMI's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include the Commonwealth Ports Authority, the Commonwealth Development Authority, the Commonwealth Utilities Corporation and the Northern Mariana Islands Retirement Fund which were audited by us. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the entities that were audited by us. Other auditors issued separate reports on their consideration of internal control over financial reporting and their tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the Marianas Public Land Trust, the Northern Marianas College, the Public School System and the Marianas Visitors Authority. The findings, if any, included in those reports are not included herein.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the CNMI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CNMI's internal control. Accordingly, we do not express an opinion on the effectiveness of the CNMI's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001 through 2020-003, 2020-005 through 2020-007, 2020-010, 2020-012 through 2020-014, 2020-016 and 2020-020 to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2020-004, 2020-008, 2020-009, 2020-011, 2020-015, 2020-017 through 2020-019, 2020-021 and 2020-022 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the CNMI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2020-021.



### **The CNMI's Response to Findings**

The CNMI's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The CNMI's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Deloitte & Touche LLC*

January 30, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

Honorable Arnold I. Palacios  
Governor  
Commonwealth of the Northern Mariana Islands:

### **Report on Compliance for Each Major Federal Program**

We have audited the Commonwealth of the Northern Mariana Islands' (the CNMI's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the CNMI's major federal programs for the year ended September 30, 2020. The CNMI's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

As discussed in Note 3b to the Schedule of Expenditures of Federal Awards, the CNMI's financial statements include the operations of certain entities whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2020. Our audit, described below, did not include the operations of the entities identified in Note 3b as these entities conducted separate audits in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), if required.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the CNMI's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the CNMI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the CNMI's compliance.

***Basis for Qualified Opinion on CFDA Programs 15.875, 93.767, 93.778, and 97.036***

As described in items 2020-023, 2020-027, 2020-030, 2020-033, 2020-034, 2020-036 through 2020-043, 2020-045 through 2020-056, 2020-058, 2020-060 and 2020-061 in the accompanying Schedule of Findings and Questioned Costs, the CNMI did not comply with requirements regarding the following:

<i>Finding #</i>	<i>CFDA #</i>	<i>Program Name</i>	<i>Compliance Requirement</i>
2020-023	10.539	CNMI Nutrition Assistance Program	Eligibility
2020-027	11.016	Statistical, Research, and Methodology Assistance	Allowable Costs/Cost Principles
2020-030	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Equipment and Real Property Management
2020-033	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Subrecipient Monitoring
2020-034	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Special Tests and Provisions - Grant Terms and Conditions
2020-036	17.225	Unemployment Insurance	Allowable Costs/Cost Principles
2020-037	17.225	Unemployment Insurance	Eligibility
2020-038	17.225	Unemployment Insurance	Reporting
2020-039	17.225	Unemployment Insurance	Special Tests and Provisions - UI Program Integrity - Overpayments
2020-040	21.019	Coronavirus Relief Fund	Activities Allowed or Unallowed
2020-041	21.019	Coronavirus Relief Fund	Allowable Costs/Cost Principles
2020-042	21.019	Coronavirus Relief Fund	Period of Performance
2020-043	21.019	Coronavirus Relief Fund	Reporting
2020-045	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Reporting
2020-046	84.425	Education Stabilization Fund	Matching, Level of Effort, Earmarking
2020-047	84.425	Education Stabilization Fund	Subrecipient Monitoring
2020-048	93.575	Child Care and Development Block Grant	Allowable Costs/Cost Principles
2020-049	93.575	Child Care and Development Block Grant	Eligibility
2020-050	93.575	Child Care and Development Block Grant	Matching, Level of Effort, Earmarking
2020-051	93.575	Child Care and Development Block Grant	Special Tests and Provisions - Health and Safety Requirements
2020-052	93.767	Children's Health Insurance Program	Allowable Costs/Cost Principles
2020-053	93.767	Children's Health Insurance Program	Special Tests and Provisions - Provider Eligibility (Screening and Enrollment)
2020-054	93.767	Children's Health Insurance Program	Special Tests and Provisions - Refunding of Federal Share of CHIP Overpayments to Providers
2020-055	93.778	Medical Assistance Program	Allowable Costs/Cost Principles
2020-056	93.778	Medical Assistance Program	Special Tests and Provisions - ADP Risk Analysis and System Security Review
2020-058	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Allowable Costs/Cost Principles
2020-060	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring
2020-061	97.039	Hazard Mitigation Grant	Allowable Costs/Cost Principles

Compliance with such requirements is necessary, in our opinion, for the CNMI to comply with the requirements applicable to those programs.

***Qualified Opinion on CFDA 15.875, CFDA 93.767, Medicaid Cluster, and CFDA 97.036***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the CNMI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 15.875 Economic, Social, and Political Development of the Territories; CFDA 93.767 Children's Health Insurance Program, the Medicaid Cluster, and CFDA 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) for the year ended September 30, 2020.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, the CNMI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2020.

## ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-024 through 2020-026, 2020-028, 2020-029, 2020-031, 2020-032, 2020-035, 2020-044, 2020-057, 2020-059 and 2020-062. Our opinion on each major federal program is not modified with respect to these matters.

The CNMI's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The CNMI's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The CNMI is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The CNMI's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## **Report on Internal Control Over Compliance**

Management of the CNMI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the CNMI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the CNMI's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2020-023, 2020-027, 2020-030, 2020-033, 2020-034, 2020-036 through 2020-043, 2020-045 through 2020-056, 2020-058, 2020-060 and 2020-061 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2020-024 through 2020-026, 2020-028, 2020-029, 2020-031, 2020-032, 2020-035, 2020-044, 2020-057, 2020-059 and 2020-062 to be significant deficiencies.





The CNMI's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The CNMI's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The CNMI is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The CNMI's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the aggregate discretely presented component units, the Department of Public Lands major fund, and the aggregate remaining fund information of the CNMI as of and for the year ended September 30, 2020, and the related notes to the financial statements. We were also engaged to audit the financial statements of the governmental activities, and each of the remaining major funds, which collectively comprise the CNMI's basic financial statements. We issued our report thereon dated January 30, 2023, which contained explanatory paragraphs concerning noncompliance with Interim Pension Obligation Bond Covenants, the correction of errors, going concern and the impact of COVID-19, which states that the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements of the governmental activities, the General Fund, the Grants Assistance Governmental Fund, the Coronavirus Relief Governmental Fund and the Saipan Amusement Governmental Fund, due to the inability to obtain sufficient appropriate audit evidence for the balance and financial activity of advances, general receivables, other liabilities and accruals, other revenues and expenditures/expenses and due to the CNMI not recording pension expense and a related net pension asset or liability, deferred inflows of resources and deferred outflows of resources as of and for the year ended September 30, 2020 as required by Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; the lack of adoption of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* and also contains adverse opinions due to the financial statements of the Commonwealth Healthcare Corporation and the Northern Mariana Islands Settlement Fund not being included in the financial statements. Our audit of the aggregate discretely presented component units, the Department of Public Lands major fund, and the aggregate remaining fund information was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Because of the significance of the matters discussed above, it is inappropriate to, and we do not, express an opinion on the Schedule of Expenditures of Federal Awards.

*Deloitte & Touche LLC*

January 30, 2023



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Summary of Schedule of Expenditures of Federal Awards by Grantor  
Year Ended September 30, 2020

Federal Grantor	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture	\$ -	\$ 32,434,559
U.S. Department of Commerce	-	9,465,924
U.S. Department of Defense	-	921,368
U.S. Department of Education	4,777,211	5,729,893
U.S. Department of Energy	-	469,492
U.S. Department of Health and Human Services	-	61,913,518
U.S. Department of Homeland Security	23,500,040	31,888,304
U.S. Department of the Interior	2,081,926	8,684,636
U.S. Department of Justice	-	1,554,983
U.S. Department of Labor	-	107,810,368
U.S. Department of Transportation	-	2,326,778
U.S. Department of Veterans Affairs	-	1,146,731
U.S. Election Assistance Commission	-	218,295
U.S. Environmental Protection Agency	-	1,759,463
U.S. Institute of Museum and Library Services	-	79,636
U.S. National Endowment for the Arts	-	213,629
U.S. National Endowment for the Humanities	-	16,695
U.S. Small Business Administration	-	101,396
<b>TOTAL FEDERAL GRANTS FUND</b>	<b>30,359,177</b>	<b>266,735,668</b>
<b>TOTAL CAPITAL PROJECTS FUND</b>	<b>4,074,207</b>	<b>7,223,177</b>
<b>TOTAL PUBLIC WORKS FUND</b>	<b>-</b>	<b>2,556,738</b>
<b>TOTAL CARES ACT FUND</b>	<b>-</b>	<b>15,945,073</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>	<b>\$ 34,433,384</b>	<b>\$ 292,460,656</b>

Note: All awards are received direct from the Federal agency.

Reconciliation:

Grant Assistance Fund expenditures per Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit):

Expenditures per above	\$ 292,460,656
Local match	1,126,052
Amount of Compact Impact grants recorded in operating transfers out	(969,776)
Public Works Grants (CFDA No. 20.205) recorded in Other Governmental Funds	(2,556,738)
Coronavirus Relief Fund Grants (CFDA No. 21.019) recorded in Coronavirus Relief Fu	(15,945,073)
Unreconciled difference	66,898
	<u>\$ 274,182,019</u>

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ -	\$ 6,874
10.170	Specialty Crop Block Grant Program - Farm Bill	-	51,491
10.539	CNMI Nutrition Assistance	-	25,153,875
SNAP Cluster:			
10.551	Supplemental Nutrition Assistance Program	-	4,165,265
10.551	COVID-19 Supplemental Nutrition Assistance Program	-	1,778,201
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	-	1,119,162
Subtotal SNAP Cluster		-	7,062,628
10.664	Cooperative Forestry Assistance	-	158,832
10.950	Agricultural Statistics Reports	-	859
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		-	32,434,559
<b>U.S. DEPARTMENT OF COMMERCE</b>			
11.Unknown	USDOC Unknown	-	87,326
11.016	Statistical, Research, and Methodology Assistance	-	7,269,750
11.407	Interjurisdictional Fisheries Act of 1986	-	9,195
11.419	Coastal Zone Management Administration Awards	-	1,319,288
11.437	Pacific Fisheries Data Program	-	139,260
11.454	Unallied Management Projects	-	61,773
11.467	Meteorologic and Hydrologic Modernization Development	-	39,993
11.472	Unallied Science Program	-	64,009
11.482	Coral Reef Conservation Program	-	401,693
11.549	State and Local Implementation Grant Program	-	73,637
<b>TOTAL U.S. DEPARTMENT OF COMMERCE</b>		-	9,465,924
<b>U.S. DEPARTMENT OF DEFENSE</b>			
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	-	6,986
12.617	Economic Adjustment Assistance for State Governments	-	914,382
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>		-	921,368
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Fish and Wildlife Cluster:			
15.605	Sport Fish Restoration	-	1,292,803
15.611	Wildlife Restoration and Basic Hunter Education	-	734,064
Subtotal Fish and Wildlife Cluster		-	2,026,867
15.615	Cooperative Endangered Species Conservation Fund	-	412,622
15.634	State Wildlife Grants	-	136,754
15.875	Economic, Social, and Political Development of the Territories:		
	Development of TTPI Islands	1,111,542	1,879,702
	COVID-19 Development of TTPI Islands	-	1,798,689
	Compact Impact	970,384	1,881,041
15.904	Historic Preservation Fund Grants-In-Aid	-	498,177
15.916	Outdoor Recreation Acquisition, Development and Planning	-	48,308
15.925	National Maritime Heritage Grants	-	2,476
<b>TOTAL U.S. DEPARTMENT OF THE INTERIOR</b>		2,081,926	8,684,636
<b>U.S. DEPARTMENT OF JUSTICE</b>			
16.017	Sexual Assault Services Formula Program	-	53,207
16.034	Coronavirus Emergency Supplemental Funding Program	-	116,341
16.540	Juvenile Justice and Delinquency Prevention	-	21,244
16.575	Crime Victim Assistance	-	462,387
16.588	Violence Against Women Formula Grants	-	466,572
16.710	Public Safety Partnership and Community Policing Grants	-	140,486

See accompanying notes to schedule of expenditures of federal awards.

## COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2020

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. DEPARTMENT OF JUSTICE, CONTINUED</b>			
16.738	Edward Byrne Memorial Justice Assistance Grant Program	-	78,333
16.750	Support for Adam Walsh Act Implementation Grant Program	-	216,413
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>		-	1,554,983
<b>U.S. DEPARTMENT OF LABOR</b>			
WIOA Cluster:			
17.258	WIOA Adult Program	-	440,049
17.259	WIOA Youth Activities	-	209,555
17.278	WIOA Dislocated Worker Formula Grants	-	419,043
Subtotal WIOA Cluster		-	1,068,647
17.225	Unemployment Insurance	-	280,097
17.225	COVID-19 Unemployment Insurance	-	104,433,162
17.235	Senior Community Service Employment Program	-	246,807
17.273	Temporary Labor Certification for Foreign Workers	-	34,101
17.277	WIOA National Dislocated Worker Grants/WIA National Emergency Grants	-	1,341,076
17.277	COVID-19 WIOA National Dislocated Worker Grants/WIA National Emergency Grants	-	32,465
17.285	Apprenticeship USA Grants	-	51,971
17.504	Consultation Agreements	-	317,421
17.600	Mine Health and Safety Grants	-	4,621
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>		-	107,810,368
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
20.218	Motor Carrier Safety Assistance	-	337,121
20.509	Formula Grants for Rural Areas and Tribal Transit Program	-	1,136,453
20.514	Public Transportation Research, Technical Assistance, and Training	-	5,696
20.526	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	-	100,277
Highway Safety Cluster:			
20.600	State and Community Highway Safety	-	743,201
Subtotal Highway Safety Cluster		-	743,201
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	-	4,030
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>		-	2,326,778
<b>U.S. NATIONAL ENDOWMENT FOR THE ARTS</b>			
45.025	Promotion of the Arts Partnership Agreements	-	213,629
<b>U.S. NATIONAL ENDOWMENT FOR THE HUMANITIES</b>			
45.129	COVID-19 Promotion of the Humanities Federal/State Partnership	-	16,695
<b>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>			
45.310	Grants to States	-	77,036
45.310	COVID-19 Grants to States	-	2,600
<b>TOTAL U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>		-	79,636
<b>U.S. SMALL BUSINESS ADMINISTRATION</b>			
59.061	State Trade Expansion	-	101,396
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	-	1,759,463
<b>U.S. DEPARTMENT OF ENERGY</b>			
81.041	State Energy Program	-	264,153
81.042	Weatherization Assistance for Low-Income Persons	-	205,339
<b>TOTAL U.S. DEPARTMENT OF ENERGY</b>		-	469,492

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2020

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	-	906,126
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	-	46,556
84.425	Education Stabilization Fund	4,777,211	4,777,211
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		4,777,211	5,729,893
<b>U.S. ELECTION ASSISTANCE COMMISSION</b>			
90.404	2018 HAVA Election Security Grants	-	111,857
90.404	COVID-19 2018 HAVA Election Security Grants	-	106,438
<b>TOTAL U.S. ELECTION ASSISTANCE COMMISSION</b>		-	218,295
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Aging Cluster:			
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Cent	-	184,560
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	-	237,490
93.045	COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services	-	34,120
93.053	Nutrition Services Incentive Program	-	22,095
Subtotal Aging Cluster		-	478,265
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	-	333
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	-	12,312
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	-	5,471
93.052	National Family Caregiver Support, Title III, Part E	-	79,206
93.052	COVID-19 National Family Caregiver Support, Title III, Part E	-	15,318
93.127	Emergency Medical Services for Children	-	65,993
93.369	ACL Independent Living State Grants	-	36,043
93.434	Every Student Succeeds Act/Preschool Development Grants	-	41,394
93.464	ACL Assistive Technology	-	129,533
93.556	MaryLee Allen Promoting Safe and Stable Families Program	-	186,366
93.568	Low-Income Home Energy Assistance	-	232,355
93.568	COVID-19 Low-Income Home Energy Assistance	-	12,297
93.569	Community Services Block Grant	-	581,192
CCDF Cluster:			
93.575	Child Care and Development Block Grant	-	3,751,481
93.575	COVID-19 Child Care and Development Block Grant	-	88,729
Subtotal CCDF Cluster		-	3,840,210
93.590	Community-Based Child Abuse Prevention Grants	-	182,001
93.612	Native American Programs	-	108,337
93.630	Developmental Disabilities Basic Support and Advocacy Grants	-	239,764
93.643	Children's Justice Grants to States	-	67,927
93.645	Stephanie Tubbs Jones Child Welfare Services Program	-	177,112
93.667	Social Services Block Grant	-	47,256
93.669	Child Abuse and Neglect State Grants	-	(2,809)
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	-	143,259
93.767	Children's Health Insurance Program	-	16,416,874
Medicaid Cluster:			
93.778	Medical Assistance Program	-	37,009,488
93.778	COVID-19 Medical Assistance Program	-	1,808,021
Subtotal Medicaid Cluster		-	38,817,509
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		-	61,913,518

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2020

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
97.Unknown	USDHS Unknown	-	503,472
97.012	Boating Safety Financial Assistance	-	350,372
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	23,500,040	23,581,310
97.036	COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	-	2,510,396
97.039	Hazard Mitigation Grant	-	3,351,750
97.042	Emergency Management Performance Grants	-	738,685
97.042	COVID-19 Emergency Management Performance Grants	-	194,121
97.047	Pre-Disaster Mitigation	-	(8,914)
97.067	Homeland Security Grant Program	-	667,112
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>		<u>23,500,040</u>	<u>31,888,304</u>
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>			
64.203	Veterans Cemetery Grants Program	-	1,146,731
<b>TOTAL FEDERAL GRANTS FUND</b>		<u>30,359,177</u>	<u>266,735,668</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
15.875	Economic, Social, and Political Development of the Territories: Capital Improvement Projects: Second Covenant FY04 Appropriations Act Grant	- 4,074,207	(275) 7,223,452
<b>TOTAL CAPITAL PROJECTS FUND</b>		<u>4,074,207</u>	<u>7,223,177</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
20.205	Highway Planning and Construction Cluster: Highway Planning and Construction	-	2,771,738
Total Highway Planning and Construction Cluster		<u>-</u>	<u>2,771,738</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	-	(215,000)
<b>TOTAL PUBLIC WORKS GRANT FUND</b>		<u>-</u>	<u>2,556,738</u>
<b>U.S. DEPARTMENT OF THE TREASURY</b>			
21.019	Coronavirus Relief Fund	-	15,945,073
<b>TOTAL CARES ACT FUND</b>		<u>-</u>	<u>15,945,073</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 34,433,384</u>	<u>\$ 292,460,656</u>

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2020

(1) Scope of Audit

The Commonwealth of the Northern Mariana Islands (CNMI) is a governmental entity governed by its own Constitution. All significant operations of the CNMI are included in the scope of the Single Audit. The U.S. Department of the Interior has been designated as the CNMI's cognizant agency for the Single Audit.

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the CNMI under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the CNMI, it is not intended to and does not present the financial position or changes in financial position of the CNMI.

(3) Summary of Significant Accounting Policies

a. Basis of Accounting

Expenditures reported on the accompanying Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. All expenditures and capital outlays are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of operations to amounts reported as expenditures in prior years.

b. Reporting Entity

The CNMI, for purposes of the financial statements, includes all of the funds of the primary government as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, the CNMI's reporting entity is defined in Note 1A to its September 30, 2020 basic financial statements; except that the Northern Mariana Islands Settlement Fund, the Northern Mariana Islands Retirement Fund and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards presents the federal award programs administered by the CNMI, as defined above, for the year ended September 30, 2020.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2020

(3) Summary of Significant Accounting Policies, Continued

b. Reporting Entity, Continued

Federal award totals for the excluded departments and component units as of September 30, 2020, are as follows:

<u>Agency or Component Unit</u>	<u>Federal Award Total</u>
Commonwealth Ports Authority	\$ 14,209,751
Commonwealth Development Authority	\$ 13,252,106
Commonwealth Utilities Corporation	\$ 4,943,985
Northern Marianas College	\$ 11,421,049

c. Amounts Passed-Through to Subrecipients

The Schedule of Expenditures of Federal Awards includes amounts passed through to subrecipients during the year which were identified for each program; however, the Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subrecipients, outside of the CNMI's control, utilized the funds. The CNMI is considered to have responsibility for any questioned costs which could result from Single Audits of these entities.

d. Indirect Cost Allocation

The CNMI did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance. For fiscal year 2020, the CNMI has the following approved indirect cost rates:

Programs which directly charged utilities	9.50%
Programs not directly charging utilities	30.25%

e. Matching Costs

The non-Federal shares of programs are not included in the accompanying Schedule of Expenditures of Federal Awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2020

**Section I - Summary of Auditors' Results**

*Financial Statements*

- |    |  |                                       |
|----|--|---------------------------------------|
| 1. | Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified,<br>Disclaimer and Adverse |
|    | Internal control over financial reporting:   |                                       |
| 2. | Material weakness(es) identified?  | Yes                                   |
| 3. | Significant deficiency(ies) identified?  | Yes                                   |
| 4. | Noncompliance material to financial statements noted?  | Yes                                   |

*Federal Awards*

- |    |  |           |
|----|--|-----------|
|    | Internal control over major federal programs:  |           |
| 5. | Material weakness(es) identified?  | Yes       |
| 6. | Significant deficiency(ies) identified?  | Yes       |
| 7. | Type of auditor's report issued on compliance for major federal programs:                          | Qualified |
| 8. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes       |
| 9. | Identification of major federal programs:  |           |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.539	CNMI Nutrition Assistance
11.016	Statistical, Research, and Methodology Assistance
15.875	Economic, Social, and Political Development of the Territories: Capital Improvement Projects Compact Impact
17.225	Unemployment Insurance
21.019	Coronavirus Relief Fund
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
84.425	Education Stabilization Fund CCDF Cluster:
93.575	Child Care and Development Block Grant
93.767	Children's Health Insurance Program Medicaid Cluster:
93.778	Medical Assistance Program
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.039	Hazard Mitigation Grant

- |     |  |              |
|-----|--|--------------|
| 10. | Dollar threshold used to distinguish between type A and type B Programs: | \$ 3,000,000 |
| 11. | Auditee qualified as low-risk auditee?                                   | No           |

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

**Section II - Financial Statement Findings**

<u>Reference Number</u>	<u>Findings</u>
2020-001	External Financial Reporting
2020-002	Cash and Cash Equivalents
2020-003	Receivables
2020-004	Receivables - OPA Fees
2020-005	Advances
2020-006	Tax Rebates Payable
2020-007	Notes Payable - Judicial Building Loan
2020-008	Compensated Absences
2020-009	Due to Component Units
2020-010	Interfund Transactions and Balances
2020-011	Other Liabilities and Accruals
2020-012	Net Pension Liability
2020-013	Interim Pension Obligation Bond
2020-014	Fund Balance
2020-015	Purchases/Disbursements
2020-016	Economic Impact Payment
2020-017	Other Revenues
2020-018	Commonwealth Healthcare Corporation
2020-019	CNMI Workers' Compensation Commission
2020-020	CNMI Group Health and Life Insurance
2020-021	CNMI Local Noncompliance
2020-022	Schedule of Expenditures of Federal Awards

**Section III - Federal Award Findings and Questioned Costs**

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2020-023	10.539	Eligibility	\$ 20,901
2020-024	10.539	Matching, Level of Effort Earmarking	178,399
2020-025	10.539	Period of Performance	10,276
2020-026	10.539	Procurement and Suspension and Debarment	10,545
2020-027	11.016	Allowable Costs/Cost Principles	1,957,419
2020-028	11.016	Equipment and Real Property Management	-
2020-029	11.016	Procurement and Suspension and Debarment	62,207
2020-030	15.875	Equipment and Real Property Management	-
2020-031	15.875	Period of Performance	66,936
2020-032	15.875	Procurement and Suspension and Debarment	31,059
2020-033	15.875	Subrecipient Monitoring	-
2020-034	15.875	Special Tests and Provisions - Grant Terms and Conditions	-
2020-035	17.225	Activities Allowed or Unallowed	770
2020-036	17.225	Allowable Costs/Cost Principles	219,547
2020-037	17.225	Eligibility	2,071,943
2020-038	17.225	Reporting	-
2020-039	17.225	Special Tests and Provisions - UI Program Integrity - Overpayments	-
2020-040	21.019	Activities Allowed or Unallowed	19,600,539
2020-041	21.019	Allowable Costs/Cost Principles	14,632,280
2020-042	21.019	Period of Performance	-
2020-043	21.019	Reporting	70,711
2020-044	84.126	Matching, Level of Effort Earmarking	35,553
2020-045	84.126	Reporting	-
2020-046	84.425	Matching, Level of Effort, Earmarking	2,215,788
2020-047	84.425	Subrecipient Monitoring	-
2020-048	93.575	Allowable Costs/Cost Principles	65,891
2020-049	93.575	Eligibility	6,900
2020-050	93.575	Matching, Level of Effort, Earmarking	392,972
2020-051	93.575	Special Tests and Provisions - Health and Safety Requirements	663,275
2020-052	93.767	Allowable Costs/Cost Principles	2,338,718
2020-053	93.767	Special Tests and Provisions - Provider Eligibility (Screening and Enrollment)	-

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

**Section III - Federal Award Findings and Questioned Costs, Continued**

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2020-054	93.767	Special Tests and Provisions - Refunding of Federal Share of CHIP Overpayments to Providers	-
2020-055	93.778	Allowable Costs/Cost Principles	74,499
2020-056	93.778	Special Tests and Provisions - ADP Risk Analysis and System Security Review	-
2020-057	93.778	Special Tests and Provisions - Provider Eligibility (Screening and Enrollment) and Provider Health and Safety Standards	99,547
2020-058	97.036	Allowable Costs/Cost Principles	2,167,425
2020-059	97.036	Period of Performance	675,000
2020-060	97.036	Subrecipient Monitoring	-
2020-061	97.039	Allowable Costs/Cost Principles	205,071
2020-062	Nonmajor Program	Procurement and Suspension and Debarment	-
			<u>\$ 47,874,171</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

External Financial Reporting

Finding No. 2020-001

Criteria:

Governmental Accounting Standards Board (GASB) Statement No. 61, *the Financial Reporting Entity: Omnibus*, requires the financial statements of the reporting entity to include financial statements of component units for which the primary government is financially accountable or for which exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Condition:

The CNMI's financial statements do not include the financial statements of the following component units:

1. Northern Mariana Islands Settlement Fund (NMISF)
2. Commonwealth Healthcare Corporation (CHCC)

Cause:

The CNMI did not obtain audited financial statements from the aforementioned component units.

Effect:

The CNMI is in noncompliance with GASB Statement No. 61, and the CNMI's financial statements contain an adverse opinion.

Identification as a Repeat Finding:

Finding No. 2019-001

Recommendation:

The CNMI should obtain audited financial statements of the aforementioned component units for inclusion in the CNMI's financial statements.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Cash and Cash Equivalents

Finding No. 2020-002

Criteria:

Bank reconciliations should be timely performed, and reconciling items should be timely adjusted.

Condition:

Tests of bank reconciliations noted the following:

1. Bank reconciliations for three accounts were not provided.

<u>Bank Code</u>	<u>Account Name</u>	<u>Bank Balance</u>	<u>Book Balance</u>	<u>Variance</u>
11431	CNMI Treasurer NMIRF GHLITF TRUST	\$ 1,051,259	\$ (32,823,715)	\$ 33,874,974
11601	COVID-19 Account	\$ 1,980,688	\$ 2,119,896	\$ (139,208)
11171	TDOA Medical Referral	\$ 47,817	\$ 75,860	\$ (28,043)

2. We were not able to verify the validity of the following accounts as the bank confirmation or the latest bank statement was not provided.

<u>Bank Code</u>	<u>Account Name</u>	<u>Bank Statement Date</u>	<u>Book Balance</u>
11628	Escrow Salvage	Not Provided	\$ 298,100
11642	Workers Compensation Commission	Not Provided	\$ 134,066
15050	Agency Fund - Security Deposit	Not Provided	\$ 65,050
11340	BOG Typhoon Soudelor	Not Provided	\$ 11,848
11140	Washington Rep. Imprest Fund - Chase	09/30/09	\$ 4,290

3. At September 30, 2020, the CNMI recorded cash clearing accounts of \$3,757,140. These accounts are expected to be zero at fiscal year-end. An audit adjustment was proposed to correct \$3,868,078 of the amount; however, correcting entries for the remaining \$110,938 could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.
4. At September 30, 2020, the CNMI recorded non-CNMI cash accounts of (\$557,998) (bank code 11629) and (\$545,847) (bank code 11432). Correcting entries could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.
5. At September 30, 2020 the CNMI recorded a net negative \$306,242 of cash related to unidentified transactions. An audit adjustment was proposed to correct \$111,155 of the amount; however, correcting entries for the remaining \$195,087 could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.

<u>Bank Code</u>	<u>Account Name</u>	<u>Book Balance</u>
11960	Unidentified P/Y	\$ (633,277)
11980	Unidentified Re	<u>327,035</u>
		\$ <u>(306,242)</u>



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-002, Continued

Condition, Continued:

6. At September 30, 2020, the CNMI recorded negative cash accounts of \$527,705 related to check overdrafts. Subsequent fund transfers were not sufficient to fund total checks released.

<u>Bank Code</u>	<u>Account Name</u>	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Subsequent Fund Transfer</u>
11150	Superior Court NMI Imprest Fund	\$ (110,128)	\$ 45,521	\$ 40,145
11200	Tinian Imprest Fund	(197,449)	\$ 9,661	\$ 50,283
11221	BOG Judiciary Legal Service	(27,679)	\$ 3,296	\$ -
11310	CHC Medical Referral	<u>(192,449)</u>	\$ 28,871	\$ 43,289
		\$ <u>(527,705)</u>		

7. At September 30, 2020, the CNMI recorded a negative \$32,823,715 cash account (bank code 11431) related to an error in recording interfund settlements for health and life insurance payments. An audit adjustment was proposed to correct the amount.
8. Bank reconciling items for the following accounts were not recorded in the general ledger at September 30, 2020.

<u>Bank Code</u>	<u>Account Name</u>	<u>Amount of Reconciling Items</u>
11151	Office of the Clerk of Court	\$ (12,167)
11152	CNMI Superior Court R & T Fiduciary	\$ (220)
11153	Office of the Clerk of Court Civil	\$ 2,383,469

Cause:

The CNMI did not adhere to policies and procedures related to timely preparing bank reconciliations, to updating bank account authorized signatories, to assessing negative cash accounts, and to reconciling cash clearing accounts for adjustment at fiscal year end.

Effect:

Cash balances could be materially misstated throughout the year. In addition, there is potential for losses due to unsupported cash in bank accounts.

Identification as a Repeat Finding:

Finding No. 2019-002

Recommendation:

The CNMI should adhere to established policies and procedures over the timely reconciliation and adjustment of bank and cash clearing accounts and over the updating of attendant authorized signatories.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Receivables

Finding No. 2020-003

Criteria:

Receivables should be identified, recorded, and reconciled. Further, transfers of assets from component units should be documented.

Condition:

1. Section 8.1 of the Settlement Agreement for Civil Case No. 09-000023 assigns the CNMI rights to collect deficient employer defined benefit contributions and related costs as of August 6, 2013 from autonomous agencies. In October 2016, NMIRF transferred receivables from autonomous agencies of \$46,051,656 to the CNMI. The CNMI has not obtained details of these receivables and has not assessed collectability. In addition, no written document supported the transfer. The transfer has not been recorded as of September 30, 2020. No audit adjustment was proposed due to the uncertainty of collection.
2. As of September 30, 2020, the General Fund recorded returned checks receivable (account no. 1010.12800) of \$5,614,652 for which no subsidiary ledger was provided. \$4,676,801 of which refers to returned checks from the CNMI's sole casino licensee. No analysis was performed by the CNMI to determine the propriety of the September 30, 2020 allowance for doubtful returned checks receivable. An allowance of \$604,060 was recorded in the General Fund to provide for this account.
3. The following other receivables as of September 30, 2020, aggregating \$1,618,667, have little or no movement from prior year. No analysis of past due receivables was performed to determine the propriety of the September 30, 2020 allowance for uncollectable accounts. An allowance of \$223,813 was recorded in the General Fund to provide for these accounts.

<u>Fund</u>	<u>Account No.</u>	<u>Balance as of 09/30/20</u>	<u>Balance as of 09/30/19</u>	<u>Movement</u>
1010	12020	\$ 140,699	\$ 140,699	\$ -
1010	12021	\$ 599,770	\$ 653,794	\$ (54,024)
1010	12022	\$ 500	\$ 500	\$ -
1010	12030	\$ 34,233	\$ 34,233	\$ -
1010	12031	\$ 308,429	\$ 307,132	\$ 1,297
1010	12110	\$ 22,371	\$ 22,371	\$ -
1010	12111	\$ 40,641	\$ 40,641	\$ -
1010	12150	\$ 48,888	\$ 48,888	\$ -
1010	12151	\$ 25,399	\$ 24,969	\$ 430
1010	12160	\$ 19,119	\$ 19,119	\$ -
1010	12340	\$ 80,000	\$ 80,000	\$ -
1010	12347	\$ 1,922	\$ 1,922	\$ -
1010	12350	\$ (11,097)	\$ 1,256	\$ (12,353)
1010	12360	\$ 24,943	\$ 24,943	\$ -
1010	12510	\$ (1,712)	\$ (1,712)	\$ -
2030	12210	\$ 284,562	\$ 284,562	\$ -

Cause:

The CNMI lacks policies and procedures to identify, record, and reconcile valid receivables and lacks written documentation to substantiate the transfer of receivables.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-003, Continued

Effect:

Receivables could be materially misstated as a result of the above condition.

Identification as a Repeat Finding:

Finding No. 2019-003

Recommendation:

The CNMI should establish policies and procedures to identify, record, and reconcile receivables. Furthermore, responsible personnel should coordinate with the NMIRF to document the abovementioned transfer.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Receivables - OPA Fees

Finding No. 2020-004

Criteria:

Receivables should be reconciled, assessed, and monitored for collectability.

Condition:

Public Law 9-66 requires public corporations or other autonomous agencies to pay to the CNMI Treasurer an amount no less than one percent of their total operations budget, and such funds will be deposited into a special account within the CNMI general fund to be solely used for the operations and activities of the Office of the Public Auditor (OPA). Receivables related to one percent of OPA fees recorded and reported in a schedule obtained from OPA did not agree to payables recorded in corresponding component unit (CU) financial statements. Further, collectability of these receivables was not assessed at year-end. Additionally, consideration of the application of the statute of limitations to these receivables has not occurred.

<u>Component Unit</u>	<u>Receivables Per OPA Schedule</u>	<u>Payables Reported in CU's Financial Statements</u>	<u>Difference</u>	<u>Comments</u>
Commonwealth Development Authority (CDA)	\$ 126,714	\$ -	\$ 126,714	Not reported in CU financial statements
CHCC	\$ 3,789,784	Unknown	Unknown	Lack of CU financial statements
Commonwealth Ports Authority (CPA)	\$ 3,929,636	\$ 2,525,760	\$ 1,403,876	Unreconciled differences
Commonwealth Utilities Corporation (CUC)	\$ 16,645,959	\$ 8,909,735	\$ 7,736,224	Unreconciled differences
Marianas Public Land Trust (MPLT)	\$ 160,620	\$ -	\$ 160,620	Not reported in CU financial statements
Marianas Visitors Authority (MVA)	\$ 827,885	\$ -	\$ 827,885	Not reported in CU financial statements
Northern Marianas College (NMC)	\$ 1,675,790	\$ -	\$ 1,675,790	Not reported in CU financial statements
Public School System (PSS)	\$ 1,843,754	\$ -	\$ 1,843,754	Not reported in CU financial statements

As of September 30, 2020, receivables related to OPA fees are fully allowed for.

Cause:

The CNMI lacks policies and procedures to reconcile receivables and to assess collectability.

Effect:

Receivables and related revenue could be misstated.

Identification as a Repeat Finding:

Finding No. 2019-004

Recommendation:

The CNMI should record receivables based on the updated calculation and should reconcile amounts to payable balances recorded by component units.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Advances

Finding No. 2020-005

Criteria:

An effective system of internal control includes procedures to monitor and determine that vendor advances are timely adjusted and that actions are taken to address possible losses.

In addition, official travel should be in accordance with CNMI travel regulations.

- Per section 70-20.3-220(e), the traveler must submit the travel voucher within fifteen (15) days upon return from travel unless travel is performed at a closing period of a federal grant.
- Per section 70-20.3-205 (c)(1), the expense of traveling by air will be allowed on the basis of cost. The traveler is expected to use coach or economy fare.
- Per section 70-20.3-110 (d)(2), for Non-foreign areas (Guam, Saipan, Tinian, Rota and all other U.S. Insular areas), Per Diem rates should be obtained from the Per Diem Bulletins issued by Per Diem, Travel and Transportation Allowance Committee (PDTATAC) and published periodically in the Federal Register.

Condition:

Vendor Advances:

1. Of eleven vendor advances tested, aggregating \$11,287,822, the following were noted.
  - a. For five, aggregating \$5,696,755, documents supporting delivery of goods or services were not provided. The engagement team was unable to determine the validity of related advances as of September 30, 2020.

<u>Fund</u>	<u>CFDA</u>	<u>Document No.</u>	<u>Date</u>	<u>Amount</u>
1010	N/A	894296	05/05/20	\$ 974,500
1010	N/A	894296	05/05/20	\$ 3,600,000
1010	N/A	894290	05/05/20	\$ 156,065
1010	N/A	894290	05/05/20	\$ 741,190
1010	21.019	1560440	09/23/20	\$ 225,000

- b. The delivery date of goods subsequently received for one (Document no. 893953) is not evident in the receiving report.
- c. The quantity of medical equipment per receiving reports differs from the total quantity per related invoices, resulting in a potential overpayment to the vendor of \$1,368,000. No reconciliation or adjustment was provided by the CNMI to record a receivable from the vendor.

<u>Document No.</u>	<u>CFDA</u>	<u>General Ledger Date</u>	<u>Amount</u>	<u>Quantity Per Invoices</u>	<u>Quantity Per Receiving Report</u>	<u>Variance</u>	<u>Unit Price</u>	<u>Amount</u>
894291	N/A	05/05/20	\$ 1,980,000	50	20	30	\$ 39,600	\$ 1,188,000
1496213	N/A	04/07/20	\$ 1,080,000	30	25	5	\$ 36,000	\$ 180,000

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-005, Continued

Condition, Continued:

Vendor Advances, Continued:

- d. Goods for the following items, aggregating \$1,965,887, were received as of September 30, 2020 but remained in the vendor advances account. No reconciliation or adjustment was provided by the CNMI to correct the potential misstatement.

<u>Fund</u>	<u>CFDA</u>	<u>Document No.</u>	<u>Delivery Date</u>	<u>Amount</u>
1010	N/A	1496213	05/27/20	\$ 900,000
1010	N/A	894291	05/29/20	\$ 842,000
1010	N/A	1533842	06/30/20	\$ 223,887

2. Advances to vendors should be timely updated for goods/services received and should include identifiable reference to determine funding source. As of September 30, 2020, the General Fund recorded vendor advances of \$13,417,196, of which \$1,305,999 dates to fiscal year 2019 and prior. An aging of vendor advances by fiscal year follows.

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 522,568
2018	189,331
2017	87,456
2016	8,816
2015	26,955
2014 and prior	<u>470,873</u>
	<u>\$ 1,305,999</u>

An allowance of \$496,675 was recorded in the General Fund to provide for this account. No analysis of long outstanding vendor advances was performed by the CNMI during the fiscal year to determine the propriety of the September 30, 2020 allowance. An audit adjustment of \$809,323 was proposed to correct the allowance for vendor advances.

3. Goods or services for the following items, aggregating \$537,775, were received as of September 30, 2020 but remained in the vendor advances account. This was corrected through a proposed audit adjustment.

<u>Fund</u>	<u>Document No.</u>	<u>Purchase Order No.</u>	<u>Date</u>	<u>Amount</u>
1010	255803	700696	09/04/20	\$ 223,887
1010	254659	681569	05/28/20	\$ 143,925
1010	253344	690248	01/10/20	\$ 98,000
1010	254658	683988	05/28/20	\$ 47,975
1010	254653	681571	05/28/20	\$ 23,988



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-005, Continued

Condition, Continued:

Travel Advances:

1. For four travel advances tested, aggregating \$60,562, supporting travel authorizations (TAs) and other liquidation documents for four items were not provided.

<u>Fund</u>	<u>CFDA</u>	<u>Object No.</u>	<u>Employee No.</u>	<u>Amount</u>
1010	Unknown	12520	169498	\$ 34,502
1010	Unknown	12520	101261	\$ 3,218
1010	Unknown	12520	102581	\$ 17,102
1010	Unknown	12521	212512	\$ 5,740

2. Of fourteen travel expenditures tested, the following were noted:

- a. Travel vouchers (TVs) for two TAs were not submitted within fifteen days upon return from travel.

<u>Fund</u>	<u>Business Unit</u>	<u>TA No.</u>	<u>Return Date</u>	<u>TV No.</u>	<u>Days Passed</u>
1010	1010	355000	11/17/19	01/07/20	51
1010	1010	355461	12/06/19	01/06/20	31

- b. Airline tickets for two TAs were purchased for travel in a premium class designation.

<u>Fund</u>	<u>Business Unit</u>	<u>TA No.</u>	<u>TA Date</u>
1010	1010	355000	11/13/19
1010	1010	353451	09/11/19

- c. Lodging costs for three items exceeded the maximum daily lodging cost per the Per Diem Bulletin issued by PDTATAC.

<u>Fund</u>	<u>TA No.</u>	<u>TA Date</u>	<u>Locality</u>	<u>Amount per TA</u>	<u>Maximum Amount Per PDTATAC</u>
1010	355000	11/13/19	Guam	\$ 165	\$ 159
1010	353451	09/11/19	Guam	\$ 183	\$ 159
1010	353451	09/11/19	Honolulu	\$ 203	\$ 177

- d. Two supporting travel vouchers for two TAs were not provided.

<u>Fund</u>	<u>Business Unit</u>	<u>TA No.</u>	<u>TA Date</u>	<u>Amount</u>
1010	1010	354730	11/05/19	\$ 615
1010	1010	353451	09/11/19	\$ 9,487

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-005, Continued

Condition, Continued:

Travel Advances, Continued:

- e. For five, supporting TAs, travel vouchers and other liquidation documents were not provided.

<u>Fund</u>	<u>Business Unit</u>	<u>Document No.</u>	<u>Date</u>	<u>Amount</u>
1010	1021	885317	01/09/20	\$ 230
1010	1021	890353	02/27/20	\$ 375
1010	1021	890888	03/03/20	\$ 88
1010	1021	891993	03/09/20	\$ 63
2020	D8617A	1484181	12/06/19	\$ 105

Cause:

The CNMI lacks adequate procedures and controls to determine the validity of advances and lacks adequate file maintenance.

Effect:

There is a potential for losses on vendor advances due to undelivered goods and/or services. In addition, misstatements of travel advances could go undetected and uncorrected.

Recommendation:

We recommend that advances to vendors be monitored and be timely adjusted upon receipt of related goods and/or services and that efficient filing of relevant documents be maintained. In addition, we recommend review of existing procedures related to providing advances for those goods and/or services likely to be received within a short period of time.

We recommend that responsible personnel support all travel advances with TAs, travel voucher and subsequent liquidation documents. In addition, the CNMI should regularly review travel advances to verify compliance with travel liquidation policies.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Tax Rebates Payable

Finding No. 2020-006

Criteria:

The *Covenant to Establish the Commonwealth of the Northern Mariana Islands in Political Union with the United States of America* (the Covenant) adopted the Internal Revenue Code of the United States of America as the local income tax. Percentages of income tax due to the CNMI from CNMI source income are rebated at 90%, 70% or 50%, based on specified tax brackets for corporate and individual income taxes paid. The rebate liability is therefore estimated at the end of each fiscal year.

In addition, in accordance with Public Law 9-22, §1713, Interest on Overpayments, interest allowed by NMTIT §6611 on an overpayment shall be calculated only on the amount not already rebated.

Condition:

At September 30, 2020, tax rebates payable aggregated \$55,248,042. The balance consists of the following:

Estimated 2020 liability based on fiscal year 2020 collections	\$ 1,561,866
Additional Child Tax Credit (ACTC)	9,100,571
2019 and prior rebates unpaid as of September 30, 2020	<u>44,585,605</u>
	<u>\$ 55,248,042</u>

Tests of tax rebates payable noted the following:

1. For unpaid tax year 2019 and prior rebates:
  - a. Of sixteen assessed and matched filings relating to individual and corporate tax rebate payables of \$4,625,700, the following were noted:
    - i. Tax returns were not provided for eight totaling \$298,220:

<u>Assigned No.</u>	<u>Document Locator Number (DLN)</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>
I-25778	28187	2018	\$ 16,034
I-21618	30541	2012	14,978
I-10334	45821	2004	1,187
I-16633	45359	2007	272
I-04056	80599	2004	184
C-00485	Unknown	2010	120,600
C-00034	Unknown	2000	98,869
C-00056	Unknown	2001	<u>46,096</u>
			<u>\$ 298,220</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-006, Continued

Condition, Continued:

- ii. For one, the Division of Revenue and Taxation (DRT) tax system reported an invalid rebate payable of \$21,237 as of year end. The actual tax return reported tax due of \$21,237, which was paid by the taxpayer on March 15, 2017 (receipt no. 003325248).

<u>Assigned No.</u>	<u>DLN</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>	<u>Rebate Payable Per Return</u>	<u>Variance</u>
C-00804	201853	2016	\$ 21,237	\$ -	\$ 21,237

- iii. The rebate amounts on the tax returns were left blank or reported an overpayment pending review and evaluation by DRT. Further, the related tax returns were filed incomplete, a different tax form was used and/or the taxpayer did not submit relevant documentation to calculate taxes.

<u>Assigned No.</u>	<u>DLN</u>	<u>Classification</u>	<u>Tax Year</u>	<u>Tax Form Used</u>	<u>Rebate Payable Per Detailed Reports</u>
C-00365	270283	Assessed	2017	1120F	\$ 649,000
C-00921	213522	Matched	2012	1120 US	\$ 192,369

- iv. Return details were incorrectly entered in the DRT tax system for one transaction, which resulted in an invalid rebate payable of \$2,425,129. The actual tax due per return of \$202.76 was paid by the taxpayer on July 09, 2013 (Receipt no. 002761019). This matter was corrected through a proposed audit adjustment.

<u>Assigned No.</u>	<u>DLN</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>	<u>Rebate Payable Per Return</u>	<u>Variance</u>
C-00564	212375	2012	\$ 2,425,129	\$ -	\$ 2,425,129

- v. For one matched item, the DRT system incorrectly generated a rebate tax payable due to a system error. The tax return reported tax due of \$3,496, which was paid by the taxpayer on October 02, 2020 (Receipt No. 003922914). This matter was corrected through a proposed audit adjustment.

<u>Assigned No.</u>	<u>DLN</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>	<u>Rebate Payable Per Return</u>	<u>Variance</u>
I-26921	34799	2019	\$ 54,897	\$ -	\$ 54,897

- b. Of twenty-two unmatched filings tested relating to individual and corporate tax rebate payables of \$6,940,636, the following were noted:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-006, Continued

Condition, Continued:

- i. Tax returns were not provided for five totaling \$386,823:

<u>Assigned No.</u>	<u>DLN</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>
I-44954	37418	2014	\$ 178,271
I-28400	47516	2001	506
I-33196	46653	2004	387
C-01264	Unknown	2012	161,658
C-01193	Unknown	2008	<u>46,001</u>
			<u>\$ 386,823</u>

- ii. Rebate amounts for the following tax returns reported overpayments pending review and evaluation by DRT. Further, the related tax returns were filed incomplete, a different tax form was used and/or the taxpayer did not submit relevant documentation to allow for tax calculation.

<u>Assigned No.</u>	<u>DLN</u>	<u>Tax Year</u>	<u>Tax Form Used</u>	<u>Rebate Payable Per Detailed Reports</u>	<u>Overpayment Per Tax Form Used</u>	<u>Variance</u>
C-01361	202585	2016	1120F	\$ 501,327	\$ 68,653	\$ 432,674
C-00982	221599	2020	1120 US	465,940	236,366	229,574
C-01381	203123	2017	1120F	<u>48,338</u>	<u>33,377</u>	<u>14,961</u>
				<u>\$ 1,015,605</u>	<u>\$ 338,396</u>	<u>\$ 677,209</u>

The variance of \$677,209 was corrected through a proposed audit adjustment.

- iii. Three totaling \$639,910 did not agree to the tax return by \$19,628 pending review and evaluation by the DRT. This was corrected through a proposed audit adjustment.

<u>Assigned No.</u>	<u>DLN</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>	<u>Rebate Payable Per Return</u>	<u>Variance</u>
C-01244	212670	2011	\$ 540,347	\$ 540,000	\$ 347
C-01164	270976	2007	88,000	77,282	10,718
C-01307	214535	2014	<u>8,563</u>	-	<u>8,563</u>
			<u>\$ 636,910</u>	<u>\$ 617,282</u>	<u>\$ 19,628</u>

- iv. For two, the related tax returns were incomplete and rebate amounts totaling \$171,169 did not agree to the tax return by \$153,969. This matter was corrected through a proposed audit adjustment.

<u>Assigned No.</u>	<u>DLN</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>	<u>Rebate Payable Per Return</u>	<u>Variance</u>
C-01419	202788	2019	\$ 136,981	\$ 9,670	\$ 127,311
C-01406	202684	2018	<u>34,188</u>	<u>7,530</u>	<u>26,658</u>
			<u>\$ 171,169</u>	<u>\$ 17,200</u>	<u>\$ 153,969</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-006, Continued

Condition, Continued:

- v. For one, the rebate amount on the tax return was left blank pending review and evaluation by the DRT. Form OS-3405A was also provided but we were unable to determine the validity of the rebate offset amount of \$1,024,000 due to insufficient information.

<u>Assigned No.</u>	<u>DLN</u>	<u>Tax Year</u>	<u>Tax Form Used</u>	<u>Rebate Payable Per Detailed Reports</u>	<u>Overpayment Per Form OS-3405A</u>	<u>Variance</u>
C-01070	250585	2005	1120F	\$ 1,024,000	\$ 1,024,000	\$ -

- vi. One did not agree to the tax return by \$2,976,114, for which no reconciliation was provided by the DRT. The taxpayer is a beneficiary of the Qualifying Certificate Program administered by the Commonwealth Development Authority and has been granted a 100% tax rebate on individual income taxes. This matter was corrected through a proposed audit adjustment.

<u>Assigned No.</u>	<u>DLN</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>	<u>Rebate Payable Per Return</u>	<u>Variance</u>
I-48128	42009	2017	\$ 3,046,045	\$ 69,931	\$ 2,976,114

- 2. No interest is calculated or paid on overpayments.
- 3. Of six individual filings tested relating to ACTC payable, aggregating \$25,249, one ACTC amount requested for reimbursement did not agree to the signed amended tax return.

<u>DLN</u>	<u>Tax Year</u>	<u>ACTC Payable Per Reimbursement</u>	<u>ACTC Payable Per Return</u>	<u>Variance</u>
80300	2018	\$ 1,162	\$ -	\$ 1,162

Cause:

The CNMI lacks periodic review of rebate payable reports to determine the accuracy and completeness and lacks policies and procedures to assess the reasonableness of estimated rebates payable. Further, the CNMI lacks compliance with Public Law 9-22 relating to interest calculations on tax overpayments.

Effect:

Tax rebates payable could be misstated; however, since the CNMI calculates an estimated tax liability based on current information, the amount recorded as tax rebate payable is a best estimate. In addition, the CNMI has taken the approach of recording unmatched return variances as liabilities until the items are resolved. The effect is also mitigated by a corresponding permanent tax reserve to offset disputes or claims.

Identification as a Repeat Finding:

Finding No. 2019-005



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-006, Continued

Recommendation:

The CNMI should establish policies and procedures requiring periodic review of tax rebate payable reports to assess accuracy and completeness. Also, the CNMI should establish policies and procedures to assess the reasonableness of estimated rebates payable. Additionally, the Division of Revenue and Taxation should properly file and maintain tax forms. Moreover, the CNMI should reconcile recorded rebates payable with the liability indicated on the tax forms, and significant variances, if any, should be investigated, monitored, documented and timely addressed.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement with Conditions 1 and 2 and states disagreement with Condition 3, as follows:

Condition 3 - DRT does not agree to this finding as we have determined the taxpayer was correctly paid based on the claim on Schedule 8812- *Credits for Qualifying Children and Other Dependents*. However, DRT agrees to the extent that further development is needed to update the printing function for tax returns to accurately reflect data that is entered into the tax system. DRT will address standard procedures used to assist taxpayers for necessary improvements.

Auditor Response:

Condition 3 - The documents provided by the CNMI did not include an audit trail to demonstrate that the ACTC reimbursement agreed to the signed amended tax return.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Notes Payable - Judicial Building Loan

Finding No. 2020-007

Criteria:

Public Law 9-3 authorized the CNMI to secure a loan from NMIRF as a general obligation for the purpose of funding construction of a Judicial Complex. On February 28, 1995, the CNMI entered into a \$15,000,000 loan agreement with NMIRF. The loan was initially for a period of fifteen years and was due on February 28, 2010, with interest at 7.50% per annum. On July 15, 1999, the loan was amended to extend the term to twenty years and to increase the interest rate to 7.75% per annum. Repayment of the loan is based on an assignment of future receipts from the CNMI courts; however, the CNMI is required to pay any shortfall through the budgetary process. On October 1, 2013, the loan was transferred from NMIRF to NMISF pursuant to Section 8 of the Settlement for Civil Case No. 09-00023.

Condition:

At September 30, 2020, principal and interest payable to NMISF amounted to \$1,303,939 and \$5,333, respectively, which was due on March 1, 2015. On September 27, 2016, Public Law 19-67 authorized the CNMI to enter into a \$15,000,000 loan with the U.S. Department of Agriculture (USDA) to pay the loan to NMISF and for the expansion and improvement of projects related to building facilities of the Judiciary, the Office of the Attorney General and the Public Defender's Office. The CNMI has not provided the status of the agreement with USDA or determined necessary modifications of the NMISF loan.

Cause:

The CNMI lacks a formal plan to pay this obligation.

Effect:

The CNMI is in noncompliance with Public Law 9-3 and the related loan terms.

Identification as a Repeat Finding:

Finding No. 2019-006

Recommendation:

The CNMI should develop and implement a formal plan to pay the outstanding obligation.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Compensated Absences

Finding No. 2020-008

Criteria:

Accrued annual leave is limited to 45 days or 360 hours, as amounts in excess of 45 days transfer to sick leave at the end of the leave year. Further, an effective system of internal control requires that accrued annual leave for employees who are separated from the entity be identified and reviewed for validity. The payroll records should be timely updated for annual leave balances that do not represent valid obligations.

Condition:

At September 30, 2020, compensated absences payable per the subsidiary ledger aggregated \$13,635,196. Of this amount, \$177,899 represents accrued leave of inactive, terminated, resigned or retired employees. Also, \$1,635,052 represents accrued leave in excess of the 45-day/360-hour limit. The balance at September 30, 2020 is net of individual debit balances of \$76,654.

The above condition was corrected through a proposed audit adjustment.

Cause:

The CNMI lacks adequate procedures and controls to determine that accrued annual leave is reviewed for validity and lacks timely updates of payroll records.

Effect:

Compensated absences payable and related expenditures could be misstated.

Identification as a Repeat Finding:

Finding No. 2019-007

Recommendation:

Responsible Department of Finance (DOF) personnel should record valid charges as compensated absences payable.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Due to Component Units

Finding No. 2020-009

Criteria:

Amounts due to component units (CU) should be reconciled.

Condition:

We noted the following variances between the CNMI's amounts due to component units and the amounts confirmed by the component units:

<u>Component Units</u>	<u>Amount Per General Ledger</u>	<u>Amount Reported by the CU</u>	<u>Difference</u>
NMISF	\$ 17,060,388	\$ 3,006	\$ 17,057,382
MPLT	\$ 13,848,237	\$ 12,675,319	\$ 1,172,918
MVA	\$ 6,149,517	\$ 7,879,669	\$ (1,730,152)
CUC	\$ 5,578,317	\$ 9,300,065	\$ (3,721,748)
PSS	\$ 4,949,038	\$ 786,616	\$ 4,162,422
NMC	\$ 3,093,652	\$ 2,262,777	\$ 830,875
CHCC	\$ 80,400	\$ 11,938,329	\$ (11,857,929)
CDA	\$ 13,000	\$ 6,000,000	\$ (5,987,000)

The above differences were corrected through a proposed audit adjustment.

Cause:

The cause of the above condition is a lack of reconciliation of balances with component units.

Effect:

The effect of the above condition is a misstatement of the due to component units and related transfers.

Identification as a Repeat Finding:

Finding No. 2019-008

Recommendation:

We recommend that the CNMI review transactions with component units and reconcile differences.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Interfund Transactions and Balances

Finding No. 2020-010

Criteria:

Interfund transactions should be monitored, reviewed and reconciled.

Condition:

The CNMI initially records disbursements for certain expenditures in general fund accounts. The CNMI allocates expenditures to applicable accounts in the corresponding funds through interfund transactions and balances. Tests of interfund balances noted the following:

1. The General Fund had an unsupported interfund receivable of \$3,932,256 (business unit no. 100) as of September 30, 2020. This matter was corrected through a proposed audit adjustment.
2. Reconciliation of interfund balances identified a net unreconciled amount of \$6,806,578 at September 30, 2020. This matter was corrected through a proposed audit adjustment.

Cause:

The CNMI did not effectively apply monitoring controls over interfund transactions and balances.

Effect:

Misstatements of shared expenditures and of interfund balances and transactions could continue undetected and uncorrected.

Recommendation:

The CNMI should timely monitor, review and reconcile interfund transactions and balances.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Other Liabilities and Accruals

Finding No. 2020-011

Criteria:

An effective system of internal control includes policies and procedures to record liabilities in the appropriate fiscal year.

Condition:

1. Tests of other liabilities noted the following:

- a. As of September 30, 2020, the CNMI recorded a Hawaii State Tax Payable account (account no. 1010.21020) with a negative balance of \$1,800,712 related to the reversal of Vendor Advances, \$1,674,705 of which was corrected through a CNMI-proposed adjustment. The correcting entry for the remaining variance of \$126,007 could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.
- b. For three items tested, aggregating \$1,674,705, documents supporting advance payments to vendors and delivery of goods or services were not provided. We were unable to determine the validity of a CNMI adjustment for Vendor Advances (account no. 1010.12431) and Hawaii State Tax Payable (account no. 1010.21020) accounts.

<u>Fund</u>	<u>CFDA</u>	<u>Document No.</u>	<u>Date</u>	<u>Remarks</u>	<u>Amount</u>
1010	Unknown	23975	09/24/20	698974 wired 22209191	\$ 1,000,000
1010	Unknown	23975	09/24/20	699055 wired 22209226	\$ 610,000
1010	Unknown	23972	09/24/20	702472 OP CK# 511322	\$ 64,705

2. Tests of fifty-nine subsequent disbursements, aggregating \$75,181,430, noted the following:

- a. Tests of subsequent disbursements noted \$5,489,640 and \$10,044,131 of unrecorded General Fund and Grant Assistance Fund liabilities, respectively, at September 30, 2020. In addition, General Fund expenditures incurred in fiscal year 2019 but recorded in fiscal year 2020 of \$921,999 were noted.
- b. For two, cancelled checks, invoices or related documentation were partially or were not provided to substantiate subsequent disbursement.

<u>Fund</u>	<u>Document No.</u>	<u>Date</u>	<u>Transaction Amount</u>	<u>Provided</u>
1010	2688	11/27/20	\$ 43,640	\$ -
1010	518495	04/29/21	\$ 987,116	\$ 12,470

Cause:

The CNMI lacks adequate procedures and controls to determine that liabilities are accrued properly.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-011, Continued

Effect:

Other liabilities and accruals could be misstated.

Recommendation:

We recommend that DOF implement appropriate policies and procedures to record liabilities in the correct fiscal year.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Net Pension Liability

Finding No. 2020-012

Criteria:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, revised and established new financial reporting requirements for governments that provide their employees with pension benefits through plans that are administered through trusts. GASB Statement No. 68 required the recognition of net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources, as applicable to the financial statements. The net pension liability is required to be measured as of a date no earlier than the end of the employer's prior fiscal year (the measurement date), consistently applied from period to period.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, which aligns the reporting requirements for pension and pension plans not covered in GASB 67 and 68 with the reporting requirements in Statement 68.

Condition:

The CNMI contributed to the Northern Mariana Islands Retirement Fund's (NMIRF's) defined benefit plan (DB Plan), a cost-sharing, multi-employer plan established and administered by the CNMI. On September 30, 2013, the DB plan was transferred to NMISF, and the CNMI now contributes to NMISF. On September 30, 2019, the CNMI recorded a net pension liability of \$529,283,156 based on an actuarial determination with a measurement date of September 30, 2018. During fiscal year 2020, the CNMI paid NMISF \$74,371,779 for its contributions in accordance with the Settlement Agreement.

FY2020 annual payment	\$ 42,000,000
FY2017 Alternative Payment of Greater Amount	17,693,037
25% of the class members full benefits	13,980,427
Retirement contributions - employer	505,574
Retirement contributions - employee	173,741
25% Lumpsum death benefit payment	<u>19,000</u>
	\$ <u>74,371,779</u>

Tests of net pension liability and other pension accounts noted the following:

1. Audited GASB Statement No. 68 required schedules of NMISF with a measurement date of September 30, 2020 or no earlier than the prior fiscal year could not be provided. Accordingly, the CNMI was unable to record changes to the net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources, as applicable, in the financial statements as of September 30, 2020.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-012, Continued

Condition, Continued:

2. The CNMI did not recognize a deferred outflow of resources for its contributions during the fiscal year 2020 for the annual payment and 25% of the class members full benefits aggregating \$55,980,427. This was corrected through a proposed audit adjustment.
3. The CNMI did not record the effects of GASB 73 related to the 25% payment of the class members full benefits, which has historically been paid consistently and appears to be substantially automatic.

Cause:

The CNMI lacks audited NMISF GASB Statement Nos. 68 and 73 required schedules applicable for fiscal year ended September 30, 2020.

Effect:

The CNMI is in noncompliance with GASB Statement Nos. 68 and 73, and the CNMI's financial statements contain an adverse opinion.

Recommendation:

The CNMI should obtain audited NMISF GASB Statement Nos. 68 and 73 required schedules and should determine the net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources, as applicable as of September 30, 2020.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Interim Pension Obligation Bond

Finding No. 2020-013

Criteria:

Interim pension obligation bond activities should be in accordance with the Pension Obligation Bond Credit Agreement.

- Per section 4, loan funds shall be utilized by the Commonwealth solely for those purposes for which issuance of the Bonds has been authorized by law. Loan funds disbursed shall be maintained in segregated accounts to be used for the purposes provided. No part of the loan funds disbursed shall be used for operating expenses of the Commonwealth except as authorized by Article X, Section 10 of the Commonwealth Constitution, and no part thereof shall be made a part of the general revenues of the Commonwealth or commingled therewith.
- Per section 9, the Commonwealth covenants that at all times it shall maintain the Special Trust Account as defined in the Pledge of Business Gross Revenue Taxes agreement, and that it shall always maintain or cause to be maintained in such Special Trust Account an amount not less than the Required Reserve.

Condition:

1. The CNMI recorded proceeds from a loan payable to a financial institution of \$24,348,440 as transfers-in instead of as proceeds from the interim pension obligation bond account. This was corrected through a proposed audit adjustment.
2. Tests of loans and interim pension obligation bond covenants noted the following:
  - a. Loan funds disbursed are commingled with the unrestricted CNMI Treasury cash account (account no. 11610.1010) instead of in a segregated account to be used for the purposes of the loan and interim bond.
  - b. The cash balance of the net proceeds from the interim bond has an estimated deficiency of \$5,261,822 as of September 30, 2020. No reconciliation was provided by the CNMI.

Proceeds from interim pension obligation bond on 08/18/2020	\$ 24,348,440
Disbursements from 08/18/2020 to 09/30/2020 in accordance with Article X Section 10 of the Commonwealth Constitution	<u>18,677,653</u>
Estimated remaining cash balance as of 09/30/2020	5,670,787
Cash in bank as of 09/30/2020	<u>408,965</u>
Estimated cash balance deficiency	\$ <u>5,261,822</u>

- c. As of September 30, 2020, the Special Trust Account required in the Pension Obligation Bond Credit Agreement was not established.

Cause:

The CNMI has inadequate monitoring procedures over compliance with applicable Pension Obligation Bond Credit Agreement requirements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-013, Continued

Effect:

The CNMI is in noncompliance with applicable loan and interim bond requirements.

Recommendation:

The CNMI should establish adequate monitoring procedures to verify that applicable loan and interim bond requirements are met.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Fund Balance

Finding No. 2020-014

Criteria:

A system of internal control provides for adequate monitoring and tracking of commitments related to open purchase orders and unfulfilled contracts. Encumbrances should be reviewed and adjusted for balances that are no longer valid.

Condition:

Tests of fund balances noted the following:

**General Fund**

1. Beginning fund balance of \$118,888,461 did not reconcile to the prior year audited ending balance of \$128,977,521. This was corrected through a proposed audit adjustment.
2. Subsidiary ledger encumbrances of \$46,407,012 differed from the general ledger of \$6,194,027 at September 30, 2020. The difference of \$40,212,985 was corrected through a proposed audit reclassification.
3. The encumbrance aging includes a balance of \$306,173, which has been outstanding for more than five years. There was no evidence of DOF review of outstanding encumbrances.

<u>Fund</u>	<u>Amount</u>
1010	\$ 42,203
2037	5,682
2039	8,100
2058	250,000
6071	<u>188</u>
Total	\$ <u>306,173</u>

4. Of fourteen encumbrances tested, aggregating \$28,442,063, the following were noted:
  - a. An expenditure was incurred during the year but had not been deducted from the related encumbrance. This was corrected through a proposed audit reclassification.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>PV Reference</u>	<u>Amount</u>
1010	21.019	1699J	698605 OP	905943	\$ 1,000,000

- b. A subsequent fiscal year expenditure of \$177,625 was erroneously deducted from one encumbrance. This was corrected through a proposed audit reclassification.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>PV Reference</u>	<u>Amount</u>
1010	21.019	1699J	700163 OP	908380	\$ 177,625

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-014, Continued

Condition, Continued:

- c. Supporting documentation was not provided to substantiate the following subsequent encumbrance adjustments.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>PV Reference</u>	<u>Amount</u>
1010	21.019	1699J	708485 OP	921915	\$ 115,248
1010	21.019	1699J	699090 Oa	256604	\$ 792,000

**Grants Assistance Funds**

- The beginning fund balance of \$29,578,268 did not reconcile to the prior year audited ending fund balance of \$2,704,874. This was corrected through a proposed audit adjustment.
- Subsidiary ledger encumbrances of \$16,552,854 differed from the general ledger of \$48,538,909 at September 30, 2020. The difference of \$31,986,055 was corrected through a proposed audit reclassification.
- The encumbrance aging includes a net negative balance of \$149,760, which has been outstanding for more than five years. There was no evidence of DOF review of outstanding encumbrances.

<u>Fund</u>	<u>CFDA No.</u>	<u>Amount</u>
2020	10.475	\$ 7,269
2020	11.123	75
2020	11.437	779
2020	15.605	2,400
2020	15.663	185,295
2020	16.582	42,583
2020	20.600	1,391
2020	45.310	6,374
2020	66.600	20,972
2020	93.243	932
2020	93.251	5,280
2020	93.268	3,607
2020	93.505	11,712
2020	93.959	4,350
2020	93.994	1,240
2020	97.089	10,331
2020	Unknown	167,289
2022	16.803	12,100
4044	93.220	26,450
4045	15.875	78,203
4045	Unknown	(387,771)
4049	15.875	104,770
4052	15.875	(513,635)
4052	Unknown	36,128
4058	15.875	(93,554)
4058	Unknown	<u>115,670</u>
Total		\$ <u>(149,760)</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-014, Continued

Condition, Continued:

**Grants Assistance Funds, Continued**

4. Of five encumbrances tested, aggregating \$4,908,381, the following were noted:

a. For one encumbrance, the underlying contract expired. This matter was corrected through a proposed audit reclassification.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>Amount</u>
2020	97.036	M4404Z	701480 OC	\$ 456,087

b. The obligating document for an encumbrance was not provided

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>Amount</u>
2020	15.875	5001	79 OS	\$ 42,360

c. Supporting documentation was not provided to substantiate the following subsequent encumbrance adjustments.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>PV Reference</u>	<u>Amount</u>
2020	93.434	H0434A	703683 OC	1572972, 1582178, 1583702, 1587416, and 1623204	\$ 140,755
2020	20.509	T9526A	701412 OC	172753	\$ 75,906
4058	15.875	5663D	629558 OM	1585240	\$ 2,861

**Saipan Amusement Funds**

1. The beginning fund balance of \$12,366,387 did not reconcile to prior year audited ending fund balance of \$831,864. This matter was corrected through a proposed audit adjustment.

2. Subsidiary ledger encumbrances of \$1,372,762 differed from the general ledger of \$372,809 at September 30, 2019. The difference of \$999,953 was corrected through a proposed audit reclassification.

3. Of five encumbrances tested, aggregating \$4,691,048, supporting documentation was not provided to substantiate subsequent adjustments of two encumbrances.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>PV Reference</u>	<u>Amount</u>
7069	N/A	7184T	698294 OC	1580128, 1588151, 1619217, 1625215, 1627116, 1663094, 1671298 and 1682306	\$ 3,571,160
7069	N/A	7186P	683390 OC	1573881	\$ 148,480

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-014, Continued

Condition, Continued:

**Other Governmental Funds**

1. The beginning fund balance of \$54,288,323 did not reconcile to the prior year audited ending fund balance of \$25,540,024. This matter was corrected through a proposed audit adjustment.
2. Subsidiary ledger encumbrances of \$9,278,041 differed from the general ledger of \$8,888,877 at September 30, 2020. The difference of \$389,164 was corrected through a proposed audit reclassification.
3. The encumbrance aging includes a balance of \$1,410,039, which has been outstanding for more than five years. There was no evidence of DOF review of outstanding encumbrances.

<u>Fund</u>	<u>CFDA No.</u>	<u>Amount</u>
2030	Unknown	\$ 22,895
2033	Unknown	52
2041	Unknown	4,314
2043	Unknown	76
4042	Unknown	183,525
4043	20.205	182,602
4043	83.516	907,535
4043	Unknown	56,038
4047	15.875	46,958
7068	Unknown	5,763
7070	Unknown	<u>281</u>
Total		<u>\$ 1,410,039</u>

4. Of nine encumbrances tested, aggregating \$7,419,656, the following were noted:
  - a. Subsequent fiscal year expenditures of \$766,764 were erroneously deducted from one encumbrance. This was corrected through a proposed audit reclassification.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>PV Reference</u>	<u>Amount</u>
2080	N/A	2082	701144 OC	1582868, 1585959, 1596896, 1623385, 1626822, 1660380, 1664606 and 1676468	\$ 766,764

- b. The following encumbrances did not indicate activity for more than three years.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>Last Date of Transaction</u>	<u>Amount</u>
2041	Unknown	3752Q	630056 OP	03/20/17	\$ 6,544
4042	Unknown	4633	390 OS	03/02/06	\$ 39,430
4043	83.516	T85164	333747 OC	02/20/02	\$ 669,480
4043	20.205	T12055	438454 OC	06/17/09	\$ 29,084

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-014, Continued

Condition, Continued:

**Other Governmental Funds, Continued**

- c. The obligating documents for three encumbrances were not provided.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>Amount</u>
4042	Unknown	4633	390 OS	\$ 39,430
4043	83.516	T85164	333747 OC	\$ 669,480
4043	20.205	T12055	438454 OC	\$ 29,084

- d. Supporting documentation was not provided to substantiate the following subsequent encumbrance adjustment.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>PV Reference</u>	<u>Amount</u>
4043	Unknown	T8205J	708390 OC	1665992	\$ 122,687

Cause:

The CNMI lacks policies and procedures to monitor recorded encumbrance reserves and lacks adequate file maintenance.

Effect:

Disclosure requirements relative to the reserve for encumbrances could be misstated and may result in incorrect budgetary financial statements.

Identification as a Repeat Finding:

Finding No. 2019-009

Recommendation:

Responsible DOF personnel should support encumbrances with encumbering documents and update encumbrances for actual expenditures. Long outstanding encumbrances and debit balances should be examined for validity. DOF should take reasonable steps to timely adjust the subsidiary ledger to include valid fund balances at year end.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Purchases/Disbursements

Finding No. 2020-015

Criteria:

Purchases should be procured in accordance with CNMI procurement regulations.

- Per section 70-30.3-205 (f), "Public Notice. The Procurement Services (PS) Director shall advertise the invitation for bids in a newspaper of general circulation in the Commonwealth at least once in each week from the time the solicitation is issued, including the week when the bidding period expires."
- Per section 70-30.3-220, "The official with expenditure authority must obtain written price and quotations from at least three vendors and base the selection on competitive price and quantity for procurement valued at \$2,500 to \$10,000."
- Per section 70-30.3-225, "For any sole source procurement pursuant to subsection (a)(1), a written justification for sole source procurement shall be prepared by the official with expenditure authority and shall contain the specific unique capabilities required; the specific unique capabilities of the contractor; the efforts made to obtain competition; and the specific considerations given to alternative sources and specific reasons why alternative sources were not selected."
- Per section 70-30.3-230 (a), "Notwithstanding any other provision of the regulations in this subchapter, the government may make emergency procurement when there exists a threat to public health, safety or welfare under emergency conditions. An emergency procurement must be as competitive as practicable under the circumstances."
- Per section 70-30.3-410 (b), "Before adding significant new work to existing contracts, the agency shall thoroughly assess whether or not it would be more prudent to seek competition. Change orders on construction and A&E contracts which exceed 25 percent of the cumulative contract price shall automatically be procured through competitive procedures pursuant to section 70-30.3-201, except when the procurement of the additional work is authorized without using full and open competition under section 70-30.3-215."
- Per section 70-20.1-105 of the CNMI's Regulations for the Control of Public Funds, "In order to help document official representation and other governmental expenditures, the CNMI government has devised forms called the "official representation & justification documentation form (DOF-OR form)" and the "official justification for reimbursement documentation form (DOF-OJ form)" which set forth the minimum applicable requirements to adequately support payment or reimbursement of expenses for official representation and other expenses requiring justification".

In addition, an effective system of internal control includes policies and procedures to determine that transactions are adequately substantiated. Further, relevant supporting documents should be filed and maintained.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-015, Continued

Condition:

*Nonpayroll Expenditures*

**General Fund**

1. Of thirty-one General Fund nonpayroll expenditures tested, the following were noted:

a. There was no evidence that three quotations were obtained for one expenditure.

<u>Fund</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
1010	1975	62500	09/04/20	900744	\$ 3,280

b. Procurement documents supporting a \$148,243 expenditure (document no. 878914) were not provided.

c. For three, the recorded expense pertained to the prior year, resulting in an overstatement of current year General Fund expenditures. Management did not consider the amounts sufficiently material to the financial statements to warrant an adjustment.

<u>Fund</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>Document No.</u>	<u>General Ledger Date</u>	<u>Transaction Period</u>	<u>Amount</u>
1010	1699D	62060	879820	10/31/19	08/18/19 to 09/14/19	\$ 204,876
1010	1699D	62470	880494	11/12/19	12/03/18 to 12/29/18	\$ 46,045
1010	1699D	62470	897941	07/17/20	01/02/19 to 02/25/19	\$ 64,173

d. No documents were provided to substantiate the following recorded amounts. As a result, we were unable to verify the validity of the following transactions.

<u>Fund</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
1010	1699D	62060	05/14/20	894624	\$ 5,545,233
1010	1975	62060	02/13/20	888596	\$ 13,500
1010	1000	62240	05/04/20	23358	\$ 129,044
1010	1978	62430	10/23/19	878914	\$ 148,243
1010	1699D	62470	10/03/19	323674	\$ (11,020)
1010	1699D	62470	11/18/19	324857	\$ (46,045)
1010	1699J	62680	06/16/20	895876	\$ (620,544)
1010	1680	62810	09/30/20	336711	\$ (172,985)
1010	1699J	64540	09/24/20	23974	\$ 189,240
1010	1998	62810	09/30/20	336711	\$ (346,636)
1010	1699J	62680	09/28/20	902035	\$ 475,029

2. Of twenty-five General Fund journal entries tested, four obligating documents were prepared after goods were delivered or services were completed.

<u>Fund</u>	<u>Business Unit</u>	<u>Document No.</u>	<u>Obligating Document</u>	<u>Obligating Document Date</u>	<u>Invoice Date</u>	<u>Amount</u>
1010	1540	879501	680875 OP	05/17/19	05/03/19	\$ 200
1010	1915	891450	692132 OP	11/18/19	08/12/19	\$ 350
1010	1010	503058	675365 OP	02/15/19	01/15/19	\$ 14,680
2037	3563	1493967	678434 OP	04/08/19	02/25/19	\$ 920

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-015, Continued

Condition, Continued:

*Nonpayroll Expenditures, Continued*

**General Fund, Continued**

3. Tests of official representation expenditures noted that a DOF-OR or DOF-OJ form was not filed for four expenditures. In addition, supporting documents lacked names, positions of persons entertained, and/or a description of matters discussed.

<u>Fund</u>	<u>Business Unit</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
1010	1010	10/03/19	501627	\$ 469
1010	1010	10/15/19	501872	\$ 259
1010	1011	10/03/19	877335	\$ 469
1010	1011	10/10/19	877911	\$ 259

**Grants Assistance Fund**

1. Of nine Grants Assistance Fund journal entries tested, four obligating documents were prepared after goods were delivered or services were completed.

<u>Fund</u>	<u>Business Unit</u>	<u>Document No.</u>	<u>Obligating Document</u>	<u>Obligating Document Date</u>	<u>Invoice Date</u>	<u>Amount</u>
2020	T0600J	1539804	701523 OA	06/04/20	05/01/20	\$ 3,553
2020	M4404E	324513	670638 OP	12/04/18	11/19/18	\$ 1,720
2020	M4404E	324513	682747 OP	06/20/19	01/15/19	\$ 2,720
2020	M4404E	324513	689104 OP	09/23/19	11/17/18	\$ 11,960

**Saipan Amusement Funds**

1. Nonpayroll expenditures in the subsidiary ledger of \$4,224,939 differed from the general ledger of \$4,414,751 for the fiscal year ended September 30, 2020. A correcting entry for the \$189,812 variance could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.
2. Of thirteen nonpayroll expenditures tested, the following were noted:
- For one sole source procurement (contract no. 672416-OC), written justification prepared by the official with expenditure authority does not contain the following: the specific unique capabilities of the contractor; the efforts made to obtain competition; and the specific considerations given to alternative sources and specific reasons why alternative sources were not selected.
  - For one, invoices or related documentation were not provided to substantiate the amount recorded.

<u>Fund</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
7069	71911	62060	12/19/20	1485840	\$ 19,400

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-015, Continued

Condition, Continued:

*Nonpayroll Expenditures, Continued*

**Saipan Amusement Funds, Continued**

- c. For four, the expense recorded pertained to the prior year.

<u>Fund</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>Document No.</u>	<u>General Ledger Date</u>	<u>Transaction Period</u>	<u>Amount</u>
7069	7184G	64670	1477344	10/17/19	09/01 to 09/30/19	\$ 268,768
7069	7186E	65600	1453046	10/01/19	09/15 to 09/28/19	\$ 142,857
7069	7184E	64460	1479765	10/24/19	06/17 to 09/30/19	\$ 112,586
7069	7192W	62500	1479877	10/24/19	05/01 to 09/30/19	\$ 1,250

**Other Governmental Funds**

1. Nonpayroll expenditures in the subsidiary ledger of \$10,030,075 differed from the general ledger of \$9,919,090 for the fiscal year ended September 30, 2020. The correcting entry for the variance of \$110,985 could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.
2. Of twenty Other Governmental Funds nonpayroll expenditures tested, the following were noted:
  - a. Change order #01 for one contract (625194-OC) exceeded 25% of the cumulative contract price but was not automatically procured through competitive procedures pursuant to § 70-30.3-201. The justification letter lacks documentation of the agency's thorough assessment as to whether it would be more prudent to seek competition (70-30.30-410 (b)).
  - b. There was no evidence that three quotations were obtained for one expenditure.

<u>Fund</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
2030	M440414	62060	06/20/20	1539973	\$ 7,844

- c. For one contract (700504-OC), written justification of the basis for the emergency procurement and for the selection of the contractor does not clearly demonstrate that competition, as practicable, occurred in the circumstances.
- d. For three, the recorded expense pertained to the prior year, resulting in an overstatement of current year Other Governmental Fund expenditures. Management did not consider the amounts sufficiently material to the financial statements to warrant an adjustment.

<u>Fund</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>Document No.</u>	<u>General Ledger Date</u>	<u>Transaction Period</u>	<u>Amount</u>
2043	3701H	62470	1545060	06/29/20	03/01/19 to 09/30/19	\$ 45,570
2043	3701H	62470	1550711	08/07/20	08/26/17 to 10/11/19	\$ 32,733
4043	T4205X	64670	1550865	08/11/20	11/01/17 to 06/06/18	\$ 145,999

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-015, Continued

Condition, Continued:

*Nonpayroll Expenditures, Continued*

**Other Governmental Funds, Continued**

- e. No documents were provided to substantiate the recorded amount. We were therefore unable to verify the validity of the transaction.

<u>Fund</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
7067	7655	62810	08/19/20	331221	\$ 82,190

**Coronavirus Relief Fund**

- 1. Nonpayroll expenditures in the subsidiary ledger of \$3,687,787 differed from the general ledger of \$4,224,592 for the fiscal year ended September 30, 2020. An applicable correcting entry for the \$536,805 variance could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.
- 2. For one of two nonpayroll expenditures tested, no document was provided to substantiate the recorded amount.

<u>Fund</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
2024	202012	65421	09/30/20	333291	\$ 31,838

*Payroll Expenditures*

Tests of payroll expenditures noted the following:

**General Fund**

- 1. Of twenty-one General Fund payroll expenditures tested, the following were noted:
  - a. Approval of overtime for the following two employees occurred after the leave was taken:

<u>Business Unit</u>	<u>PPE</u>	<u>Employee No.</u>	<u>Hours</u>	<u>Approval Date</u>
1351	02/29/20	692635	30	03/02/20
1351	02/01/20	909161	16	02/03/20

- b. Approval of overtime hours worked for the following employee was not evident:

<u>Business Unit</u>	<u>PPE</u>	<u>Employee No.</u>	<u>Hours</u>
1350	05/09/20	883880	30

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-015, Continued

Condition, Continued:

*Payroll Expenditures, Continued*

**General Fund, Continued**

- c. For three, the hourly rate per the payroll register did not agree with the notice of personnel action form (NOPA).

<u>Business Unit</u>	<u>PPE</u>	<u>Employee No.</u>	<u>Hourly Rate per Register</u>	<u>Hourly Rate per NOPA</u>	<u>Variance</u>
1350	10/26/19	714733	\$ 10.20	\$ 14.42	\$ (4.22)
1335	02/01/20	101831	\$ 25.78	\$ 24.55	\$ 1.23
1482	05/09/20	680004	\$ 10.20	\$ 9.25	\$ 0.95

- d. The business unit indicated in the general ledger did not agree with the authorized business unit indicated on the NOPA.

<u>PPE</u>	<u>Employee No.</u>	<u>Business Unit Per General Ledger</u>	<u>Business Unit Per NOPA</u>
09/12/20	936460	1699J	1044A
09/12/20	860478	1699J	1339A
09/12/20	857055	1699J	1011

- e. Leave hours paid per the payroll register for the following employee is greater than the approved leave form:

<u>Business Unit</u>	<u>PPE</u>	<u>Employee No.</u>	<u>Leave Hours Paid</u>	<u>Leave Hours Approved</u>	<u>Variance</u>
1339A	08/01/20	101905	36	24	12

- f. For one, the annual leave form was filed and approved after leave was taken.

<u>Business Unit</u>	<u>PPE</u>	<u>Employee No.</u>	<u>Leave Hours Taken</u>	<u>Filing Date</u>	<u>Approval Date</u>	<u>Leave Type</u>
1110	09/26/20	100930	7	09/28/20	09/28/20	Annual

- g. The approved timesheets for the following four employees were not provided:

<u>Business Unit</u>	<u>PPE</u>	<u>Employee No.</u>	<u>Hours</u>
1339A	11/23/19	773111	114.0
1699J	09/12/20	936460	457.5
1699J	09/12/20	860478	104.0
1699J	09/12/20	857055	80.0

- h. Approved payroll registers for the following employees were not provided.

<u>Business Unit</u>	<u>PPE</u>	<u>Employee No.</u>	<u>Gross Pay</u>
1065	12/21/19	102613	\$ 2,885
1699J	09/12/20	857055	\$ 14,019

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-015, Continued

Condition, Continued:

*Payroll Expenditures, Continued*

**General Fund, Continued**

- i. Approval of leave taken for the following employees was not evident.

<u>Business Unit</u>	<u>PPE</u>	<u>Employee No.</u>	<u>Hours</u>	<u>Type</u>
1130	01/04/20	558545	16	Admin Other
1350	02/29/20	692635	40	Admin Other

- j. The approved overtime form for the following employee was not provided.

<u>Business Unit</u>	<u>PPE</u>	<u>Employee No.</u>	<u>Hours</u>
1335	02/01/20	101831	2.0

- k. The approved leave without pay form for the following employee was not provided:

<u>Business Unit</u>	<u>PPE</u>	<u>Employee No.</u>	<u>Hours</u>
1350	10/26/19	714733	30.5

**Other Governmental Funds**

1. Subsidiary ledger salaries and wages of \$4,072,365 differed from the general ledger balance of \$3,556,090. No reconciliation was provided for the \$516,275 difference.
2. Of nine Other Governmental Funds payroll expenditures tested, the following were noted:
  - a. The business unit per the following employee's NOPA differs from the business unit per the general ledger.

<u>PPE</u>	<u>Employee No.</u>	<u>Business Unit Per General Ledger</u>	<u>Business Unit Per NOPA</u>
04/25/20	159556	2083	1485

- b. The approved NOPA, timesheet and payroll register for the following employee were not provided.

<u>Business Unit</u>	<u>PPE</u>	<u>Employee No.</u>	<u>Gross Pay</u>
7079A	10/12/19	339350	\$ 3,038

- c. The approval of leave taken for the following employees was not evident.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-015, Continued

Condition, Continued:

*Payroll Expenditures, Continued*

**Other Governmental Funds, Continued**

<u>Business Unit</u>	<u>PPE</u>	<u>Employee No.</u>	<u>Hours</u>	<u>Type</u>
3386	06/06/20	640776	16.00	Annual Leave
7068C	12/07/20	418252	7.50	Annual Leave
7068C	12/07/20	418252	16.00	Sick Leave
7079A	09/26/20	100861	1.75	Annual Leave
7079A	09/26/20	100861	1.75	Sick Leave

Cause:

The CNMI lacks controls, such as oversight responsibility and monitoring, over compliance with procurement rules and regulations and with regulations for the control of public funds.

Effect:

The CNMI is in local noncompliance with procurement rules and regulations and with the control of public funds requirements. In addition, the effect of undocumented expenses is the misstatement of expenses and related payables and disclaimer of opinions on the financial statements of the CNMI.

Recommendation:

We recommend that the CNMI comply with procurement regulations, the control of public funds, and maintain complete documentation for all expenditures.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Economic Impact Payment

Finding No. 2020-016

Criteria:

An effective system of internal control includes adequate monitoring and tracking of Economic Impact Payment disbursements.

Condition:

1. The CNMI erroneously recorded FY2020 Economic Impact Payment (EIP) transactions in Fund 2024 instead of in Fund 1010. In addition, recorded EIP expenditures were understated by \$1,044,828. These were corrected through CNMI-proposed adjustments.
2. During fiscal year 2020, CNMI received EIP funding of \$52,252,900, \$51,018,630 of which was disbursed as of 09/30/20. However, the remaining economic stimulus payments payable of \$1,234,270 was not recorded in the proper account as of fiscal year end. This matter was corrected through a proposed audit adjustment.
3. Of twenty-five Economic Impact Payment transactions tested, aggregating \$47,555, the following were noted:
  - a. For two voided EIP checks, correction of EIP disbursements per books was not evident. This was corrected through a proposed audit adjustment.

<u>Fund</u>	<u>Business Unit</u>	<u>Object Account</u>	<u>Date</u>	<u>Document No.</u>	<u>Amount</u>
2030	2020C	65930	05/11/20	1504711	\$ 1,200
2030	2020C	65930	06/19/20	1543685	\$ 1,200

- b. For three, a variance was noted between the EIP amount per books and per the audit recalculation. No reconciliation was provided by the CNMI Division of Revenue and Taxation.

<u>Fund</u>	<u>Business Unit</u>	<u>Object Account</u>	<u>Date</u>	<u>Document No.</u>	<u>EIP per Books</u>	<u>EIP per Audit</u>	<u>Variance</u>
2030	2020C	65930	05/12/20	1530321	\$ 1,200	\$ 2,200	\$ (1,000)
2030	2020C	65930	07/21/20	1548433	\$ 6,200	\$ 7,400	\$ (1,200)
2030	2020C	65930	05/11/20	1517865	\$ 6,400	\$ 4,400	\$ 2,000

- c. For one (document no. 1544812), gross income was used to compute the EIP amount instead of adjusted gross income resulting in an understatement of \$16.

Cause:

The CNMI lacks adequate procedures and controls to account for EIP disbursements.

Effect:

Amounts paid to eligible individuals could be incorrect and may result in misstated Economic Stimulus Payments as of fiscal year end.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-016, Continued

Recommendation:

The CNMI should timely reconcile EIP funding and disbursements and ascertain that transactions are properly recorded.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Other Revenues

Finding No. 2020-017

Criteria:

An effective system of internal control includes policies and procedures to determine that transactions are adequately substantiated. In addition, relevant supporting documents should be filed and maintained.

Condition:

**General Fund**

1. For one of six Federal reimbursements tested, we were unable to verify the validity as supporting documentation was not provided to substantiate recorded transactions.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
1010	Unknown	1699D	65420	04/09/20	327960	\$ (2,011,406)

**Saipan Amusement Funds**

1. A supporting schedule for recorded game of chance revenues of \$1,008,630 (Account No. 41620) was not provided.
2. For five of nine licenses and fees revenue tested, we were unable to verify the validity as supporting documentation was not provided.

<u>Fund</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
7069	7169	41670	10/31/19	324914	\$ 82,322
7069	7169	41670	11/30/19	326383	148,826
7069	7169	41670	12/31/19	326392	159,296
7069	7169	41670	04/30/20	328513	287,304
7069	7169B	41670	04/30/20	328513	(172,383)
					<u>\$ 505,365</u>

Cause:

CNMI lacks controls, such as oversight responsibility and monitoring to confirm documents are properly maintained and safeguarded.

Effect:

Other revenues could be misstated.

Recommendation:

CNMI should establish and implement monitoring controls to confirm that documents are properly maintained and safeguarded.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-017, Continued

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Commonwealth Healthcare Corporation

Finding No. 2020-018

Criteria:

Transfers of assets and liabilities that attach to discretely presented component units should be documented.

Condition:

CNMI Public Law 16-51 created the Commonwealth Healthcare Corporation (CHCC), which is responsible for providing healthcare services in the CNMI, as of October 1, 2011. Healthcare services had previously been accounted for within the General Fund. As of September 30, 2020, transfers of associated receivables, inventory and obligations has not occurred.

Cause:

The CNMI lacks coordination over the transfer of assets and liabilities.

Effect:

Assets and liabilities associated with CHCC remain in the General Fund.

Identification as a Repeat Finding:

Finding No. 2019-010

Recommendation:

The CNMI should document the transfer of receivables, inventory and obligations as of October 1, 2011 between the CNMI and CHCC.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

CNMI Workers' Compensation Commission

Finding No. 2020-019

Criteria:

Transfers of assets and liabilities from component units should be documented. In addition, an effective system of internal control over financial reporting includes maintenance of a separate general ledger system that records transactions and generates timely, reliable, and relevant financial information.

Condition:

On November 9, 2012, Public Law 17-88 transferred administrative functions of the CNMI Workers' Compensation Commission (WCC) from NMIRF to the CNMI Department of Commerce (DOC). CNMI management determined that WCC should be included within its Special Revenue Funds. As of September 30, 2020, transfers of WCC's cash and cash equivalents, certificates of deposit, investments and receivable accounts were not documented.

In addition, tests of WCC accounts noted that WCC maintains an investment with a market value of \$1,747,187 at September 30, 2020; however, an investment policy was not provided. In addition, fiscal year 2020 investment transactions were not recorded, reconciled or monitored.

Cause:

The CNMI lacks coordination over the transfer of WCC accounts between NMIRF and the CNMI and lacks procedures over financial reporting.

Effect:

WCC's funds could be misstated.

Identification as a Repeat Finding:

Finding No. 2019-011

Recommendation:

The CNMI should document transfers of WCC's assets and establish or assign separate general ledger accounts for WCC funds. Further, bank reconciliations should be prepared for all cash accounts. Lastly, CNMI should establish an investment policy.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

CNMI Group Health and Life Insurance

Finding No. 2020-020

Criteria:

Transfers of assets and liabilities from component units should be documented. In addition, an effective system of internal control over financial reporting includes maintenance of a separate general ledger system that records transactions and generates timely, reliable, and relevant financial information.

Condition:

On August 5, 2016, Public Law 19-60 transferred administrative functions of the CNMI Group Health and Life Insurance (GHLI) from NMIRF to the CNMI Department of Finance (DOF). CNMI management determined that GHLI should be included within its Special Revenue Funds. As of September 30, 2020, transfers of GHLI's assets and liabilities were not documented. In addition, tests of GHLI accounts noted the following:

1. Bank reconciliations were not prepared for the GHLI cash account (account no. 11431) with a bank balance of \$1,051,259 as of September 30, 2020.
2. GHLITF acts in a trustee capacity for health and life insurance coverage payments. During FY2020, the CNMI recorded health insurance expense of \$40,331,545 (Business Unit 6022; Fund 6062), which relates to disbursements made to third party insurance providers. There was no evidence that these entries were reviewed prior to posting. Audit adjustments were proposed to reverse these entries.

Cause:

The CNMI lacks coordination over the transfer of GHLI accounts between NMIRF and the CNMI and lacks procedures over financial reporting.

Effect:

GHLI's funds could be misstated.

Identification as a Repeat Finding:

Finding No. 2019-012

Recommendation:

The CNMI should document transfers of GHLI's assets and liabilities. Bank reconciliations should be prepared for the GHLI cash account. Further, journal entries should be reviewed prior to posting.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

CNMI Local Noncompliance

Finding No. 2020-021

Criteria:

Budgets are a vital tool for establishing public policy and for maintaining control over the management of public resources.

Condition:

On September 26, 2019, the CNMI passed Public Law 21-08 as the Appropriations and Budget Authority Act of 2020 (the Act). On January 1, 2020, the CNMI passed Public Law 21-16 to amend Public Law 21-08 to make appropriations for the operations and activities of the government of the CNMI, its agencies, instrumentalities, and independent programs, and to provide budget authority for government corporations. The following activity levels reported expenditures in excess of budget allotments for the year ended September 30, 2020.

	Budgeted Level of Expenditures	Actual Expenditures	Over Expenditure
Executive branch:			
Office of the Governor	\$ 971,165	\$ 1,253,295	\$ (282,130)
Office of the Lt. Governor	\$ 528,606	\$ 565,880	\$ (37,274)
Other Offices of the Governor and Lt. Governor	\$ 3,757,563	\$ 5,451,573	\$ (1,694,010)
Department of Commerce	\$ 976,841	\$ 1,526,757	\$ (549,916)
Department of Community and Cultural Affairs	\$ 1,694,184	\$ 2,021,596	\$ (327,412)
Department of Corrections	\$ 2,482,460	\$ 4,899,815	\$ (2,417,355)
Department of Finance	\$ 4,023,958	\$ 9,945,569	\$ (5,921,611)
Department of Fire and Emergency Medical Services	\$ 2,909,223	\$ 5,717,483	\$ (2,808,260)
Department of Labor	\$ 598,634	\$ 677,084	\$ (78,450)
Department of Lands and Natural Resources	\$ 1,731,698	\$ 2,192,380	\$ (460,682)
Department of Public Safety	\$ 4,035,232	\$ 11,274,101	\$ (7,238,869)
Department of Public Works	\$ 1,583,968	\$ 3,365,521	\$ (1,781,553)
Second Senatorial District - Tinian and Aguiguan	\$ 4,991,452	\$ 8,822,131	\$ (3,830,679)
First Senatorial District - Rota	\$ 5,172,581	\$ 7,178,961	\$ (2,006,380)
Legislative branch	\$ 3,753,658	\$ 5,658,401	\$ (1,904,743)
Judicial branch	\$ 3,387,813	\$ 5,003,500	\$ (1,615,687)
Independent programs	\$ 1,708,903	\$ 1,872,035	\$ (163,132)
Office of the Attorney General	\$ 1,500,283	\$ 2,442,167	\$ (941,884)
Third Senatorial District - Saipan and Northern Islands	\$ 1,849,826	\$ 2,564,746	\$ (714,920)
Office of the Public Auditor	\$ 524,000	\$ 1,437,395	\$ (913,395)
Boards and commissions	\$ 1,191,155	\$ 1,638,440	\$ (447,285)
Government utilities	\$ -	\$ 6,929,584	\$ (6,929,584)
Health (Medicaid local expenditures and medical referrals)	\$ 3,990,258	\$ 15,496,689	\$ (11,506,431)
Health (Payment to CHCC)	\$ 1,036,730	\$ 14,766,451	\$ (13,729,721)
CARES Act (Payment to CUC)	\$ -	\$ 835,000	\$ (835,000)
Disaster expenditures	\$ -	\$ 7,234,933	\$ (7,234,933)
COVID-19 expenditures	\$ -	\$ 4,692,872	\$ (4,692,872)
Debt service	\$ 8,576,000	\$ 9,769,413	\$ (1,193,413)

Cause:

The CNMI authorized expenditures in excess of budget allotments.

Effect:

Expenditures exceed budget allotments.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-021, Continued

Identification as a Repeat Finding:

Finding No. 2019-013

Recommendation:

Responsible DOF personnel should examine issues attendant to the over expenditures and should assess the propriety of budgeted levels.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Schedule of Expenditures of Federal Awards

Finding No. 2020-022

Criteria:

In accordance with applicable federal regulations, the auditee shall prepare a SEFA for the period covered by the auditee's financial statements. At a minimum, the SEFA shall provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

As described in 2 CFR section 200.510(b), auditees must complete the SEFA and include assistance listing numbers for federal awards and subawards. To maximize the transparency and accountability of COVID-19 related award expenditures, non-federal entities should separately identify COVID-19 expenditures on the SEFA and SF-SAC.

Condition:

1. CNMI submitted and revised the SEFA numerous times, which delayed the identification of major programs. CNMI provided a final SEFA on October 14, 2022. Given the fact that the Single Audit reporting package is normally due within nine months after the fiscal year end, a finding is warranted when the preparation, submission, and provision of the SEFA is dated nearly twenty-four months after the fiscal year end.
2. CNMI did not identify in the SEFA the total amount provided to subrecipients of \$23,500,040, \$6,156,133 and \$4,777,211 for CFDA numbers 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters), 15.875 Economic, Social, and Political Development of the Territories: Compact Impact Federal programs, and 84.425 Education Stabilization Fund, respectively. This was corrected through a CNMI revised SEFA.
3. CNMI did not assess and separately identify COVID-19 expenditures of \$112,947,593 in the SEFA. This was corrected through a CNMI revised SEFA.
4. A total of \$172,007 was offset against CNMI's Medicaid Assistance Payments grant award (Document No. 2005CQ5MAP), CFDA number 93.778, for CNMI's delinquent Medicare Part A and Part B premiums including interest on overdue premiums for which the CNMI treated such offset as a reduction of the award amount as the CNMI did not physically draw down the funds to make the payments. As the offsets were to pay for CNMI's Medicare Part A and Part B premiums including interest on overdue premiums, the amount should be recorded as revenues and expenditures in the CNMI's books. This resulted in an understatement of FY2020 revenues and the federal share of expenditures of \$172,007, which also resulted in an understatement of the SEFA. Management did not consider the amount material to the financial statements to warrant an adjustment.
5. The SEFA included prior year's federal share of expenditures of \$83,736 and \$330,047 for CFDA numbers 93.767 and 93.778, respectively. In addition, \$201,955 and \$5,165,537 pertaining to the FY2019 and FY2020 federal share of expenditures were recorded in FY2021 for CFDA numbers 93.767 and 93.778, respectively, which were not accrued at 09/30/20. These resulted in a net understatement of \$4,034,708 and \$4,835,490 for CFDA numbers 93.767 and 93.778, respectively, with a net projected error of \$10,370 and \$4,111,507 for CFDA number 93.767 and 93.778, respectively. No reconciliation or adjustment was provided by the CNMI to correct the material misstatement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-022, Continued

Condition, Continued:

6. Included in the SEFA as FY2020 federal share of expenditures for CFDA number 21.019 were expenditures that were incurred and paid prior to the covered period beginning 03/01/20 and subsequent in FY2020 of \$1,608,662. In addition, \$174,872 in FY2020 expenditures that were funded with CRF funding were recorded in Fund 2024, Business Unit 2020P; and accordingly, were not included in the SEFA and expenditures detail report for CFDA number 21.019. The SEFA presentation for CFDA number 21.019, resulted in a net overstatement of \$1,433,790, with a net projected error of \$1,895,799. No adjustment was provided by the CNMI for the \$1,608,662 in expenditures that were incurred and paid prior to the covered period beginning 03/01/20 and subsequent to FY2020, while management did not consider the \$174,872 material to the financial statements to warrant an adjustment.
7. The SEFA includes an unallocated amount of \$590,798 for the Federal Grants Fund. The amount relates to unidentified grant expenditures. CFDA or other identifying numbers could not be provided for the difference.
8. CNMI erroneously reported non-federal expenditures of \$51,021,060 in the SEFA under CFDA No. 21.019 Coronavirus Relief Fund. This was corrected by CNMI's revised SEFA.
9. Eight expenses recorded in the general fund pertained to Federal expenditures related to CFDA No. 21.019 Coronavirus Relief Fund and were not reported in the SEFA. This was corrected through a CNMI proposed adjustment and a revised SEFA.

<u>Fund</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
1010	1699J	62060	05/26/20	895023	\$ 941,661
1010	1699J	62060	07/16/20	897865	\$ 239,309
1010	1699J	62060	09/22/20	901714	\$ 246,828
1010	1699J	62680	06/16/20	895876	\$ (620,544)
1010	1699J	63050	04/27/20	893940	\$ 80,850
1010	1699J	62680	05/14/20	894669	\$ 861,512
1010	1699J	62680	07/30/20	898738	\$ 285,250
1010	1699J	62680	09/28/20	902035	\$ 475,029

10. For one general fund expense, ninety percent of the recorded expense pertained to Federal expenditures, but such was not reported in the SEFA.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>Document No.</u>	<u>General Ledger Date</u>	<u>Amount</u>	<u>Estimated Federal Expenditures</u>
1010	97.036	1699D	62060	894624	05/14/20	\$ 5,545,233	\$ 4,990,710

Cause:

The CNMI does not appear to have been aware of and did not implement applicable regulations. Also, the CNMI lacks monitoring controls over the accuracy and completeness of the SEFA.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No. 2020-022, Continued

Effect:

CNMI is in noncompliance with federal SEFA requirements. In addition, the effect of untimely recording of transactions is an apparent misstatement of expenses and related payables and a disclaimer of opinion on the CNMI financial statements.

Identification as a Repeat Finding:

Finding No. 2019-014

Recommendation:

The CNMI should prepare a SEFA in accordance with federal requirements. Also, the CNMI should establish and implement monitoring controls to periodically review the SEFA for accuracy and completeness.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-023  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.539 CNMI Nutrition Assistance Program  
Federal Award No.: 7NM4004NM  
Area: Eligibility  
Questioned Costs: \$20,901

**Criteria:** In accordance with the program’s manual of operations, eligibility of applicants is verified by obtaining 1) signed applications that contain the information needed to determine eligibility, including household’s resources and income; 2) verifications of family income and other relevant information such as household composition and citizenship status at the time the Application Form is filed; 3) determining that the applicant’s monthly gross income did not exceed the maximum limit set by the State’s income guidelines based on household size.

The Certification Unit (CU) shall take the initiative to respond to and impose Corrective Actions within ten (10) days upon receipt of findings cited by the Management Evaluation Unit (MEU) personnel on random active cases subjected to periodic desk-reviews. Further, the CU Supervisor shall be responsible for monitoring the reports of findings addressed to the respective Eligibility Workers to ensure adherence to MEU findings and compliance with program guidelines.

**Condition:** Of forty cases tested of a total of six hundred and sixteen, we noted the following deficiencies:

- For ten (or 25%), the application form was either (a) not properly filled out to indicate if the household is a new applicant, an ongoing applicant, or an applicant that is re-applying for benefits; (b) not signed or dated by the applicant/head of household/authorized representative, Eligibility Worker (EW) or both. No questioned costs result as applicants were determined to be eligible.

No.	Case No.	Application Date	Deficiencies Noted
1	B100072654	06/17/20	Not signed and dated by EW
2	B100056578	07/06/19	Not filled out, not signed and dated by EW
3	B100057731	08/14/19	Not filled out, not signed and dated by HH and EW
4	B100076846	08/29/20	Not filled out
5	B100059221	09/18/19	Not filled out, not signed and dated by EW
6	B100073713	07/13/20	Not filled out, not signed and dated by EW
7	B100070772	06/03/20	Not signed and dated by EW
8	B100074174	07/13/20	Not filled out
9	B100058428	09/03/19	Not filled out, not signed and dated by EW
10	B100065283	02/20/20	Not filled out

- For six (or 15%) case numbers, either one or two pages or the entire application with a residence map were not provided as were documents supporting income. Further, case no. 72651 listed seven household members, but the disposition recorded four. No questioned costs result for nos. 2 thru 4 as the MEU noted no deficiencies.

No.	Case No.	Application Date	Deficiencies Noted	MEU’s Findings	Eligibility Period	Benefit Payment	Questioned Costs	
1	B100054743	04/25/19	Page 2 and 3 and income	Yes	05/01/19 - 10/31/19	\$ 610 x 1	\$ 610	
2	B100058399	08/29/19	Application not provided	None	n/a	-	-	
3	B100061950	12/02/19	Application not provided	None	n/a	-	-	
4	B100072651	07/06/20	Page 2 not provided	None	n/a	-	-	
5	B100063017	12/27/19	Application and income	Yes	01/01/20 - 06/30/20	\$ 377 x 6	2,262	
6	B100019992	05/03/19	Application, income, and map	Yes	06/01/19 - 11/30/19	\$ 72 x 2	<u>144</u>	
Total questioned costs								\$ <u>3,016</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-023, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.539 CNMI Nutrition Assistance Program  
Federal Award No.: 7NM4004NM  
Area: Eligibility  
Questioned Costs: \$20,901

Condition, Continued:

- For one (or 3%), the name of the head of household (HH) on the application form for case no. B100053273 did not match the MEU's disposition review and on the notice of eligibility disposition. Further, the Social Security (SS) number for the name on the MEU's disposition review did not match the SS on file. No questioned costs result as the applicant was determined to be eligible.
- For one (or 3%), the eligibility determination was assessed beyond the 30-day limit. No questioned costs are reported as the amount is already questioned at Condition 8.

<u>Case ID</u>	<u>Application Date</u>	<u>Date Eligibility Determined</u>	<u>Time Elapsed</u>
B100067376	04/07/20	06/29/20	83 days

- For six (or 15%), the "Authorization for Release of Information" was either not on file or was not provided.

<u>No.</u>	<u>Case No.</u>	<u>Application Date</u>	<u>Member No.</u>	<u>Eligibility Period</u>	<u>Benefits Payments</u>	<u>Questioned Costs</u>
1	B100075628	08/10/20	2	09/01/20 - 11/30/20	\$ 1,115 x 1	\$ 1,115
2	B100066147	03/09/20	1, 2 and 3	04/01/20 - 09/30/20	\$ 998 x 6	5,988
3	B100072610	06/15/20	2	07/01/20 - 09/30/20	\$ 1,112 x 3	3,336
4	B100059466	09/20/19	2	10/01/19 - 12/31/19	\$ 1,121 x 3	3,363
5	B100053273	04/05/19	1 and 2	05/01/19 - 10/31/19	\$ 607 x 1	607
6	B100063745	01/14/20	2	02/01/20 - 04/30/20	\$ 268 x 6	<u>1,608</u>
						\$ <u>16,017</u>

- For one (or 3%) (case no. B100074174, dated 07/13/20), the application listed six household members as U.S. citizens; however, the disposition notice stated five. No questioned costs are reported as no financial impact results.
- For six (or 15%), resource amounts on the application differ from that stated on the disposition. No questioned costs result as the threshold of \$2,250 for all households and \$3,500 for two or more persons and one is 55 years or older, were not exceeded.

<u>No.</u>	<u>Case No.</u>	<u>Per Application</u>	<u>Per Disposition</u>	<u>Variance</u>
1	B100067471	\$ 83	\$ 103	\$ (20)
2	B100056578	\$ -	\$ 151	\$ (151)
3	B100063980	\$ -	\$ 38	\$ (38)
4	B100067612	\$ 97	\$ 557	\$ (460)
5	B100065283	\$ -	\$ 15	\$ (15)
6	B100057042	\$ -	\$ 696	\$ (696)

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-023, Continued  
 Federal Agency: U.S. Department of Agriculture  
 CFDA Program: 10.539 CNMI Nutrition Assistance Program  
 Federal Award No.: 7NM4004NM  
 Area: Eligibility  
 Questioned Costs: \$20,901

Condition, Continued:

8. For one (or 3%), case number B100067376 was not income eligible as the applicant's actual monthly income of \$1,452 exceeded the applicable income threshold of \$1,410 for a household size of two. The total amount of benefits paid for the certification period from 04/01/20 to 09/30/20 was \$1,868, which is a questioned cost.
9. For six (or 15%), the gross income per Notice of Disposition did not match the supporting documents on file. No questioned costs result as the income threshold based on income and household size was not exceeded.

<u>No.</u>	<u>Case No.</u>	<u>Application Date</u>	<u>Per Disposition</u>	<u>Per Documents</u>	<u>Variance</u>
1	B100069328	05/08/20	\$ 1,604	\$ 1,704	\$ (100)
2	B100056578	07/06/19	\$ 558	\$ 1,182	\$ (624)
3	B100059221	09/18/19	\$ 971	\$ 988	\$ (17)
4	B100075249	07/21/20	\$ 415	\$ 453	\$ (38)
5	B100053273	04/05/19	\$ 1,247	\$ 1,249	\$ (2)
6	B100063745	01/14/20	\$ 50	\$ 25	\$ 25

10. For twenty-four (or 60%), the Notice of Disposition form was dated, but was not signed by the Eligibility Worker. Further, case no. 72608's disposition was dated 03/25/20, when the application date was 06/19/20. Program personnel represented that this condition arose from a computer error. No questioned costs are reported as the applicants were determined to be eligible.

<u>No.</u>	<u>Case No.</u>	<u>Disposition Date</u>	<u>No.</u>	<u>Case No.</u>	<u>Disposition Date</u>
1	B100072654	07/08/20	13	B100072651	07/08/20
2	B100072695	07/08/20	14	B100063017	12/27/19
3	B100054743	05/09/19	15	B100066535	03/13/20
4	B100058399	08/29/19	16	B100075249	08/14/20
5	B100072610	07/08/20	17	B100067376	06/29/20
6	B100059466	09/20/19	18	B100019992	06/07/19
7	B100072608	03/25/20	19	B100070772	06/23/20
8	B100064135	01/23/20	20	B100074174	07/30/20
9	B100076846	09/16/20	21	B100058428	09/03/19
10	B100059221	09/18/19	22	B100075583	08/25/20
11	B100075851	09/08/20	23	B100057042	07/29/19
12	B100073713	07/23/20	24	B100063745	01/14/20

11. For seventeen (or 43%), the CU caseworker or supervisor or both did not respond to the MEU findings on active cases for discrepancies found in the review within ten days after the receipt of notice. See details below.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-023, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.539 CNMI Nutrition Assistance Program  
Federal Award No.: 7NM4004NM  
Area: Eligibility  
Questioned Costs: \$20,901

Condition, Continued:

<u>No.</u>	<u>Case No.</u>	<u>Review Date by MEU</u>
1	B100069328	08/24/20
2	B100075628	12/10/20
3	B100067471	07/30/20
4	B100072310	11/17/20
5	B100054743	01/30/20
6	B100056578	05/27/20
7	B100072608	11/16/20
8	B100064135	06/24/20
9	B100076846	11/12/20
10	B100063980	09/23/20
11	B100073713	01/19/21
12	B100063017	07/17/20
13	B100066535	08/27/20
14	B100075249	12/09/20
15	B100019992	01/28/20
16	B100074174	08/26/20
17	B100057042	05/29/20

Cause: The CNMI did not effectively apply controls over compliance with applicable eligibility requirements.

Effect: The CNMI is in noncompliance with applicable eligibility requirements and questioned costs of \$20,901 exist as the projected costs exceed the \$25,000 threshold.

<u>Condition</u>	<u>Questioned Costs</u>
2	\$ 3,016
5	16,017
8	<u>1,868</u>
	<u>\$ 20,901</u>

Recommendation: The CNMI should strengthen controls over compliance with applicable eligibility requirements by preparing a checklist and reviewing it against files to ascertain that all required forms and information were completed and filed.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-024  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.539 CNMI Nutrition Assistance Program  
Federal Award No.: 7NM4004NM  
Area: Matching, Level of Effort, Earmarking  
Questioned Costs: \$178,399

Criteria: In accordance with the Memorandum of Understanding between the CNMI and the Food and Nutrition Service, the Program issuance shall be designed by the CNMI, utilizing specially earmarked coupons restricted to the purchase of locally-produced food and fish products, in order to verify compliance with the requirement of a thirty percent (30%) purchase of CNMI commodities.

Condition: Based on tests of completeness and accuracy of the NAP Food Coupons Weekly Accountability Report to the issuance listing generated from the Maven System, we noted the total program issuance cost of \$178,399 is not supported by total issuances recorded in the Maven eligibility system.

	<u>Program Issuance Costs and Questioned Costs</u>
Per Maven System	\$ 28,445,931
Per Program reports	<u>28,624,330</u>
Unsupported program issuances	\$ <u><u>178,399</u></u>

Cause: The CNMI did not perform a reconciliation of its program benefit issuance report to the amounts reported in the Maven Eligibility System.

Effect: The CNMI is in noncompliance with the matching, level of effort, earmarking requirements, and questioned costs of \$178,399 result.

Recommendation: The responsible personnel should periodically perform a reconciliation of its program benefit issuance report with the total maintained in the Maven system.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-025  
 Federal Agency: U.S. Department of Agriculture  
 CFDA Program: 10.539 CNMI Nutrition Assistance Program  
 Federal Award No.: 7NM4004NM  
 Area: Period of Performance  
 Questioned Costs: \$10,276

Criteria:

In accordance with applicable period of performance requirements, a non-Federal entity shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. Further, time extensions should be approved by the grantor.

Condition:

Of thirty-six subsequent expenditures tested, totaling \$11,706 of a total population of \$64,505, the following were noted:

1. For three (or 8%), the liquidation occurred beyond 90 days from the budget end date of 09/30/20. Grant extension documentation was not provided.

Business Unit	Document No.	General Ledger Date	Check No.	Check Clearance Date	Liquidation End Date	Questioned Costs
A0539B	257259	12/30/20	68668	09/22/21	12/29/20	\$ 4,800
A0539B	13163	01/30/21	ACH	02/10/21	12/29/20	1,870
A0539B	13274	03/27/21	ACH	04/08/21	12/29/20	<u>1,871</u>
						<u>\$ 8,541</u>

2. For one (or 3%), the obligation occurred beyond the budget end date of 09/30/20. Grant extension documentation was not provided.

Business Unit	Document No.	General Ledger Date	Check No.	Check Clearance Date	Liquidation End Date	Questioned Costs
A0539F	13016	11/21/20	ACH	12/03/20	12/29/20	\$ 1,735

Cause:

The CNMI did not effectively monitor compliance with applicable period of performance requirements.

Effect:

The CNMI is in noncompliance with period of performance requirements, and questioned costs of \$10,276 result as the projected costs exceed the \$25,000 threshold.

Recommendation:

Responsible personnel should monitor check payments to allow for timely liquidation. Grantor approval should be sought as necessary.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-025, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.539 CNMI Nutrition Assistance Program  
Federal Award No.: 7NM4004NM  
Area: Period of Performance  
Questioned Costs: \$10,276

Views of Responsible Officials:

The CNMI's Corrective Action Plan states disagreement, as follows:

NAP Accounting disagrees with this finding. The purchase requisition was processed by NAP on July 17, 2020 and signed by DCCA Secretary, the expenditure authority, on July 21, 2020, see attached copy. When it was submitted to the Division of Procurement and Supply, it was signed by the Acting P&S Director on August 20, 2020 and the purchase order was generated on September 2, 2020. The delivery of the item was received by NAP Administrator on September 30, 2020 and the invoice was forwarded to NAP Accounting on October 1, 2020. Upon receipt of the invoice, NAP Accounting submitted it to Procurement and Supply and informed them that the container has been delivered to NAP instead of Procurement and Supply because of the huge size of it and the weight is heavy and requested for the item to be tagged. The tagging was done on December 21, 2020 by Procurement & Supply as the date is stamped on the invoice, see attached copy. In order for Accounts Payable at the Department of Finance to process payment(s) for capital items, Procurement and Supply is required to submit a receiving report with the original invoice to Finance & Accounting. Therefore, just by looking at the date of actions and the length of time processing the payment, the delay was done by the Department of Finance. NAP often follow up on payments but often times they are not entered yet or no drawdowns made and these are beyond NAP's control.

With the new MUNIS system in place, hopefully the Department of Finance will be able to speed up the processing of payments.

Auditor Response:

The finding is reportable due to the late liquidation.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-026  
 Federal Agency: U.S. Department of Agriculture  
 CFDA Program: 10.539 CNMI Nutrition Assistance Program  
 Federal Award No.: 7NM4004NM  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$10,545

Criteria:

In accordance with applicable procurement requirements, a state will use the same policies and procedures used for procurements from non-Federal funds. CNMI's procurement regulations state the following:

- All government procurement shall be awarded by competitive sealed bidding except under circumstances permitting other than full and open competition.
- Bidding is not required but is encouraged for procurement of \$2,500 and under \$10,000. The individual with the expenditure authority must obtain price quotations from at least three vendors and should base the selection on competitive price and quality for procurement valued at \$2,500 to \$10,000. Any price quotations must be written, documented, and submitted to the PS Director for approval.

Condition:

Of twenty-five expenditures tested, totaling \$406,819 of a total population of \$1,900,727, the following was noted:

1. For one (or 4%), only one quotation was obtained.

<u>Business Unit</u>	<u>Purchase Order No.</u>	<u>Purchase Order Amount</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Total FY20 Expenditures and Questioned Costs</u>
A0539C	700033-OP	\$ 3,678	63040	06/15/20	1542189	\$ -

No questioned cost is reported as the amount is questioned at Condition 2 below.

Of forty nonpayroll expenditures tested, totaling \$331,136 of a total population of \$541,321, the following were noted:

2. For five (or 13%), only one quotation was obtained.

<u>Business Unit</u>	<u>Purchase Order No.</u>	<u>Purchase Order Amount</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Total FY20 Expenditures and Questioned Costs</u>
A0539B	706326-OP	\$ 3,189	62280	09/17/20	1559437	\$ 3,189
A0539B	699592-OP	\$ 3,678	63040	05/13/20	1532974	3,678
A0539B	700033-OP	\$ 3,678	63040	06/15/20	329353	<u>3,678</u>
A0539B	699592-OP	\$ 3,678	63040	06/15/20	329355	See above
A0539B	700033-OP	\$ 3,678	63040	06/15/20	1542189	See above
						\$ <u>10,545</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-026, Continued  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.539 CNMI Nutrition Assistance Program  
Federal Award No.: 7NM4004NM  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$10,545

Condition, Continued:

No questioned costs are reported for document nos. 329355 and 1542189 as amounts are questioned for document nos. 1532974 and 329353, respectively.

Cause:

CNMI did not enforce compliance with established procurement policies and procedures over procurement.

Effect:

CNMI is in noncompliance with applicable procurement regulations, and questioned costs of \$10,545 exist for Condition 2 as the projected questioned costs exceed the \$25,000 threshold.

Recommendation:

Responsible personnel should monitor and enforce compliance with applicable procurement requirements, including the review of procurement files for completeness as to written rationale for deviations from applicable procurement requirements.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-027  
 Federal Agency: U.S. Department of Commerce  
 CFDA Program: 11.016 Statistical, Research, and Methodology Assistance  
 Federal Award No.: Contract No. 1333LB19C00000006  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$1,957,419

Criteria:

In accordance with applicable allowable costs/cost principles requirements, costs should be necessary and reasonable for the performance of the Federal award and be adequately documented. Further, costs should be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the governmental unit.

Condition:

Tests of twenty-one expenditures aggregating \$3,199,032 of a population of \$7,269,750, noted the following:

1. For three (or 14%), hours worked per the payroll register did not match hours per the timesheet. Further, overtime was charged one to one (1.0) hour and/or 1.5 hours, and no approval was provided. Questioned costs are reported as the timesheet was not signed by the employee or the immediate supervisor.

<u>Employee No.</u>	<u>PPE</u>	<u>Pay Rate</u>	<u>Total OT (1.0/1.5) Per Pay Register</u>	<u>OT Hours Per Timesheet (1.5)</u>	<u>Gross Pay Per Register and Questioned Costs</u>
512195	12/21/19	\$ 13.46	28	7	\$ 1,526
960551	02/15/20	\$ 13.46	24	29	1,556
101646	07/04/20	\$ 25.85	25	25	<u>2,779</u>
					\$ <u>5,861</u>

2. For one (or 5%), hours per the payroll register did not match hours per the timesheet. Questioned costs are calculated based on the difference in gross pay.

<u>Employee No.</u>	<u>PPE</u>	<u>Pay Rate</u>	<u>Hours Per Register</u>	<u>Hours Per Timesheet</u>	<u>Variance Amount</u>	<u>Questioned Costs</u>
680188	02/29/20	\$ 17.17	99	29.5	\$1,700 - \$507	\$ 1,193

3. For one (or 5%), the employee's timesheet was not provided. Further, the NOPA stated not more than 32 hours a week will be worked.

<u>Employee No.</u>	<u>PPE</u>	<u>Pay Rate</u>	<u>Hours Per Register</u>	<u>Questioned Costs</u>
856710	04/25/20	\$ 17.17	116.5	\$ 2,000

4. For one (or 5%), the payroll register recorded 23 hours twice or 46 hours with different pay rates and 4 hours of overtime were charged. However, the timesheet indicated 23 hours with no overtime.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-027, Continued  
 Federal Agency: U.S. Department of Commerce  
 CFDA Program: 11.016 Statistical, Research, and Methodology Assistance  
 Federal Award No.: Contract No. 1333LB19C00000006  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$1,957,419

Condition, Continued:

Employee No.	PPE	Pay Rates	Hours Per Register	Hours Per Timesheet	Variance Amount	Questioned Costs
558343	08/29/20	\$17.17	46 plus 4 hours OT	23	\$924 - \$395	\$ 529

5. For eight (or 38%), the NOPA stated that the employee's effective end date of employment will not exceed 05/30/20 (except for #1), and/or hours worked will not exceed 32 per week (except for #s 6 and 7). Further, timesheets were not certified by a supervisor for #s 6 and 8. See below details.

Employee No.	PPE	Pay Rate	Hours Total Per Pay Register	Reviewed by Supervisor	Excess Hours	Questioned Costs	
1	101014	03/14/20	\$ 17.17	65.0	Yes	0.75	\$ 13
2	961506	06/20/20	\$ 17.17	87.0	Yes	23.00	395
3	171970	07/18/20	\$ 17.17	90.0	Yes	25.50	438
4	648399	08/01/20	\$ 17.17	112.0	Yes	48.00	824
5	834983	08/29/20	\$ 18.52	35.5	Yes	3.50	65
6	311373	08/29/20	\$ 20.20	12.0	No	-	-
7	961534	08/29/20	\$ 20.20	14.0	Yes	-	-
8	159845	08/29/20	\$ 20.20	77.0	No	13.00	263
						<u>\$ 1,998</u>	

6. For two (or 10%), the NOPA stated that the employee's effective end date of employment will not exceed 05/30/20. See below details.

Employee No.	PPE	Pay Rate	Hours Per Pay Register	Subject to 32 Hours/Week	Reviewed by Supervisor	Questioned Costs
680284	06/06/20	\$ 18.52	107	No	Yes	\$ 1,982
558343	08/29/20	\$ 17.17	46 plus 4 hours OT	No	Yes	See Condition 4

7. For six (or 29%), timesheets were not signed by the employee, and were not certified by an immediate supervisor.

Employee No.	PPE	Pay Rate and Hours	Questioned Costs
512195	12/21/19		See Condition 1
960551	02/15/20		See Condition 1
101646	07/04/20		See Condition 1
959025	09/26/20	\$25.85 x 80	\$ 2,068
956756	09/26/20	\$32.31 x 80	2,585
680174	08/29/20	\$32.31 x 80	<u>2,585</u>
			<u>\$ 7,238</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-027, Continued  
Federal Agency: U.S. Department of Commerce  
CFDA Program: 11.016 Statistical, Research, and Methodology Assistance  
Federal Award No.: Contract No. 1333LB19C00000006  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$1,957,419

Condition, Continued:

8. For one (or 5%), the annual leave form was not provided.

<u>Employee No.</u>	<u>PPE</u>	<u>Pay Rate</u>	<u>Annual Leave Hours</u>	<u>Questioned Costs</u>
959025	09/26/20	\$ 25.85	2.75	See Condition 7

9. For one (or 5%), a NOPA was processed retroactively for an increase in pay rate after the fiscal year ended. Grantor approval was not provided.

<u>Employee No.</u>	<u>PPE</u>	<u>NOPA Effective Date</u>	<u>Hourly Rate Approved on 09/14/19</u>	<u>Hourly Rate Approved on 12/02/20</u>	<u>Questioned Costs</u>
101731	11/09/20	07/22/19	\$ 37.70	\$ 47.58	\$ 26,636

10. For all employees (or 100%), bonuses were paid based on date of hire and job title. However, documentation was not provided to substantiate the basis of the bonus calculation and approval from the grantor was not provided. The CNMI has not adopted a bonus system and the manner in which the bonuses were paid does not appear to be a CNMI adopted policy; rather, it appears to be a program management policy that may have been based on funds availability.

<u>Memo Date</u>	<u>Questioned Costs</u>
08/03/20	\$ 1,278,107
08/03/20	553,949
08/31/20	20,464
09/10/20	<u>4,460</u>
	<u>\$ 1,856,980</u>

Of fifty-one nonpayroll expenditures tested, aggregating \$571,194 of a population of \$1,421,223, deficiencies were noted as follows:

11. For ten (or 20%), the purchase order was prepared after the service had been incurred.

<u>PO No.</u>	<u>PO Amount</u>	<u>PO Date</u>	<u>Invoice Date</u>	<u>Document No.</u>	<u>Invoice Amount and Questioned Costs</u>
693120-OP	\$ 8,500	12/10/19	12/01/19	1486118	\$ 8,500
702152-OP	\$ 2,500	06/15/20	03/12/20	1545650	2,500
690938-OP	\$ 2,500	10/29/19	10/01/19	1483851	2,500
695872-OP	\$ 9,800	01/29/20	02/02/20	1490731	9,800
697637-OP	\$ 9,800	03/02/20	03/02/20	1495627	9,800
700021-OP	\$ 2,500	05/06/20	04/23/20	1536012	2,500
703613-OP	\$ 2,500	07/13/20	07/06/20	1547237	2,500
701029-OP	\$ 2,351	05/28/20	05/01/20	1545730	12,114
690681-OP	\$ 988	10/24/19	10/10/19	1488531	988
702156-OP	\$ 1,800	06/15/20	06/09/20	1541182	<u>1,800</u>
					<u>\$ 53,002</u>



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-027, Continued  
Federal Agency: U.S. Department of Commerce  
CFDA Program: 11.016 Statistical, Research, and Methodology Assistance  
Federal Award No.: Contract No. 1333LB19C00000006  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$1,957,419

Cause:

CNMI management did not effectively enforce recordkeeping controls and did not monitor transactions for required approvals.

Effect:

The CNMI is in noncompliance with allowable costs/cost principles requirements and questioned costs of \$1,957,419 result.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$ 5,861
2	1,193
3	2,000
4	529
5	1,998
6	1,982
7	7,238
9	26,636
10	1,856,980
11	<u>53,002</u>
	\$ <u>1,957,419</u>

Recommendation:

CNMI management should establish a recordkeeping system whereby underlying support is filed accordingly to substantiate costs; management should also strengthen monitoring controls over transactions so that proper reviews and approvals are documented to substantiate program costs in accordance with applicable allowable costs/cost principles.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-028  
Federal Agency: U.S. Department of Commerce  
CFDA Program: 11.016 Statistical, Research, and Methodology Assistance  
Federal Award No.: Contract No. 1333LB19C00000006  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Criteria:

In accordance with applicable regulations, a state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.

The CNMI Property Management Policies and Procedures requires the Division of Procurement Services (PS) to conduct an annual inventory of property held by a designated official who has administrative control over the use of personal property within his area of jurisdiction. Also, PS shall perform random audits of property held by each accountable person to validate the integrity of the property control process.

Further, property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Condition:

Tests of equipment and real property noted the following:

1. There is no documentation that a complete physical inventory of equipment and property was performed in FY 2020.
2. A property listing was provided by PS; however, information such as the federal award identification number, source of the property, who holds title, percentage of federal participation in the cost of the property, and use of the property, was not documented.
3. A \$107,233 variance was noted between the general ledger details of \$123,620 and \$16,387 per the PS provided property listing.

Cause:

The CNMI lacks human resources and a financial management system structure needed to effect compliance with applicable equipment and real property management requirements.

Effect:

The CNMI is in noncompliance with applicable equipment management requirements. See below for the cumulative dollar amount of property and equipment acquired with program grant funds over the past five years.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-028, Continued  
Federal Agency: U.S. Department of Commerce  
CFDA Program: 11.016 Statistical, Research, and Methodology Assistance  
Federal Award No.: Contract No. 1333LB19C00000006  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Effect, Continued:

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Grand Total</u>
\$ 123,620	\$ -	\$ -	\$ -	\$ -	\$ 123,620

Recommendation:

The CNMI should consider seeking technical and financial support from Federal agencies to develop human resources and a financial management system capable of effecting compliance with applicable property management policies and procedures.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-029  
Federal Agency: U.S. Department of Commerce  
CFDA Program: 11.016 Statistical, Research, and Methodology Assistance  
Federal Award No.: Contract No. 1333LB19C00000006  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$62,207

Criteria:

In accordance with applicable procurement requirements, a state will use the same policies and procedures used for procurements from non-Federal funds. CNMI's procurement regulations state the following:

- All government procurement shall be awarded by competitive sealed bidding except under circumstances permitting other than full and open competition.
- Bidding is not required but is encouraged for procurement of \$2,500 and under \$10,000. The individual with the expenditure authority must obtain price quotations from at least three vendors and should base the selection on competitive price and quality for procurement valued at \$2,500 to \$10,000. Any price quotations must be written, documented, and submitted to the PS Director for approval.
- Any procurement not exceeding the amount established herein may be made in accordance with small purchase procedures. However, procurement requirements shall not be artificially divided so as to constitute a small purchase.
- For any sole source procurement, a written justification for sole source procurement shall be prepared by the official with expenditure authority and shall contain the specific unique capabilities required; the specific unique capabilities of the contractor; the efforts made to obtain competition; and the specific considerations given to alternative sources and specific reasons why alternative sources were not selected.
- For expedited procurement, the official with expenditure authority may request that the Director approve expedited procurement without solicitation of bids or proposals. The factor to be considered by the Director in approving or disapproving this request shall be:
  1. The urgency of the government's need for the good or services especially if procuring vehicles or equipment specifically designed for chemical, biological, nuclear exposure and bomb detection and critically needed emergency supplies as described by the Office of Domestic Preparedness;
  2. The comparative costs of procuring the goods or service from a sole source or through competitive processes;
  3. The availability of the goods or service in the Commonwealth and the timeliness in acquiring it; and
  4. Any other factors establishing the expedited procurement is in the best interest of the Commonwealth government.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-029, Continued  
 Federal Agency: U.S. Department of Commerce  
 CFDA Program: 11.016 Statistical, Research, and Methodology Assistance  
 Federal Award No.: Contract No. 1333LB19C00000006  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$62,207

Condition:

Of twenty-one expenditures tested, totaling \$3,199,032 of a total population of \$7,269,750, the following were noted:

1. For one (or 5%), sole source was used. The written justification stated that the vendor was the only vendor qualified with his over 25 years of experience, extensive knowledge and expertise in census matters which makes him the best person to assist the program. The justification also cited that a competitive process was performed in the past without success. Documentation was not provided demonstrating that efforts occurred to solicit competition or that alternative sources were considered.

<u>Business Unit</u>	<u>Contract No.</u>	<u>Contract Amount</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Total FY20 Expenditures and Questioned Costs</u>
C8016A	685392-OC	\$ 15,000	62060	02/18/20	1491929	\$ 12,000

2. For one (or 5%), expedited and sole source procurement was used to meet the mandated timeline in opening the CNMI Census Office by October 1, 2019. However, documentation was not provided demonstrating that efforts occurred to solicit competition despite a justification memo representing that such had occurred.

<u>Business Unit</u>	<u>Contract No.</u>	<u>Contract Amount</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Total FY20 Expenditures and Questioned Costs</u>
C9016A	688557-OC	\$ 26,320	64530	10/09/19	1476552	\$ 26,320

Of fifty-one nonpayroll expenditures tested, totaling \$571,194 of a total population of \$1,421,223, the following were noted:

3. For one (or 2%), sole source procurement was used to procure data processing services. The written justification stated that the vendor was the only vendor with the knowledge, background, and expertise to assist the program; however, there was no documentation provided to support the assertion. Further, there was no evidence that efforts occurred to obtain other vendor quotations or that considerations were given to alternative sources. No questioned costs are reported as the amount is also questioned at Finding No. 2020-027, Condition 11.

<u>Business Unit</u>	<u>Purchase Order No.</u>	<u>Purchase Order Amount</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Total FY20 Expenditures</u>
C8016A	693120-OP	\$ 8,500	62060	12/26/19	1486118	\$ 8,500

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-029, Continued  
 Federal Agency: U.S. Department of Commerce  
 CFDA Program: 11.016 Statistical, Research, and Methodology Assistance  
 Federal Award No.: Contract No. 1333LB19C00000006  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$62,207

Condition, Continued:

4. Competitive sealed bids should be used for amounts greater than \$10,000. Instead, for two (or 4%), sole source procurement was used to procure script and translation services relative to public announcements. The written justification stated that the program had an urgent and tight deadline to get the message out to the community to meet the Census target date. However, documents examined showed that services had already been completed before the obligating document was approved as the log detail report for PO# 695872 showed the period covered from October 2019 through December 2019, yet the purchase order was approved in January 2020 and for PO# 697637, the PO was dated March 2020, but the log detail report showed the period covered from January 2020 through February 2020. Further, it appears the amount was artificially divided to avoid formal bidding as the general ledger details description stated these were for Phase I and Phase II advertisements. No questioned costs are reported as the amounts are also questioned at Finding No. 2020-027, Condition 11.

<u>Business Unit</u>	<u>Purchase Order No.</u>	<u>Purchase Order Amount</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Total FY20 Expenditures</u>
C9016A	695872-OP	\$ 9,800	62080	02/04/20	1490731	\$ 9,800
C9016A	697637-OP	\$ 9,800	62080	03/27/20	1495627	<u>9,800</u>
						\$ <u>19,600</u>

5. For two (or 4%), the required minimum three price quotations were not obtained, and there was no evidence of efforts made to obtain quotations from alternative sources.

<u>Business Unit</u>	<u>Purchase Order No.</u>	<u>Purchase Order Amount</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Total FY20 Expenditures and Questioned Costs</u>
C9016A	702120-OP	\$ 3,000	63020	07/16/20	1547261	\$ 2,999
C9016A	688646-OP	\$ 9,989	63120	10/25/19	252671	<u>9,989</u>
						\$ <u>12,988</u>

6. For two (or 4%), expedited and sole source procurement was used for the installation of the network cabling and electronic bio time clock system due to meeting the mandated timeline of opening the Census office. For both, the justification memo stated that efforts were made to reach out to local vendors and only two showed up and only one responded. However, documentation was not provided to show that efforts actually occurred to solicit competition. No questioned costs are reported for document no. 1476552 as the amount is already questioned at Condition 2.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-029, Continued  
 Federal Agency: U.S. Department of Commerce  
 CFDA Program: 11.016 Statistical, Research, and Methodology Assistance  
 Federal Award No.: Contract No. 1333LB19C00000006  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$62,207

Condition, Continued:

<u>Business Unit</u>	<u>TA/ Contract No.</u>	<u>PO/Contract Amount</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Total FY20 Expenditures and Questioned Costs</u>
C9016A	688557-OC	\$ 26,320	64530	10/09/19	1476552	\$ -
C9016A	687758-OP	\$ 9,980	64560	04/20/20	1496946	<u>9,980</u>
						<u>\$ 9,980</u>

7. For one (or 2%), procurement documents were not provided. See details below.

<u>Business Unit</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>	<u>Total FY20 Expenditures and Questioned Costs</u>
C9016A	62500	01/28/20	1489897	\$ 569	\$ 919

Cause:

The CNMI did not enforce compliance with established procurement policies and procedures over procurement.

Effect:

The CNMI is in noncompliance with applicable procurement regulations, and questioned costs of \$62,207 exist.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$ 12,000
2	26,320
5	12,988
6	9,980
7	<u>919</u>
	<u>\$ 62,207</u>

Recommendation:

Responsible personnel should monitor and enforce compliance with applicable procurement requirements, including the review of procurement files for completeness as to written rationales for any deviations from applicable procurement requirements.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-030  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories -  
Capital Improvement Projects  
Federal Award Nos.: D16AP00054, D17AP00131, D18AP00150, D18AP00157, D18AP00135,  
D18AP00178, D20AP00045 and D20AP00049  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Criteria:

In accordance with applicable regulations, a state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.

The CNMI Property Management Policies and Procedures requires the Division of Procurement Services (PS) to conduct an annual inventory of property held by a designated official who has administrative control over the use of personal property within his area of jurisdiction. Also, PS shall perform random audits of property held by each accountable person to validate the integrity of the property control process.

Further, property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Condition:

Tests of equipment and real property noted the following:

1. Tests of internal controls noted that a complete physical inventory of equipment and property was not performed by PS in FY 2020.
2. A property listing was provided by PS; however, information such as the federal award identification number, source of the property, who holds title, percentage of federal participation in the cost of the property, and use of the property, was not documented.
3. A variance of \$148,521 was noted between the general ledger details of \$684,611 and \$536,090 per the property listing provided by PS.

Cause:

The CNMI lacks the human resources and financial management system structure needed to effect compliance with applicable equipment and real property management requirements.

Effect:

The CNMI is in noncompliance with applicable equipment management requirements. See below for the cumulative dollar amount of property and equipment acquired with program grant funds over the past five years.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-030, Continued  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories -  
Capital Improvement Projects  
Federal Award Nos.: D16AP00054, D17AP00131, D18AP00150, D18AP00157, D18AP00135,  
D18AP00178, D20AP00045 and D20AP00049  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Effect, Continued:

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Grand Total</u>
\$ 684,611	\$ 855,479	\$ 335,551	\$ 501,789	\$ 62,939	\$ 2,440,369

Identification as a Repeat Finding:

Finding No. 2019-016

Recommendation:

The CNMI should consider seeking technical and financial support from Federal agencies to develop human resources and a financial management system capable of effecting compliance with applicable property management policies and procedures.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-031  
 Federal Agency: U.S. Department of the Interior  
 CFDA Program: 15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects  
 Federal Award Nos.: D16AP00064 and D18AP00035  
 Area: Period of Performance  
 Questioned Costs: \$66,936

Criteria:

In accordance with applicable period of performance requirements, a non-Federal entity shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. Further, time extensions should be approved by the grantor.

Condition:

1. Of twenty-three expenditures tested totaling \$5,487,754 of a total population of \$12,782,609, for one (or 4%), the liquidation occurred after the 90-day liquidation end date. Grant extension documentation was not provided.

<u>Business Unit</u>	<u>Document No.</u>	<u>General Ledger Date</u>	<u>Check No.</u>	<u>Check Clearance Date</u>	<u>Liquidation End Date</u>	<u>Questioned Costs</u>
5668B	1559056	09/15/20	7836	01/05/21	12/29/20	\$ 38,535

2. Of twenty nonpayroll expenditures tested, totaling \$2,359,799 of a total population of \$3,549,538, for one (or 5%), the liquidation occurred after the 90-day liquidation end date. Grant extension documentation was not provided.

<u>Business Unit</u>	<u>Document No.</u>	<u>General Ledger Date</u>	<u>Check No.</u>	<u>Check Clearance Date</u>	<u>Liquidation End Date</u>	<u>Questioned Costs</u>
5649E	1573204	10/19/20	7845	01/18/21	12/29/20	\$ 28,401

Cause:

The CNMI did not effectively monitor compliance with applicable period of performance requirements.

Effect:

The CNMI is in noncompliance with period of performance requirements, and questioned costs of \$66,936 exists.

Recommendation:

The responsible personnel should monitor check payments so that liquidations occur timely. Grantor approval should be sought if extensions are needed.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-032  
 Federal Agency: U.S. Department of the Interior  
 CFDA Program: 15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects  
 Federal Award Nos.: D17AP00078, D18AP00033, D18AP00178, D20AP00045 and D20AP00049  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$31,059

Criteria:

In accordance with applicable procurement requirements, a state will use the same policies and procedures used for procurements from non-Federal funds. CNMI's procurement regulations state the following:

- All government procurement shall be awarded by competitive sealed bidding except under circumstances permitting other than full and open competition.
- Bidding is not required but is encouraged for procurement of \$2,500 and under \$10,000. The individual with the expenditure authority must obtain price quotations from at least three vendors and should base the selection on competitive price and quality for procurement valued at \$2,500 to \$10,000. Any price quotations must be written, documented, and submitted to the PS Director for approval.

Condition:

Of twenty-three expenditures tested, totaling \$5,487,754 of a total population of \$12,782,609, the following were noted:

1. For two (or 8%), the required minimum three price quotations were not obtained. Further, there was no evidence of efforts made to obtain quotations from alternative sources. Moreover, documents examined showed that services were completed before the purchase order was approved as the PO date was 04/20/20 and the invoice date was 04/17/20 for document no. 1497835.

<u>Award No.</u>	<u>Business Unit</u>	<u>Purchase Order No.</u>	<u>Purchase Order Amount</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Total FY20 Expenditures and Questioned Costs</u>
D20AP00045	I20875F	699273-OP	\$ 6,450	63050	04/30/20	1497835	\$ 6,450
D18AP00033	5649G	355431-OT	\$ 2,525	62500	12/18/19	1485570	<u>2,525</u>
							<u>\$ 8,975</u>

Of forty-four nonpayroll expenditures tested, totaling \$8,084,590 of a total population of \$11,900,540, the following were noted:

2. For three (or 7%), the required minimum three price quotations were not obtained. Further, no effort was documented to obtain other quotations. Moreover, for document no. 1550087, services were completed before the purchase order was approved as the PO date was 07/24/20 and the invoice date was 04/20/20.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-032, Continued  
 Federal Agency: U.S. Department of the Interior  
 CFDA Program: 15.875 Economic, Social, and Political Development of the Territories - Capital Improvement Projects  
 Federal Award Nos.: D17AP00078, D18AP00033, D18AP00178, D20AP00045 and D20AP00049  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$31,059

Condition, Continued:

<u>Award No.</u>	<u>Business Unit</u>	<u>Purchase Order No.</u>	<u>Purchase Order Amount</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Total FY20 Expenditures and Questioned Costs</u>
D17AP00078	I78758	687667-OP	\$ 8,500	62660	01/28/20	1489753	\$ 8,500
D20AP00049	I20875H	704341-OP	\$ 7,099	62750	08/03/20	1550087	7,099
D18AP00178	I18875C	690713-OP	\$ 6,485	64540	05/13/20	254548	<u>6,485</u>
							<u>\$ 22,084</u>

Cause:

CNMI did not enforce compliance with established procurement policies and procedures over procurement.

Effect:

CNMI is in noncompliance with applicable procurement regulations and questioned costs of \$31,059 result.

Identification as a Repeat Finding:

Finding No. 2019-017

Recommendation:

Responsible personnel should monitor and enforce compliance with applicable procurement requirements, including the review of procurement files for completeness as to written rationale for deviations from applicable procurement requirements.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-033  
 Pass Thru Entity: Commonwealth of the Northern Mariana Islands  
 Federal Agency: U.S. Department of the Interior  
 CFDA Program: 15.875 Economic, Social, and Political Development of the Territories -  
 Capital Improvement Projects and Compact Impact  
 Federal Award Nos.: D18AP00026 and D20AF00039  
 Area: Subrecipient Monitoring  
 Questioned Costs: \$-0-

Criteria:

In accordance with applicable subrecipient monitoring requirements, the pass-through entity (PTE) must establish and implement subrecipient monitoring policies and procedures, including the following:

- At the time of the award, clearly identifying to the subrecipient all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award.
- Evaluating the impact of subrecipient activities on the pass-through entity’s ability to comply with applicable federal regulations.

Condition:

Tests of subrecipient monitoring noted the following:

1. The subrecipients of the CIP and Compact Impact programs did not match the listing per the SEFA. See below details:

	<u>Per SEFA</u>	<u>Per Program</u>	<u>Variance</u>
CIP	\$ -	\$ 4,074,207	\$ (4,074,207)
Compact Impact	<u>1,873,263</u>	<u>970,384</u>	<u>902,879</u>
Total	\$ <u>1,873,263</u>	\$ <u>5,044,591</u>	\$ <u>(3,171,328)</u>

2. The program did not include the following required information in the subrecipient agreement.
  - Federal Award Identification;
  - Subrecipient name (which must match registered name in DUNS);
  - Subrecipient’s Data Universal Numbering System (DUNS) number;
  - Federal Award Identification Number (FAIN);
  - Federal Award date;
  - Subaward Period of Performance Start and End Date;
  - Amount of Federal Funds Obligated by this action;
  - Total Amount of Federal Funds Obligated to the subrecipient;
  - Total Amount of the Federal Award;
  - Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
  - Name of Federal awarding agency, pass-through entity, and contact information for awarding official;

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-033, Continued  
Pass Thru Entity: Commonwealth of the Northern Mariana Islands  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories -  
Capital Improvement Projects and Compact Impact  
Federal Award Nos.: D18AP00026 and D20AF00039  
Area: Subrecipient Monitoring  
Questioned Costs: \$-0-

Condition, Continued:

- CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
  - Identification of whether the award is R&D; and
  - Indirect cost rate for the Federal award.
3. There was no evidence of procedures used to monitor subrecipient compliance with applicable laws, regulations, and provisions of contracts and grant agreements. We are aware that the subrecipients, CUC and NMC, have been subjected to Single Audits; however, there is no evidence that the Single Audit reports were used as a monitoring tool.

Cause:

The CNMI failed to enforce compliance with subrecipient monitoring requirements.

Effect:

The CNMI is in noncompliance with applicable subrecipient monitoring requirements. No questioned costs are presented as the Single Audit reports of the subrecipients tested have been issued with no findings noted.

Identification as a Repeat Finding:

Finding No. 2019-019

Recommendation:

The responsible personnel should consider obtaining training in the area of subrecipient monitoring and establishing and implementing policies and procedures over compliance with applicable subrecipient monitoring requirements.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-034  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories -  
Capital Improvement Projects  
Federal Award Nos.: D16AP00064 and D18AP00035  
Area: Special Tests and Provisions (Grant Terms and Conditions)  
Questioned Costs: \$-0-

Criteria:

In accordance with applicable special tests and provisions, for construction activities funded by grants, the OIA seal should be displayed on all construction signage that is intended to identify the project and funders, as appropriate. The seal must remain intact and unchanged and may only be displayed using either the standard color scheme or a single color that complements the background where it appears. The OIA grant manager should be contacted for an electronic version of the seal if needed.

Condition:

Of seven expenditures tested totaling \$6,756,851 of a total population of \$9,104,218, for three (or 42%), documentation was not provided to show the OIA seal requirement was complied with. See below:

<u>Business Unit No.</u>	<u>Subrecipient</u>	<u>Total Expenditures</u>
5611E	PSS	\$ 809,022
5663F	CUC	2,406,940
5663D	CUC	<u>368,116</u>
		\$ <u>3,584,078</u>

Cause:

The CNMI did not effectively monitor compliance with applicable special tests and provisions requirements.

Effect:

The CNMI is in noncompliance with special tests and provisions requirements. No questioned costs are reported as we are unable to quantify the extent of noncompliance.

Recommendation:

The responsible personnel should monitor grant terms and conditions so that requirements are complied with.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-035  
 Federal Agency: U.S. Department of Labor  
 CFDA Program: 17.225 Unemployment Insurance  
 Federal Award No.: UI-34837-20-55-A-69  
 Area: Activities Allowed or Unallowed  
 Questioned Costs: \$770

Criteria:

1. In accordance with the CNMI Department of Labor’s (DOL) Division of Employment Services’ Standard Operating Policies and Procedures for Pandemic Unemployment Assistance and Federal Pandemic Unemployment Compensation Programs Section IV (A), “In order to maintain program integrity, staff assigned to various PUA/FPUC related tasks must complete rigorous Unemployment Insurance (UI) training. Training involves reading and understanding the latest Unemployment Insurance Program Letters (UIPLs), other federal guidelines and manuals, UI laws and regulation, and state workforce agency (SWA) sponsored UI training. Additionally, in order to understand the systems and answer questions adequately, staff must be trained on how to fill out and submit all paper/online applications associated with the program”.
2. Salaries and wages charged should be supported by an authorized personnel action form that includes the program charge account(s) and relevant job description.

Condition:

Of one payroll item tested, aggregating \$8,916 of a total population of \$485,039 in payroll expenditures, Employee No. 403821 (payroll period ending 08/01/20), did not receive a training certificate, employee certification/acknowledgment or equivalent documentation indicating the employee completed any UI training. Although the employee acknowledges receiving some training, the attendance sheets or equivalent documentation showing the employee’s participation were not provided.

In addition, a description of the employee’s duties and responsibilities relating to the Unemployment Insurance (UI) program was not provided. Further, the charge accounts and cost allocations on the Notice of Personnel Action (NOPA), approved on July 17, 2020, did not relate to the UI program and did not agree to the time sheet. Therefore, a questioned cost of \$770 exists.

Charge accounts and cost allocations:

<u>Account</u>	<u>Account Description</u>	<u>Allocation</u>
NOPA:		
3430.61090	Labor Enforcement Fund - Salaries and Wages	80%
L9273A.61090	DOL FY19 ForeignLabCert09/30/21 - Salaries and Wages	20%
Timesheet:		
3430.61090	Labor Enforcement Fund - Salaries and Wages	15%
L0225C.61090	FY20 PUA Admin CARES 06/22 - Salaries and Wages	85%
L0225C.61110	FY20 PUA Admin CARES 06/22 - Overtime Compensation	100%



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-035, Continued  
Federal Agency: U.S. Department of Labor  
CFDA Program: 17.225 Unemployment Insurance  
Federal Award No.: UI-34837-20-55-A-69  
Area: Activities Allowed or Unallowed  
Questioned Costs: \$770

Cause:

The CNMI DOL did not properly document or certify employees who received UI training and did not adequately support program transactions.

Effect:

The CNMI is in noncompliance with the CNMI Department of Labor's Division of Employment Services' Standard Operating Policies and Procedures for Pandemic Unemployment Assistance and Federal Pandemic Unemployment Compensation Programs Section IV (A), activities allowed or unallowed requirements and questioned costs of \$770 exist as the projected questioned costs exceed the \$25,000 threshold.

Recommendation:

The CNMI DOL should document training conducted and should provide certifications or acknowledgments to participants who attended the training and verify that all salary and wages charged to the program are properly supported by an authorized personnel action form that includes the program charge account(s) and a relevant job description.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-036  
 Federal Agency: U.S. Department of Labor  
 CFDA Program: 17.225 Unemployment Insurance  
 Federal Award Nos.: UI-33019-19-55-A-69 and UI-34837-20-55-A-69  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$219,547

Criteria:

In accordance with applicable allowable costs/cost principles requirements, costs should be necessary and reasonable for the performance of the Federal award and be adequately documented.

Condition:

Based on comparison of the grant awards, the approved budget and program expenditures, the following were noted:

- Total program expenditures exceeded total grant awards received for Business Unit L0225A. Grantor approval or equivalent documentation to substantiate whether the additional grant awards received in fiscal year 2021, with effective dates between 10/01/20 to 04/01/21, can be used to cover excess expenditures incurred in fiscal year 2020 was not provided. No questioned costs are presented as the \$50,811,214 total drawdowns for Business Unit L0225A, as of September 30, 2020, per the fund status report and drawdown reports, did not exceed the \$51,000,000 funding limit as of September 30, 2020.

<u>Grant Number</u>	<u>PMS DOC #</u>	<u>Business Unit</u>	<u>Expense Category</u>	<u>FY20 Grant Awards</u>	<u>FY20 Total Program Expenditures</u>	<u>Excess Amount</u>
UI-34837-20-55-A-69	UI34837Z40	L0225A	FPUC Benefits	\$ 51,000,000	\$ 60,211,136	\$ 9,211,136

- Certain program cumulative expenditures as of 09/30/20 exceeded the approved budget by expenditure category and indirect costs charged to certain grant awards were not included in the approved budget. Grantor approval or equivalent documentation were not provided to substantiate whether the available funding within other approved expenditure categories can cover the shortfall and budget overrun for equipment expenditures under Business Unit L0225C and to also substantiate indirect costs charged to Business Units L9225B, L9225C and L9225D for which such costs were not included in the approved budgets.

<u>Grant Number</u>	<u>PMS DOC #</u>	<u>Business Unit</u>	<u>Expenditure Category</u>	<u>Budget Amount</u>	<u>Cumulative Expenditures as of 09/30/20</u>	<u>Questioned Costs</u>
UI-34837-20-55-A-69	UI34837Z30	L0225C	Equipment	\$ 27,000	\$ 66,334	\$ 39,334
UI-33019-19-55-A-69	UI133019J20	L9225B	Indirect Costs	\$ -	\$ 178,290	178,290
UI-33019-19-55-A-69	UI33019HU0	L9225C	Indirect Costs	\$ -	\$ 72	72
UI-33019-19-55-A-69	UI33019J30	L9225D	Indirect Costs	\$ -	\$ 318	318
						<u>\$ 218,014</u>

Of twenty-five nonpayroll items tested, aggregating \$91,985,033 of a total population of \$104,228,220 in nonpayroll expenditures, we noted the following deficiencies:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-036, Continued  
 Federal Agency: U.S. Department of Labor  
 CFDA Program: 17.225 Unemployment Insurance  
 Federal Award Nos.: UI-33019-19-55-A-69 and UI-34837-20-55-A-69  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$219,547

Condition, Continued:

3. For twenty (or 80%), the CNMI was not able to substantiate amounts charged to the program as the manual excel file supporting claims paid for the following were not comparable to the payment register from the PUA Expert system, which the CNMI utilizes to determine individual eligibility, to compute benefit amounts and to render claims monetary determinations:

<u>Business Unit</u>	<u>G/L Date</u>	<u>Document Number</u>	<u>Amount</u>
L0225A	07/31/20	23916	\$ 15,179,854
L0225A	08/11/20	24049	12,209,565
L0225A	08/26/20	24065	7,455,240
L0225B	07/31/20	23916	8,797,438
L0225B	08/11/20	24049	7,740,659
L0225B	08/26/20	24065	5,286,991
L0225A	08/12/20	333424	3,798,240
L0225A	08/26/20	24065	3,728,939
L0225A	09/02/20	333426	1,918,800
L0225A	09/08/20	24071	3,036,269
L0225A	09/08/20	333427	1,424,340
L0225A	09/15/20	24073	2,035,392
L0225A	09/22/20	24072	1,691,465
L0225A	09/22/20	333429	1,783,620
L0225B	08/12/20	333424	2,487,038
L0225B	08/26/20	24065	3,402,570
L0225B	09/08/20	24071	2,645,297
L0225B	09/15/20	24073	2,179,722
L0225B	09/22/20	24072	1,930,787
L0225B	09/22/20	333429	<u>2,286,545</u>
			<u>\$ 91,018,771</u>

Without being able to examine the individual claimant payments on the PUA Expert system, the resulting variance between the manual excel file and the payment register cannot be determined and questioned costs, if any, cannot be quantified due to the following:

- Certain claims assessed for payment on the payment register covered a total comprising various weeks while the manual excel file consisted of a balance for one week;
- Cancellations and reissuances of benefit claims on the payment register were not properly/sufficiently captured as transaction identification numbers were not linked to original claims;
- Subsequent adjudicated benefit claims were included in the payment register but were not included in the manual excel file;
- Claimants identified on the payment register as residents outside of the CNMI were included in the manual excel file and were erroneously paid; and

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-036, Continued  
 Federal Agency: U.S. Department of Labor  
 CFDA Program: 17.225 Unemployment Insurance  
 Federal Award Nos.: UI-33019-19-55-A-69 and UI-34837-20-55-A-69  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$219,547

Condition, Continued:

- A reconciliation between the manual EXCEL file and the payment register was not provided.
4. Two (or 8%), indicated overpayments between the claimant payments listing and the payment register.

<u>Benefit Type</u>	<u>User ID</u>	<u>Claimant Listing</u>	<u>Payment Register</u>	<u>Variance and Questioned Costs</u>
PUA	59081	\$ 4,063	\$ 3,070	\$ 993
FPUC	80180	\$ 9,180	\$ 8,640	<u>540</u>
				<u>\$ 1,533</u>

Of one payroll item tested, aggregating \$8,916 of a total population of \$485,039 in payroll expenditures, we noted the following deficiency:

5. For one (or 100%), the overtime Request and Authorization form for Employee No. 403821 for the payroll period ended 08/01/20, was signed by the requesting authority but was not signed by the approving official. Total overtime of 35.75 hours amounted to \$770. No questioned cost is presented as the amount is questioned at Finding No. 2020-035, Condition 1.

Cause:

1. The CNMI did not effectively monitor cumulative expenditures against the approved and authorized funding limits for each expenditure category;
2. The CNMI did not effectively utilize reports generated from the Expert system (HireMarianas) to verify that all claims were properly assessed and processed; and
3. Overtime expenditures were incurred without proper approval.

Effect:

The CNMI is in noncompliance with allowable costs/cost principles requirements and questioned costs of \$219,547 exists.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-036, Continued  
Federal Agency: U.S. Department of Labor  
CFDA Program: 17.225 Unemployment Insurance  
Federal Award Nos.: UI-33019-19-55-A-69 and UI-34837-20-55-A-69  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$219,547

Effect, Continued:

<u>Condition</u>	<u>Questioned Costs</u>
2	\$ 218,014
4	<u>1,533</u>
	\$ <u>219,547</u>

Recommendation:

1. Responsible CNMI personnel should effectively monitor cumulative expenditures against approved and authorized funding limits for expenditure categories;
2. Responsible CNMI personnel should obtain grantor clarification and/or approval as to whether reprogramming within the approved expenditure budget categories is allowable; whether indirect costs can be charged to the grants for which such costs were not included in the approved budgets; and whether the subsequent funding received in fiscal year 2021 for Business Unit L0225A, with grant awards effective dates between 10/01/20 to 04/01/21, can be used to cover excess expenditures incurred in fiscal year 2020;
3. Responsible CNMI personnel should utilize reports generated by the Expert system as a monitoring tool to verify that all claims are properly assessed and processed; and
4. Responsible CNMI personnel should take reasonable steps to make certain payroll costs are properly authorized and approved.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-037  
Federal Agency: U.S. Department of Labor  
CFDA Program: 17.225 Unemployment Insurance  
Federal Award Nos.: UI-33019-19-55-A-69 and UI-34837-20-55-A-69  
Area: Eligibility  
Questioned Costs: \$2,071,943

Criteria:

1. The CNMI DOL plays a fundamental role in ensuring the integrity of the Unemployment Insurance (UI) program(s). Individuals are only entitled to benefits if they are no longer working (or their hours of work have been reduced) through no fault of their own and that individuals must be able and available to work. UI programs are meant to provide temporary income assistance to qualified unemployed individuals and help stabilize the economy. As with all UI programs, everyone plays a role in maintaining integrity. Integrity is achieved by adjudicating claims and processing benefits timely and accurately, educating claimants to prevent and detect improper benefit payments and safeguarding against fraud and overpayments. In order to maintain program integrity, staff assigned to various DUA, PUA and FPUC related tasks must complete rigorous UI training. Training involves reading and understanding the latest Unemployment Insurance Program Letters (UIPLs), other federal guidelines and manuals, UI laws and regulation, and state workforce agency (SWA) sponsored UI training. Additionally, in order to understand the systems and answer questions adequately, staff must be trained on how to fill out and submit all paper/online applications associated with the program.
2. Claimants are eligible to receive pandemic unemployment assistance and Federal pandemic unemployment compensation if they file an initial application and weekly certifications. Claimants who have been laid off or furloughed may qualify for a weekly benefit of \$345. Claimants still working but making less than \$345 a week may qualify for PUA minus their wages. The PUA Weekly Benefit Amount ("WBA") in the CNMI is up to \$345 from February 2, 2020 to December 26, 2020 and was extended, without interruption, to weeks of unemployment ending on or before September 6, 2021. Individuals who receive at least one dollar (\$1) of PUA benefits for a week, will also receive an additional \$600 supplemental payment under the FPUC program. FPUC is payable only for weeks of unemployment beginning on or after March 29, 2020. The FPUC program, which expired July 31, 2020 was reauthorized by the Continued Assistance Act and modified to provide \$300 per week in supplemental benefits for weeks of unemployment beginning after December 26, 2020 through the week ending on or before September 6, 2021.
3. For weekly filing, claimants must certify for the past Sunday to Saturday period. The claim must be filed within seven days from the end of the certification period or benefits may be denied for late filing.
4. Applicants must be a U.S. citizen, U.S. national, or qualified alien who reside in the CNMI and unable to work as a direct result of a COVID-19 public health emergency. Further, supporting documentation, when applicable, is required to be submitted to confirm residency, employment and claims.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-037, Continued  
 Federal Agency: U.S. Department of Labor  
 CFDA Program: 17.225 Unemployment Insurance  
 Federal Award Nos.: UI-33019-19-55-A-69 and UI-34837-20-55-A-69  
 Area: Eligibility  
 Questioned Costs: \$2,071,943

Condition:

1. Documentation substantiating staff assigned to various DUA, PUA and FPUC related tasks completed the required rigorous UI training was not provided. No questioned costs are presented as we are not able to quantify the extent of noncompliance.
2. A total of \$2,049,172 in PUA and FPUC overpayments was reported during FY 2020, which amount is questioned.

Of sixty claimants tested for compliance with eligibility requirements, aggregating \$51,155 in total benefits paid of a population of \$146,600,009, deficiencies were noted as follows:

3. For twenty (or 33%), copies of the social security cards were not on file; however, the claimants provided their social security numbers. In addition, the claimants submitted government picture identifications except for application ID no. 96196, for which benefits amounting to \$945 are questioned.

<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>	<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>
47147	\$ 345	\$ 600	73919	\$ 95	\$ 600
47717	\$ 345	\$ 600	77888	\$ 308	\$ 600
48270	\$ 345	\$ 600	84125	\$ 263	\$ -
51555	\$ 345	\$ 600	86878	\$ 218	\$ 600
53258	\$ 345	\$ 600	96196	\$ 345	\$ 600
54111	\$ 225	\$ 600	104424	\$ 345	\$ 600
57312	\$ 345	\$ -	106552	\$ 117	\$ 600
66597	\$ 345	\$ 600	122849	\$ 321	\$ 600
68818	\$ 345	\$ 600	164023	\$ 345	\$ 600
71531	\$ 345	\$ 600	198467	\$ 345	\$ 600

4. For two (or 3%), the claimants' (application ID nos. 172497 and 185078) legal status and/or authority to work during the claimed week were not verified through the USCIS SAVE program. No questioned costs are presented as claimants were determined to be qualified aliens.
5. For two (or 3%), we were unable to verify whether the claimants' (application ID nos. 96196 and 116704) current work status was verified as the employment verifications/certifications and check stubs were not on file. No questioned costs are presented as no benefit payment was processed for application ID no. 116704 and the benefit payments for application ID no. 96196 are questioned at Condition 3.
6. For seven (or 12%), US citizenship and/or qualified alien requirements were not met. Of the seven:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-037, Continued  
 Federal Agency: U.S. Department of Labor  
 CFDA Program: 17.225 Unemployment Insurance  
 Federal Award Nos.: UI-33019-19-55-A-69 and UI-34837-20-55-A-69  
 Area: Eligibility  
 Questioned Costs: \$2,071,943

Condition, Continued:

- Three subsequently entered into Payment Plan Agreements. No questioned costs are presented for application ID nos. 52351 and 94216 as claimants subsequently repaid ineligible claims.

<u>Application ID</u>	<u>PUA OP</u>	<u>FPUC OP</u>	<u>Total OP</u>	<u>Balance As Of 09/30/20</u>	<u>Total Amount Repaid</u>	<u>Last Payment Date</u>	<u>Questioned Costs</u>
50750	\$ 4,830	\$ 7,200	\$ 12,030	\$ 5,030	\$ 7,000	08/20/20	\$ 5,030
52351	\$ 4,979	\$ 7,800	\$ 12,779	\$ 10,799	\$ 12,779	11/23/21	-
94216	\$ 5,581	\$ 9,180	\$ 14,761	\$ -	\$ 14,761	09/08/21	-
							<u>\$ 5,030</u>

- Four do not have established Payment Plan Agreements; therefore, we are unable to determine the total overpayment amounts.

<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>	<u>Questioned Costs</u>	<u>Total 2020 Payments</u>
50115	\$ 345	\$ 600	\$ 945	\$ 16,755
59658	\$ 345	\$ 600	945	\$ 18,990
91582	\$ 310	\$ 540	850	\$ 19,170
96196	\$ 345	\$ 600	<u>945</u>	\$ 18,480
			3,685	
			<u>(945)</u>	
			<u>\$ 2,740</u>	

Less amount questioned at Condition 3 for application ID no. 96196

7. For seven (or 12%), claimants did not provide reasons for the inability to work. As a result, we were unable to determine if the reasons were COVID-19-related.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-037, Continued  
 Federal Agency: U.S. Department of Labor  
 CFDA Program: 17.225 Unemployment Insurance  
 Federal Award Nos.: UI-33019-19-55-A-69 and UI-34837-20-55-A-69  
 Area: Eligibility  
 Questioned Costs: \$2,071,943

Condition, Continued:

<u>Item No.</u>	<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>	<u>Questioned Costs</u>
(1)	45164	\$ 345	\$ 600	\$ 945
(2)	48270	\$ 345	\$ 600	945
(3)	53258	\$ 345	\$ 600	945
(4)	56264	\$ 345	\$ 600	945
(5)	60895	\$ 345	\$ 600	945
(6)	50115	\$ 345	\$ 600	945
(7)	50750	\$ 345	\$ 600	<u>945</u>
				6,615
				<u>(1,890)</u>
				<u>\$ 4,725</u>

Less amounts questioned at Condition 6 for item nos. 6 and 7

8. For three (or 5%), employment certifications indicating interruption in employment and/or pay records were not on file. No questioned costs are presented for item no. 1 as the benefit payment is questioned at Condition 3 and item no. 2 was determined to be ineligible during the adjudication process and was properly assessed and no benefit payment was processed.

<u>Item No.</u>	<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>	<u>Questioned Costs</u>
(1)	96196	\$ 345	\$ 600	\$ -
(2)	116704	\$ 345	\$ 600	-
(3)	211362	\$ 288	\$ 600	<u>888</u>
				<u>\$ 888</u>

9. For nine (or 15%), Pandemic Unemployment Qualification Determination letters sent to the claimants do not state the weeks of unemployment assistance claimed. No questioned costs are presented as weeks claimed were within the period of performance date.

<u>Item No.</u>	<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>	<u>Item No.</u>	<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>
(1)	44535	\$ 345	\$ -	(6)	58340	\$ 171	\$ 600
(2)	46157	\$ 345	\$ 600	(7)	75981	\$ 310	\$ -
(3)	49532	\$ 345	\$ 600	(8)	80448	\$ 345	\$ 600
(4)	51555	\$ 345	\$ 600	(9)	84125	\$ 263	\$ -
(5)	53258	\$ 345	\$ 600				

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-037, Continued  
 Federal Agency: U.S. Department of Labor  
 CFDA Program: 17.225 Unemployment Insurance  
 Federal Award Nos.: UI-33019-19-55-A-69 and UI-34837-20-55-A-69  
 Area: Eligibility  
 Questioned Costs: \$2,071,943

Condition, Continued:

10. For forty (or 67%), Pandemic Unemployment Qualifying Determination or Pandemic Unemployment Disqualifying Determination letters were not on file. We were unable to determine whether the letters contained the claimants' name, dates the applications were filed, weeks of unemployment assistance claimed or whether the letters included notice of appeal or reconsideration rights. Other case file documentation demonstrated claimants' eligibility to receive benefits except for item nos. 1, 6, 8, 11, 13 and 22. No questioned costs are presented as amounts are questioned at Condition 7 for item nos. 1, 6, 11 and 13 and at Condition 6 for item no. 8 while item no. 22 subsequently fully repaid the ineligible weeks claimed.

<u>Item No.</u>	<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>	<u>Item No.</u>	<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>
(1)	45164	\$ 345	\$ 600	(21)	89795	\$ 345	\$ 600
(2)	45668	\$ 345	\$ 600	(22)	94216	\$ 345	\$ 600
(3)	46654	\$ 345	\$ 600	(23)	98818	\$ 345	\$ 600
(4)	47147	\$ 345	\$ 600	(24)	101373	\$ 78	\$ 600
(5)	47717	\$ 345	\$ 600	(25)	104424	\$ 345	\$ 600
(6)	48270	\$ 345	\$ 600	(26)	106552	\$ 117	\$ 600
(7)	48869	\$ 345	\$ 600	(27)	108599	\$ 345	\$ -
(8)	50115	\$ 345	\$ 600	(28)	112166	\$ 345	\$ 600
(9)	54111	\$ 225	\$ 600	(29)	119350	\$ 345	\$ 600
(10)	55182	\$ 345	\$ 600	(30)	122849	\$ 321	\$ 600
(11)	56264	\$ 345	\$ 600	(31)	127602	\$ 345	\$ 600
(12)	57312	\$ 345	\$ -	(32)	131887	\$ 345	\$ 600
(13)	60895	\$ 345	\$ 600	(33)	137010	\$ 345	\$ 600
(14)	62732	\$ 345	\$ -	(34)	143895	\$ 345	\$ 600
(15)	64655	\$ 174	\$ 600	(35)	150176	\$ 345	\$ 600
(16)	66597	\$ 345	\$ 600	(36)	164023	\$ 345	\$ 600
(17)	71531	\$ 345	\$ 600	(37)	172497	\$ 345	\$ 600
(18)	73919	\$ 95	\$ 600	(38)	185078	\$ 261	\$ 600
(19)	77888	\$ 308	\$ 600	(39)	198467	\$ 345	\$ 600
(20)	86878	\$ 218	\$ 600	(40)	211362	\$ 288	\$ 600

11. For ten (or 17%), claims were not filed within seven days from the end of the certification periods. No questioned costs are presented for item nos. 7 and 8 as claimants were determined to be ineligible during the adjudication process; thus, no benefit payments were processed.

<u>Item No.</u>	<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>	<u>Questioned Costs</u>
(1)	47147	\$ 345	\$ 600	\$ 945
(2)	51555	\$ 345	\$ 600	945
(3)	54111	\$ 225	\$ 600	825
(4)	73919	\$ 95	\$ 600	695

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-037, Continued  
 Federal Agency: U.S. Department of Labor  
 CFDA Program: 17.225 Unemployment Insurance  
 Federal Award Nos.: UI-33019-19-55-A-69 and UI-34837-20-55-A-69  
 Area: Eligibility  
 Questioned Costs: \$2,071,943

Condition, Continued:

<u>Item No.</u>	<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>	<u>Questioned Costs</u>
(5)	77888	\$ 308	\$ 600	908
(6)	104424	\$ 345	\$ 600	945
(7)	115051	\$ 265	\$ 600	-
(8)	116704	\$ 345	\$ 600	-
(9)	164023	\$ 345	\$ 600	945
(10)	198467	\$ 345	\$ 600	945
				<u>\$ 7,153</u>

12. For six (or 10%), we were unable to determine if the physical checks were released to the claimants within two to three weeks. No questioned costs are presented for item nos. 1, 4, 5 and 6 as claimants were determined eligible and amounts for item nos. 2 and 3 are questioned at Condition 6.

<u>Item No.</u>	<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>	<u>Item No.</u>	<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>
(1)	47717	\$ 345	\$ 600	(4)	66597	\$ 45	\$ 600
(2)	50115	\$ 345	\$ 600	(5)	104424	\$ 345	\$ 600
(3)	59658	\$ 345	\$ 600	(6)	172497	\$ 345	\$ 600

13. For one (or 2%), the claim (application ID no. 57312) was transmitted through the Secure File Transfer Protocol (SFTP); however, the claimant's check was voided for re-adjudication. However, we were unable to determine whether the funds were returned to the respective program account as documents were not made available for examination, for which benefits amounting to \$345 are questioned.

14. For one (or 2%), we were unable to determine whether the claimant (application ID no. 96196) reported as scheduled to the CNMI Department of Labor (DOL) to provide the additional requested supporting documents. No documentation was on file to indicate that the claimant complied with CNMI DOL's request. No questioned cost is presented as the benefit amounting to \$945 is questioned at Condition 3.

15. For four (or 7%), the investigation records on file do not contain all claimant required information. No questioned costs are presented for item nos. 2, 3 and 4 as claimants were determined eligible to receive PUA/FPUC benefits and the amount for Item No. 1 is questioned at Condition 7.

<u>Item No.</u>	<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>
(1)	53258	\$ 345	\$ 600
(2)	58340	\$ 171	\$ 600
(3)	75981	\$ 310	\$ -
(4)	84125	\$ 263	\$ -

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-037, Continued  
 Federal Agency: U.S. Department of Labor  
 CFDA Program: 17.225 Unemployment Insurance  
 Federal Award Nos.: UI-33019-19-55-A-69 and UI-34837-20-55-A-69  
 Area: Eligibility  
 Questioned Costs: \$2,071,943

Condition, Continued:

16. For twelve (or 20%), ineligible weeks claimed were not locked in the portal system to prevent the claimant from being paid. Of the twelve:

- Five were determined ineligible during the adjudication process. No questioned costs are presented as the claimants' applications were properly assessed and no benefit payments were processed.

<u>Item No.</u>	<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>
(1)	68818	\$ 345	\$ 600
(2)	111077	\$ 345	\$ 600
(3)	113608	\$ 345	\$ 600
(4)	115051	\$ 265	\$ 600
(5)	116704	\$ 345	\$ 600

- Seven were determined ineligible; however, benefit payments were processed for ineligible weeks claimed. In addition, we were unable to determine whether the CNMI DOL Benefit Payment Control Unit submitted a request to the CNMI Department of Treasury to pull checks and/or requested for ACH reversals within five days from the payment register dates. No questioned costs are presented as amounts are questioned at Condition 3 for Item No. 7 and at Condition 6 for item nos. 1, 2, 4 and 5 while item nos. 3 and 6 subsequently fully repaid the ineligible weeks claimed.

<u>Item No.</u>	<u>Application ID</u>	<u>PUA</u>	<u>FPUC</u>
(1)	50115	\$ 345	\$ 600
(2)	50750	\$ 345	\$ 600
(3)	52351	\$ 230	\$ 600
(4)	59658	\$ 345	\$ 600
(5)	91582	\$ 310	\$ 540
(6)	94216	\$ 345	\$ 600
(7)	96196	\$ 345	\$ 600

17. For one (or 2%), the claimant (application ID no. 158327) was flagged for fraud (out-of-state address) through the Investigation Case Project Scheme System on the HireMarianas Portal. The case notes on the portal indicated that the claimant's case was closed with no decision. Therefore, we were unable to determine if procedures were performed to collect the benefit payment paid to the claimant, for which the benefit amounting to \$945 is questioned.

Cause:

The CNMI DOL did not monitor compliance with its Standard Operating Policies and Procedures for PUA and FPUC Programs and lacks a systematic filing of relevant documentations over applicable eligibility program requirements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-037, Continued  
Federal Agency: U.S. Department of Labor  
CFDA Program: 17.225 Unemployment Insurance  
Federal Award Nos.: UI-33019-19-55-A-69 and UI-34837-20-55-A-69  
Area: Eligibility  
Questioned Costs: \$2,071,943

Effect:

The CNMI is in noncompliance with eligibility program requirements and questioned costs of \$2,071,943 exists.

<u>Condition</u>	<u>Questioned Costs</u>
2	\$ 2,049,172
3	945
6	7,770
7	4,725
8	888
11	7,153
13	345
17	<u>945</u>
	<u>\$ 2,071,943</u>

Recommendation:

1. The CNMI should monitor compliance with applicable eligibility requirements;
2. Responsible CNMI personnel should timely perform quality control reviews;
3. Responsible CNMI personnel should enforce recovery of overpayments; and
4. Responsible CNMI personnel should maintain relevant documentations in accordance with the applicable eligibility program requirements.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-038  
 Federal Agency: U.S. Department of Labor  
 CFDA Program: 17.225 Unemployment Insurance  
 Federal Award Nos.: UI-33019-19-55-A-69 and UI-34837-20-55-A-69  
 Area: Reporting  
 Questioned Costs: \$-0-

Criteria:

The Program is required to submit ETA 9130 quarterly Financial Status Reports, ETA 227 quarterly Overpayments and Recoveries Reports, ETA 902 monthly Overpayments and Recoveries Reports and FEMA DR weekly Reports, that are accurately prepared and supported.

Condition:

Tests of reporting noted the following:

1. ETA 9130 Quarterly Financial Status Reports:

Amounts reported did not agree with the underlying accounting records. In addition, amounts reported for Business Unit L9225D included the federal share of indirect cost expenditures that were not included in the approved budget. Additionally, the cash disbursements reported for Business Unit L0225A were for actual drawdowns instead of actual cash disbursements, resulting in overreporting and underreporting of cash disbursements and cash on hand, respectively. An explanation for the excess cash on hand was also not stated at Section 12, Remarks. No questioned costs are presented for the \$3,347 and \$318 reported as indirect costs base and federal share of expenditures, respectively, for Business Unit L9225D, as the \$318 indirect costs charged to the program are questioned at Finding No. 2020-036, Condition 2; the cash on hand of \$5,480,970 for Business Unit L0225A that was overreported and underreported as cash disbursements and cash on hand, respectively, was subsequently disbursed in FY2021. In addition, no questioned costs are presented for the variance of \$9,211,136 in federal share of expenditures for Business Unit L0225A, as the \$50,811,214 total drawdowns as of September 30, 2020, per the fund status and drawdown reports, did not exceed the \$51,000,000 funding limit as of September 30, 2020.

Reporting Period	Grant Number	PMS DOC #	Business Unit	Line Item	Per ETA 9130	Per Underlying Accounting Records	Variance
06/30/20	UI-33019-19-55-A-69	UI33019J30	L9225D	10e. Federal share of expenditures	\$ 3,668	\$ 3,350	\$ 318
				13b. Rate	9.5%	Indirect costs not included in the approved budget	9.5%
				13e. Base	\$ 3,347	Indirect costs not included in the approved budget	\$ 3,347
				13f. Amount Charged	\$ 318	Indirect costs not included in the approved budget	\$ 318
				13g. Federal share	\$ 318	Indirect costs not included in the approved budget	\$ 318
				13h. Total for Base	\$ 3,347	Indirect costs not included in the approved budget	\$ 3,347
				13h. Total for amount charged	\$ 318	Indirect costs not included in the approved budget	\$ 318
				13h. Total federal share	\$ 318	Indirect costs not included in the approved budget	\$ 318
09/30/20	UI-34837-20-55-A-69	UI34837Z40	L0225A	10b. Cash Disbursements	\$ 50,811,214	\$ 45,330,244	\$ 5,480,970
				10c. Cash on hand	\$ -	\$ 5,480,970	\$ (5,480,970)
				10e. Federal Share of Expenditures	\$ 51,000,000	\$ 60,211,136	\$ (9,211,136)
				12. Remarks	Explanation for the excess cash on hand amounting to \$5,480,970 as of the reporting period was not stated on this Section.		

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-038, Continued  
Federal Agency: U.S. Department of Labor  
CFDA Program: 17.225 Unemployment Insurance  
Federal Award Nos.: UI-33019-19-55-A-69 and UI-34837-20-55-A-69  
Area: Reporting  
Questioned Costs: \$-0-

Condition, Continued:

2. ETA 902 Monthly Overpayments and Recoveries Reports:

The underlying accounting records were not provided. No questioned costs are presented as actual Federal draws did not exceed recorded expenditures.

<u>Reporting Period</u>	<u>Grant Number</u>	<u>PMS DOC #</u>	<u>Business Unit</u>	<u>Section and Line Item</u>
06/30/20	UI-34837-20-55-A-69	UI34837Z20, UI34837Z30, UI34837Z30	L0225B, L0225C and L0225M	Underlying accounting records for all data reported were not provided
07/31/20	UI-34837-20-55-A-69	UI34837Z20, UI34837Z30, UI34837Z30	L0225B, L0225C and L0225M	Underlying accounting records for all data reported were not provided
04/30/20	UI-33019-19-55-A-69	UI33019HT0, UI133019J20	L9225A and L9225B	Underlying accounting records for the \$12,668 reported at Section C - Total Administrative Costs for AS&T were not provided

Cause:

The CNMI did not effectively monitor the cumulative federal share of expenditures and cash disbursements and approved funding limits. In addition, the CNMI lacks adequate systematic filing of relevant documentation supporting reported data and amounts.

Effect:

The CNMI is in noncompliance with reporting requirements.

Recommendation:

Responsible CNMI Personnel should establish monitoring procedures for federal share of expenditures, cash disbursements and approved funding limits to effectively monitor compliance with applicable reporting requirements. Furthermore, responsible CNMI Personnel should review the reports for accuracy and completeness prior to submission and establish and maintain efficient filing of relevant documents for easier retrieval.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-039  
 Federal Agency: U.S. Department of Labor  
 CFDA Program: 17.225 Unemployment Insurance  
 Federal Award No.: UI-34837-20-55-A-69  
 Program Area: Special Tests and Provisions - UI Program Integrity - Overpayments  
 Questioned Costs: \$-0-

Criteria:

In accordance with applicable special tests and provision requirements, states must properly identify and handle overpayments including (a) detecting benefits paid in error; (b) deterring claimants from obtaining benefits through willful misrepresentation/fraud; (c) investigating and reporting fraudulent claims; and (d) recovering benefits overpaid.

Condition:

Of sixty claimant files tested, aggregating \$845,403 of a total population of \$3,108,086 in overpayments, we noted the following deficiencies:

1. For eight (or 13%), none were reported to the Office of the Inspector General for suspected fraudulent activity. The claimants' locations were identified as out of state. No questioned costs are presented as the benefit payments were not disbursed to the claimants.

<u>Date Served</u>	<u>OP Case No.</u>	<u>Date Served</u>	<u>OP Case No.</u>
9/18/20	PUAOP000363	9/18/20	PUAOP000385
9/18/20	PUAOP000367	9/18/20	PUAOP000392
9/18/20	PUAOP000373	9/18/20	PUAOP000398
9/18/20	PUAOP000381	9/18/20	PUAOP000402

2. For five (or 8%), repayment plans have not been established for the recovery of overpayments. No questioned costs are presented as amounts are questioned at Finding No. 2020-037, Condition 2.

<u>OP Case No.</u>	<u>Overpayments</u>
PUAOP000154	\$ 14,493
PUAOP000210	14,220
PUAOP000238	12,750
PUAOP000241	14,220
PUAOP000260	<u>15,810</u>
	\$ <u>71,493</u>

3. For one (or 2%), the CNMI was not able to substantiate whether a debit or credit card was used for the repayment of benefits received for OP case no. PUAOP000064. No questioned costs are presented as amounts are questioned at Finding No. 2020-037, Condition 2.

<u>Date</u>	<u>Receipt No.</u>	<u>Amount</u>
08/19/20	003904388	\$ 3,000
08/24/20	003905557	7,000
08/27/20	003907542	3,000
09/04/20	003911243	<u>4,372</u>
		\$ <u>17,372</u>



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-039, Continued  
 Federal Agency: U.S. Department of Labor  
 CFDA Program: 17.225 Unemployment Insurance  
 Federal Award No.: UI-34837-20-55-A-69  
 Program Area: Special Tests and Provisions - UI Program Integrity - Overpayments  
 Questioned Costs: \$-0-

Condition, Continued:

4. For nineteen (or 32%), the overpayment amounts assessed did not include the tax deductions remitted to DRT. No questioned costs are presented as amounts are questioned at Finding No. 2020-037, Condition 2.

<u>OP Case No.</u>	<u>Gross Overpayment</u>	<u>Assessed Claimant Overpayment</u>	<u>Variance</u>
PUAOP000021	\$ 16,326	\$ 14,690	\$ 1,636
PUAOP000026	\$ 17,880	\$ 16,080	1,800
PUAOP000055	\$ 17,790	\$ 16,000	1,790
PUAOP000068	\$ 14,797	\$ 13,309	1,488
PUAOP000072	\$ 12,285	\$ 11,050	1,235
PUAOP000111	\$ 15,120	\$ 13,600	1,520
PUAOP000114	\$ 16,755	\$ 15,070	1,685
PUAOP000119	\$ 16,990	\$ 15,280	1,710
PUAOP000151	\$ 17,880	\$ 16,080	1,800
PUAOP000154	\$ 16,113	\$ 14,493	1,620
PUAOP000161	\$ 18,135	\$ 16,310	1,825
PUAOP000175	\$ 15,120	\$ 13,600	1,520
PUAOP000180	\$ 13,333	\$ 11,993	1,340
PUAOP000210	\$ 15,810	\$ 14,220	1,590
PUAOP000216	\$ 12,285	\$ 11,050	1,235
PUAOP000233	\$ 17,790	\$ 16,000	1,790
PUAOP000238	\$ 14,175	\$ 12,750	1,425
PUAOP000241	\$ 15,810	\$ 14,220	1,590
PUAOP000192	\$ 16,410	\$ 14,760	<u>1,650</u>
			\$ <u>30,249</u>

5. For one (or 2%), the claimant was paid \$1,290 (PUAOP000132, transaction no. 93662, dated 08/11/20); however, was entered as a canceled transaction in the claimant's case file on the HireMarianas Portal Payment Register. No questioned cost is presented as amount is questioned at Finding No. 2020-037, Condition 2.
6. For four (or 7%), documents were not made available for examination to determine whether funds from voided checks were returned to the respective program accounts (business units L0225A and L0225B). No questioned costs are presented as amounts are questioned at Finding No. 2020-037, Condition 2.

<u>OPA Case No.</u>	<u>Check Number</u>	<u>Check Date</u>	<u>PUA</u>	<u>FPUC</u>	<u>Amount</u>
PUAOP000060	1426	08/12/20	\$ 4,485	\$ 6,600	\$ 11,085
PUAOP000096	1521	08/12/20	\$ 5,835	\$ 8,400	14,235
PUAOP000122	1050	08/12/20	\$ 6,555	\$ 10,200	16,755
PUAOP000220	1481	08/12/20	\$ 6,555	\$ 10,200	<u>16,755</u>
					\$ <u>58,830</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-039, Continued  
Federal Agency: U.S. Department of Labor  
CFDA Program: 17.225 Unemployment Insurance  
Federal Award No.: UI-34837-20-55-A-69  
Program Area: Special Tests and Provisions - UI Program Integrity - Overpayments  
Questioned Costs: \$-0-

Condition, Continued:

7. For one (or 2%), the Payment Plan Agreement (PUAOP000206, dated 10/01/20 and as amended on 05/19/22) did not include the payment due dates as required by applicable standard operating procedures for Federal Pandemic Unemployment Compensation benefit payments. No questioned cost is presented as the amount is questioned at Finding No. 2020-037, Condition 2.

In addition, without examining individual case files, we were unable to determine the overall variance between the Listing of Claimant's Overpayment and the Payment Listing since neither contained a unique identifier for each claimant. No questioned costs are presented as we were unable to quantify the overall variances between the two listings.

Cause:

The CNMI did not apply monitoring controls over compliance with applicable Special Tests and Provisions - UI Program Integrity - Overpayments program requirements.

Effect:

The CNMI is in noncompliance with applicable Special Tests and Provisions - UI Program Integrity - Overpayments program requirements.

Recommendation:

1. Responsible CNMI personnel should verify that established controls are adhered to; and
2. Unique identifiers for each claimant should be included in the Listing of Claimant's Overpayment and the Payment Listing to allow CNMI responsible personnel to compare and reconcile the listings.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-040  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Activities Allowed or Unallowed  
Questioned Costs: \$19,600,539

Criteria:

The Coronavirus Relief Fund (CRF) is designed to provide ready funding to address unforeseen financial needs and risks created by the COVID-19 public health emergency. Governments may use Fund payments for eligible expenses subject to the restrictions set forth in section 601(d) of the Social Security Act.

Payments must be used to cover costs that are:

1. Necessary expenditures incurred due to the public health emergency with respect to COVID-19;
2. Not accounted for in the CNMI Governments' most recently approved budget as of March 27, 2020. A cost meets the requirement of "costs not accounted for in the budget most recently approved as of March 27, 2020" if either (a) the cost cannot lawfully be funded using a line item, allotment, or allocation within that budget or (b) the cost is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation; and
3. Incurred during the period that begins on March 1, 2020 and ends on December 30, 2021.

Condition:

Based on tests of completeness and accuracy of the SEFA and CRF expenditures detail report provided for the audit, which was manually prepared in an excel worksheet and was not a general ledger detail report generated from the CNMI's accounting system, the following were noted:

1. Expenditures of \$1,608,662 incurred and paid prior to and subsequent to the covered period beginning 03/01/20 to 09/30/20 (fiscal year end) were included and reflected as FY2020 expenditures, resulting in approximately \$19,367,119 in CRF funding at 09/30/20 that was unaccounted for, for which an explanation of the difference was not provided.

	<u>Questioned Costs</u>
CRF funding received in FY2020	\$ 36,284,218
Bank account balance at 09/30/20	<u>(1,980,688)</u>
	<u>34,303,530</u>
FY2020 expenditures per SEFA and expenditures detail reports	15,945,073
Less expenditures that were incurred and paid prior to and subsequent to the covered period beginning 03/01/20 to 09/30/20 (fiscal year end) as noted at Conditions 2, 3 & 10	(1,608,662)
CRF fund transfers to a judicial branch during FY2020	<u>600,000</u>
	<u>14,936,411</u>
Amount unaccounted for at 09/30/20	\$ <u>19,367,119</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-040, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Activities Allowed or Unallowed  
Questioned Costs: \$19,600,539

Condition, Continued:

2. Payroll costs included as FY2020 expenditures in the expenditures detail report were incurred prior to and subsequent to the covered period beginning 03/01/20 to 09/30/20 (fiscal year end).

<u>Pay Period No.</u>	<u>Pay Period Ended</u>	<u>Employee No.</u>	<u>Amount and Questioned Costs</u>
20-04 and 20-06	02/01/20 and 02/29/20	Various	\$ 365
20-22 to 20-26	10/10/20 to 12/05/20	Various	<u>185,554</u>
			<u>\$ 185,919</u>

Of seventeen nonpayroll expenditures tested, aggregating \$14,489,900 of a total population of \$14,870,670, deficiencies were noted, as follows:

3. For three (or 18%), costs included and reflected as FY2020 expenditures in the expenditures detail report were incurred subsequent to the covered period beginning 03/01/20 to 09/30/20 (fiscal year end). Also refer to Condition 4 for \$49,903 of unsupported transaction.

<u>Transaction Date</u>	<u>Business Unit</u>	<u>Object Code</u>	<u>Document No.</u>	<u>Amount Reflected as FY2020 Expenditures</u>	<u>FY2020 Expenditures Per Invoices</u>	<u>FY2021 and FY2022 Expenditures Per Invoices and Questioned Costs</u>	<u>Unsupported</u>
09/22/20	1699J	62060	708019	\$ 1,242,642	\$ 248,528	\$ 994,114	Not applicable
05/14/20	1699J	62680	700163	\$ 2,668,129	\$ 2,229,298	388,928	\$ 49,903
05/01/20	1699J	62080	732338	\$ 36,215	\$ -	<u>36,215</u>	Not applicable
						1,419,257	
Less amounts questioned at Finding No. 2020-041, Condition 3 for document nos. 708019 and 700163						<u>(1,383,042)</u>	
						<u>\$ 36,215</u>	

4. For one (or 6%), a portion of the transaction was not supported by corresponding invoices, airway bills, air inbound cargo receipts or other equivalent documentation; accordingly, the CNMI was not able to substantiate that freight charges pertain to items received that were necessary expenditures due to the COVID-19 public health emergency or whether the expenditures were incurred within the covered period beginning 03/01/20 to 09/30/20 (fiscal year end). No questioned cost is presented as the amount is questioned at Finding No. 2020-041, Condition 3.

<u>Transaction Date</u>	<u>Business Unit</u>	<u>Object Code</u>	<u>Document No.</u>	<u>Amount Charged to the Program</u>	<u>Amount Supported</u>	<u>Amount Unsupported</u>
05/14/20	1699J	62680	700163	\$ 2,668,129	\$ 2,618,226	\$ 49,903

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-040, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Activities Allowed or Unallowed  
Questioned Costs: \$19,600,539

Condition, Continued:

5. For one (or 6%), an expenditure (document no. 700163, transaction date of 05/14/20) pertains to freight charges for the following shipments, for which documentation provided was inadequate to substantiate that the items received were for necessary expenditures incurred due to the COVID-19 public health emergency. No questioned costs are presented as related amounts are questioned at Finding No. 2020-041, Condition 3.

<u>Invoice No.</u>	<u>Description of Items</u>	<u>Amount</u>
AIIV2000818SPN	Sewage pump, check valve and accessories	\$ 360
AIIV2000863SPN	Airconditioning equipment, air purifier and supplies	2,962
AEIV2000862SPN	Refrigerator and standing freezer	1,193
SIIV2000918SPN	Biohazards bags	4,149
AIIV2100692SPN	1200:5 current transformers	350
AIIV2101470SPN	PC board and mini trans	595
AIIV2101494SPN	Fishing goods	645
SIIV2200466SPN	Unknown	<u>3,000</u>
		<u>\$ 13,254</u>

6. For one (or 6%), a portion of the contract pertains to a mass reservation of 76 hotel rooms to be used as an Alternate Care Site with paneled divisions for Triage, Doctor Nurse Staff Secured Storage, Pharmacy Storage, Ante Room Disinfection Area, Red Zone with Nurse Stations, Healed Discharge and Controlled Access used by designated personnel, health workers and individuals for testing and/or quarantine of COVID-19. Documentation that reflects the number of rooms used to accommodate quarantined travelers and community infections was not provided. In addition, although we understand that mass reservations were necessary to secure rooms to accommodate an unknown number of quarantined travelers and community infections, documentation of CNMI's monitoring efforts or analysis performed to accurately project the required number of room reservations and to minimize costs for unoccupied rooms was not provided. No questioned costs are presented as the average number of unoccupied rooms each day during the period is undeterminable.

<u>Transaction Date</u>	<u>Business Unit</u>	<u>Object Code</u>	<u>Document No.</u>	<u>Costs for the 76 Rooms</u>
09/18/20	1699J	62480	707002	\$ 849,016

Of eight payroll expenditures tested, aggregating \$13,225 of a total population of \$1,074,403, deficiencies were noted, as follows:

7. Based on direct interview with related employees, the following were noted:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-040, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Activities Allowed or Unallowed  
Questioned Costs: \$19,600,539

Condition, Continued:

- For four (or 50%), duties and activities performed by employees for the selected payroll periods were either partially or were not substantially dedicated to mitigating or responding to the COVID-19 public health emergency (PHE). In addition, documentation substantiating the hours or percentage of time spent on program activities was not provided.

<u>Pay Period</u>	<u>Employee No.</u>	COVID-19 PHE Related Activities Based on Direct Interview with the Employees	<u>Amount and Questioned Costs</u>
20-10	100889	Partially dedicated	\$ 2,185
20-11	159552	Not substantially dedicated	2,308
20-12	251537	Not substantially dedicated	1,317
20-17	858745	Partially dedicated	<u>1,103</u>
			<u>\$ 6,913</u>

- For two (or 25%), adequate documentation substantiating employee duties and activities was not provided. No questioned costs are presented as based on direct interview of employees, duties and activities represented to having been performed were substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

<u>Pay Period</u>	<u>Employee No.</u>	COVID-19 PHE Related Activities Based on Direct Interview with the Employee	<u>Amount</u>
20-20	514918	Substantially dedicated	\$ 1,939
20-23	960559	Substantially dedicated	<u>1,806</u>
			<u>\$ 3,745</u>

8. Two (or 25%), employees resigned from employment; thus, an interview was not performed and no documentation was provided to substantiate related duties and activities.

<u>Pay Period</u>	<u>Employee No.</u>	<u>Amount and Questioned Costs</u>
20-14	555173	\$ 887
20-26	1009045	<u>1,680</u>
		<u>\$ 2,567</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-040, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Activities Allowed or Unallowed  
Questioned Costs: \$19,600,539

Condition, Continued:

9. For one (or 13%), of 47.5 hours amounting to \$887, the timesheet and labor cost report for 40 hours were not provided. Accordingly, the CNMI was not able to substantiate that the \$692 of employee payroll costs pertain to mitigating or responding to the COVID-19 PHE or whether the costs were incurred within the covered period beginning 03/01/20 to 09/30/20 (fiscal year end). No questioned cost is presented as the amount is questioned at Condition 8.

<u>Pay Period</u>	<u>Employee No.</u>	<u>Amount</u>
20-14	555173	\$ 692

10. For two (or 25%), payroll costs included as FY2020 expenditures pertain to FY2021 payroll costs, which is not within the covered period beginning 03/01/20 to 09/30/20 (fiscal year end).

<u>Pay Period</u>	<u>Employee No.</u>	<u>Amount and Questioned Costs</u>
20-23	960559	\$ 1,806
20-26	1009045	<u>1,680</u>
		3,486
	Less amount questioned at Condition 8 for employee no. 1009045	<u>(1,680)</u>
		\$ <u>1,806</u>

Of six reimbursements tested, aggregating \$36,845,431 of a total population of \$36,845,431, deficiencies were noted, as follows:

11. For one (or 17%), we were unable to verify the validity as supporting documentation was not provided to substantiate recorded transactions. The CNMI was not able to substantiate that the related expenditures pertain to items received that were necessary expenditures due to the COVID-19 public health emergency or whether the expenditures were incurred within the covered period beginning 03/01/20 to 09/30/20 (fiscal year end). No questioned cost is presented hereunder as the amount is questioned at Finding No. 2020-040, Condition 1.

<u>Fund</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
1010	17122	65421	09/30/20	333291	\$ 35,453

Cause:

1. The CNMI lacks monitoring control procedures over the following:
- The usage of the CRF funding;

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-040, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Activities Allowed or Unallowed  
Questioned Costs: \$19,600,539

Cause, Continued:

- Preparation of the expenditures detail report for completeness and accuracy; and
  - To verify expenditures charged to the CRF funding relate only to costs incurred that were substantially dedicated to mitigating or responding to COVID-19 public health emergency and were incurred within the covered period beginning 03/01/20 to 09/30/20 (fiscal year end);
2. CRF and FEMA COVID-related expenditures were recorded in Fund 1010, Business Unit 1699J, instead of segregating the expenditures in separate Business Units to facilitate identification and segregation of program expenditures;
  3. The expenditures detail report was manually prepared in an excel worksheet and was not an expenditure general ledger detail report generated from CNMI's accounting system;
  4. Expenditures reported on the final revised expenditures detail report are to agree to the amounts reported in the Grant Solutions portal; and
  5. The CNMI lacks adequate documentation and systematic filing of relevant documentation supporting program costs.

Effect:

The CNMI is in noncompliance with activities allowed or unallowed program requirements and questioned costs of \$19,600,539 exists.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$ 19,367,119
2	185,919
3	36,215
7	6,913
8	2,567
10	<u>1,806</u>
	\$ <u>19,600,539</u>

Recommendation:

1. The CNMI should establish and implement monitoring control procedures over the following:
  - The usage of the CRF funding;
  - Preparation of the expenditures detail report to verify its completeness and accuracy; and



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-040, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Activities Allowed or Unallowed  
Questioned Costs: \$19,600,539

Recommendation, Continued:

- To verify that expenditures charged to the CRF funding relate only to costs incurred that were substantially dedicated to mitigating or responding to the COVID-19 public health emergency and were incurred within the allowed covered period;
2. The CNMI should consider recording program expenditures in the same Fund account and Business Unit separate from other program expenditures to facilitate identification and segregation of program expenditures;
  3. CRF expenditures should be supported by data in the CNMI's accounting system;
  4. Responsible CNMI Personnel should periodically review the recordation of CRF expenditures; and
  5. Responsible CNMI Personnel should maintain adequate documentation to support program costs and should approximately file all relevant documents.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-041  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$14,632,280

Criteria:

1. The CNMI Government is responsible for making determinations as to what expenditures are necessary due to the public health emergency with respect to COVID-19 subject to the restrictions set forth in section 601(d) of the Social Security Act.
2. In accordance with the CNMI Office of Personnel Management's (OPM) guideline:
  - The Director of Personnel is authorized to approve extra hours payment for overtime exempt employees. The ultimate decision to approve or disapprove any request will be determined by the Director of Personnel's analysis of the appropriateness of the situation presented and the apparent need for such a waiver;
  - The waiver request for declared emergency situations must be initiated by the Special Assistant of the CNMI Homeland Security and Emergency Management Agency. With few emergency exceptions, all other requests for waiver must be submitted by the appointing authority (Department of Activity Head);
  - Elected officials, gubernatorial appointees, division directors, the personnel staff of these senior employees and other senior managers in multi-leveled organizations are not eligible for extra-hours or special payments under any circumstances;
  - Extra hours payments will not be made in situations where the work could have been performed by an available overtime eligible employee. Extra hours payment, when approved, will be paid at the regular salary rate; and
  - Waiver request should be submitted in a memo form and should include sufficient justification to document the need and the specific time frame.

Condition:

Based on tests of completeness and accuracy of the SEFA and of the CRF expenditures detail report provided for the audit, which was manually prepared in an excel worksheet and which was not a general ledger detail report generated from the CNMI's accounting system, the following were noted:

1. On 06/19/20, the CNMI committed \$1.8M in CRF funding to the Judiciary Branch for COVID-19 pandemic mitigation and implementation measures. The amount was recorded in Fund 2024, business unit 2020P, object account no. 2024.44151 (CARES Act COVID revenue account) through journal entry no. 23448, for which the corresponding expenditures were also recorded. Per the grant award notification, the monthly drawdown will be \$300,000 or be based on expenditures, whichever is greater. During FY2020, the CNMI, however, transferred \$600,000 to the Judiciary's bank account while only \$174,872 in expenditures were incurred during FY2020, resulting in a variance of \$425,128. No questioned cost is presented as based on the bank account balance of \$561,553 at 09/30/20, it appears that the bulk of the \$600,000 funding has not been expended as of 09/30/20.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-041, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$14,632,280

Condition, Continued:

2. Overtime exempt employees were paid for hours worked in addition to regular pay. An overtime exempt waiver approval by the Director of the CNMI OPM for employee nos. 120004, 101460, 340878, 101303, 339442, 858205, 102555, 838233, 101105, 386827, 834816, 103643, 555173, 508914, 101492 and 100882 was not provided. For the rest of the employees, although overtime exempt waivers were approved by the Director of the CNMI OPM, the justification documentation substantiating that an overtime-eligible employee is not available to perform the work was not provided to substantiate extra hours paid. In addition, employee nos. 554599, 101042, 101537 and 555173 were also paid at a 1.5 overtime rate (overtime code 150). Furthermore, per CNMI OPM’s guidelines, elected officials, gubernatorial appointees, division directors, personnel staff of senior employees and other senior managers in multi-leveled organizations are not eligible for extra hours or special payments under any circumstances. No other documentation was provided to indicate that such restriction was waived during the COVID-19 public health emergency or that this requirement was no longer in effect.

Item No.	Pay Period	Employee No.	FLSA	Overtime Code	Extra Hours	Amount and Questioned Costs
1	20-10	100399	EXEMPT	100	86	\$ 2,233
2	20-08 to 20-09, 20-11 to 20-13, 20-16 to 20-17, 20-20, 20-22 to 20-24	100889	EXEMPT	100	616.5	15,136
3	20-08 to 20-09, 20-11	101418	EXEMPT	100	254.75	4,667
4	20-12	102208	EXEMPT	100	55.5	1,121
5	20-08 to 20-10, 20-16	769646	EXEMPT	100	39.5	855
6	20-08 to 20-20	936460	EXEMPT	100	355.5	11,964
7	20-12	100271	EXEMPT	100	56.25	1,031
8	20-08 to 20-10, 20-12	120004	EXEMPT	100	91.75	1,946
9	20-08	101460	EXEMPT	100	2	30
10	20-12 to 20-14, 20-23	102581	EXEMPT	100	160	2,931
11	20-09 to 20-10, 20-12	100930	EXEMPT	100	88.25	1,872
12	20-09 to 20-11, 20-13 to 20-16, 20-21, 20-25	340878	EXEMPT	100	353.47	12,309
13	20-09 to 20-10, 20-12	252296	EXEMPT	100	92.75	1,784
14	20-08 to 20-11	882915	EXEMPT	100	203	4,100
15	20-08 to 20-10, 20-12, 20-14	510996	EXEMPT	100	159.5	3,729
16	20-10 to 20-11	101303	EXEMPT	100	13.5	292
17	20-11	169889	EXEMPT	100	72	1,558
18	20-04, 20-06 to 20-09	339442	EXEMPT	100	160	3,846
19	20-12 to 20-13	554599	EXEMPT	100/150	91/6	1,924
20	20-08 to 20-14, 20-18 to 20-21, 20-23, 20-25	254310	EXEMPT	100	768.25	21,210
21	20-09 to 20-11	858205	EXEMPT	100	212	3,567
22	20-08 to 20-13	103524	EXEMPT	100	193	2,771
23	20-08 to 20-11, 20-13	101287	EXEMPT	100	140.75	3,654
24	20-09 to 20-10, 20-12	161195	EXEMPT	100	104.75	2,015
25	20-08 to 20-09, 20-11, 20-13	101042	EXEMPT	100/150	288.25/9.25	6,102
26	20-08 to 20-10, 20-12	100914	EXEMPT	100	167.25	4,312
27	20-13	102050	EXEMPT	100	39.50	724
28	20-08 to 20-11, 20-13 to 20-15, 20-17 to 20-21, 20-25 to 20-26	101537	EXEMPT	100/150	437.64/18.25	11,417
29	20-08	838971	EXEMPT	100	11.50	213
30	20-12	102555	EXEMPT	100	90	1,385
31	20-08 to 20-10, 20-12	100906	EXEMPT	100	161.25	4,157
32	20-08 to 20-12, 20-14 to 20-17	100459	EXEMPT	100	214.43	5,154
33	20-08 to 20-11	882772	EXEMPT	100	182	3,676
34	20-09	838233	EXEMPT	100	23	498
35	20-08 to 20-11	678822	EXEMPT	100	122.25	3,174
36	20-09, 20-12	101105	EXEMPT	100	87.5	1,385
37	20-13	386827	EXEMPT	100	5.25	126
38	20-11	834816	EXEMPT	100	24	577
39	20-12 to 20-13	103422	EXEMPT	100	54	1,326
40	20-12	103643	EXEMPT	100	89	2,225
41	20-12 to 20-13	163504	EXEMPT	100	55.5	1,121
42	20-09 to 20-13	555173	EXEMPT	100/150	260/340	13,327
43	20-09 to 20-10, 20-12	508914	EXEMPT	100	127.75	2,340

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-041, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$14,632,280

Condition, Continued:

Item No.	Pay Period	Employee No.	FLSA	Overtime Code	Extra Hours	Amount and Questioned Costs
44	20-08 to 20-12	100888	EXEMPT	100	310	8,391
45	20-11	101492	EXEMPT	100	28.50	771
46	20-04, 20-06 to 20-09	100882	EXEMPT	100	148	<u>4,981</u>
						183,927
Less amounts questioned at Finding No. 2020-040, Condition 2, for payroll costs incurred prior to and subsequent to the covered period beginning 03/01/20 to 09/30/20 (fiscal year end) for employee nos. 100889, 102581, 340878, 339442, 254310, 101537 and 100882						<u>(7,271)</u>
						<u>\$ 176,656</u>

Of seventeen nonpayroll expenditures tested, aggregating \$14,489,900 of a total population of \$14,870,670, deficiencies were noted, as follows:

- For sixteen (or 94%), either the federal clause section of the contract states that only FEMA financial assistance will be used to fund the contracts or the FEMA program disaster number DR-4511-MP was indicated on the task orders. Other than document nos. 698974, 699055, 698924 and 698925, we were not able to determine whether the costs were also charged to the FEMA program or to any other federally financed programs, as the numbering system from the CNMI's accounting system was not reflected on the expenditures detail report provided for the audit, which was manually prepared in an excel worksheet and which was not an expenditure general ledger detail report generated from the CNMI's accounting system.

Transaction Date	Business Unit	Object Code	Contract No.	Document No.	Amount and Questioned Costs
09/24/20	1699J	64540	COVID19-20-0098	698974	\$ 1,000,000
09/22/20	1699J	62060	COVID19-0-0626	708019	1,242,642
04/27/20	1699J	63050	COVID19-20-0097	698925	2,533,069
05/14/20	1699J	62680	COVID19-20-0034	700163	2,668,129
05/26/20	1699J	62060	COVID19-20-0289	700774	3,048,775
09/18/20	1699J	62480	COVID19-20-0522	707002	2,137,093
09/24/20	1699J	63050	COVID19-20-0116	699055	610,000
05/01/20	1010	12431	COVID19-20-0221	699711	171,300
05/01/20	1010	12431	COVID19-20-0222	699712	278,556
05/27/20	1010	12431	COVID19-20-0409	700893	276,140
08/14/20	1699J	62480	COVID19-20-0518	705341	121,581
09/23/20	1010	12431	COVID19-20-0573	708135	225,000
04/23/20	1699J	63050	COVID19-20-0083	698924	29,900
06/12/20	1699J	62480	COVID19-20-0265	701100	27,000
06/22/20	1699J	62080	COVID19-20-0381	702461	50,000
09/18/20	1699J	62660	COVID19-20-0594	707665	<u>34,500</u>
					<u>\$ 14,453,685</u>

The numbering system per the CNMI's accounting system was also not reflected for document no. 732338 with a transaction date of 05/01/20, amounting to \$36,215. No questioned cost is presented as the amount is questioned at Finding No. 2020-040, Condition 3.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-041, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$14,632,280

Condition, Continued:

4. For four (or 24%), a portion of the expenditures was also charged to the FEMA program. No questioned costs are presented as the amounts were questioned at Condition 3.

Per CRF Expenditures Detail Report				Percentage Charged to CRF	Per FEMA Expenditures General Ledger Detail Report				Percentage Charged to FEMA		
Transaction Date	Business Unit	Document No.	Amount		General Ledger Date	Business Unit	Document No.	Explanation		Amount	
09/24/20	1699J	698974	\$ 1,000,000	100%	09/28/20	M4511E	332517	698974/256036	\$ 750,000	75%	
04/27/20	1699J	698925	2,533,069	100%	09/28/20	M4511E	332517	698925/893940	937,500	37%	
09/24/20	1699J	699055	610,000	100%	09/28/20	M4511E	332517	699055/256035	457,500	75%	
04/23/20	1699J	698924	<u>29,900</u>	100%	09/28/20	M4511E	332517	698924/893870	<u>22,425</u>	75%	
									<u>\$ 4,172,969</u>	<u>\$ 2,167,425</u>	

5. For one (or 6%), an expenditure (document no. 700163, transaction date of 05/14/20) pertains to freight charges for which consignees for the following shipments were for private companies. Documentation provided was inadequate to substantiate that the items received were for the CNMI Government. No questioned costs are presented as the amounts are questioned at Condition 3.

<u>Invoice No.</u>	<u>Description of Shipped Items</u>	<u>Amount</u>
AIV2000818SPN	Sewage pump, check valve and accessories	\$ 360
SIIV2000918SPN	Biohazards bags	<u>4,149</u>
		<u>\$ 4,509</u>

6. For one (or 6%), a portion of the transaction was not supported by corresponding invoices, airway bills, air inbound cargo receipts or other equivalent documentation. No questioned cost is presented as the amount is questioned at Condition 3.

<u>Transaction Date</u>	<u>Business Unit</u>	<u>Object Code</u>	<u>Document No.</u>	<u>Amount Charged to the Program</u>	<u>Amount Supported</u>	<u>Amount Unsupported</u>
05/14/20	1699J	62680	700163	\$ 2,668,129	\$ 2,618,226	\$ 49,903

7. For two (or 12%), a portion of the services provided (talk shows, talk show reruns, media briefing and briefing reruns) were not supported by either a log summary, a log detail report or equivalent documentation. No questioned costs are presented as amounts are questioned at Condition 3 for document no. 702461 and at Finding No. 2020-040, Condition 3 for document no. 732338.

<u>Transaction Date</u>	<u>Business Unit</u>	<u>Object Code</u>	<u>Document No.</u>	<u>Total Invoice Amount</u>	<u>Amount Supported</u>	<u>Amount Unsupported</u>
06/22/20	1699J	62080	702461	\$ 50,000	\$ 27,500	\$ 22,500
05/01/20	1699J	62080	732338	\$ 36,215	\$ 33,015	<u>3,200</u>
						<u>\$ 25,700</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-041, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$14,632,280

Condition, Continued:

8. For eight (or 47%), receiving reports or other equivalent documentation to evidence receipt of items were not provided. No questioned costs are presented as amounts are questioned at Condition 3.

<u>Transaction Date</u>	<u>Business Unit</u>	<u>Object Code</u>	<u>Document No.</u>	<u>Invoice No.</u>	<u>Amount</u>
09/22/20	1699J	62060	708019	23193	\$ 1,185,437
04/27/20	1699J	63050	698925	Not stated	2,533,069
09/24/20	1699J	63050	699055	10002	610,000
05/01/20	1010	12431	699711	10010	171,300
05/01/20	1010	12431	699712	10010	278,556
05/27/20	1010	12431	700893	10041	276,140
09/23/20	1010	12431	708135	Not Stated	225,000
04/23/20	1699J	63050	698924	M03-2020	<u>29,900</u>
					<u>\$ 5,309,402</u>

9. For eight (or 47%), payment approval for the following corresponding invoices were not evident. No questioned costs are presented as amounts are questioned at Condition 3.

<u>Transaction Date</u>	<u>Document No.</u>	<u>Invoice Date</u>	<u>Invoice No.</u>	<u>Amount</u>	
09/24/20	698974	4/06/20	Not Stated	\$ 1,000,000	
04/27/20	698925	4/04/20	Not Stated	2,533,069	
05/14/20	700163	04/07/20, 04/23/20, 04/24/20, 05/04/20, 05/09/20, 05/11/20, 05/22/20, 05/23/20, 05/22/20, 05/08/20, 05/08/20, 05/08/20, 05/18/20, 05/31/20, 05/30/20, 05/15/20, 05/15/20, 06/05/20, 06/15/20, 06/04/20, 05/30/20, 06/30/20, 07/07/20, 07/14/20, 07/14/20, 07/28/20, 01/25/21	AIIV2000727SPN, AIIV2000818SPN, SIIV2000819SPN, AIIV2000853SPN, AIIV2000863SPN, AEIV2000862SPN, SIIV2000918SPN, AIIV2000933SPN, AIIV2000941SPN, 00516905, 00516906, 00516907, 00516917, 00516922, 00516923, 00516916, 00516915, 00516930, 00516938, 00516929, 00516921, 00516946, 00516952, 00516959, 00516961, 00516965, 00517076	801,515	
09/24/20	699055	04/06/20	10002	610,000	
05/01/20	699711	04/24/20	10010	171,300	
05/01/20	699712	04/24/20	10010	278,556	
04/23/20	698924	03/29/20	M03-2020	29,900	
06/12/20	701100	05/08/20	20-05001	<u>9,300</u>	
					<u>\$ 5,433,640</u>

Of eight payroll expenditures tested, aggregating \$13,225 of a total population of \$1,074,403, deficiencies were noted, as follows:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-041, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$14,632,280

Condition, Continued:

10. For three (or 38%), employees are exempt from overtime pay but were paid extra for hours worked during declared administrative leave or in addition to regular hours worked. For employee no. 100889, the CNMI OPM approved and waived the overtime exempt status for the period beginning 04/17/20; however, payroll costs charged to the Program included 39 hours prior to 04/17/20. In addition, the justification waiver request and the approval for the waiver of overtime exempt status for employee nos. 159552 and 555173 were not provided. Employee no. 555173 was also paid at a 1.5 overtime rate (150 Overtime Code). Additionally, the justification documentation substantiating that an overtime-eligible employee is not available to perform the work was not provided to substantiate the extra hours paid to these three employees. Furthermore, per CNMI OPM's guidelines, elected officials, gubernatorial appointees, division directors, personnel staff of senior employees and other senior managers in multi-leveled organizations are not eligible for extra hours or special payments under any circumstances. No documentation was provided to indicate that such restriction was waived during the COVID-19 public health emergency or that this requirement was no longer in effect. No questioned costs are presented as amounts are questioned at Finding No. 2020-040, Condition 7 for employee nos. 100889 and 159552 and at Condition 8 for employee no. 555173.

<u>Pay Period</u>	<u>Employee No.</u>	<u>FLSA</u>	<u>Overtime Code</u>	<u>Extra Hours</u>	<u>Amount</u>
20-10	100889	Exempt	100	89.0	\$ 2,185
20-11	159552	Exempt	100	80.0	2,308
20-14	555173	Exempt	150	7.5	<u>195</u>
					<u>\$ 4,688</u>

11. For eight (or 100%), the FEMA program disaster numbers were indicated on the summary timesheets and labor cost reports for the following payroll costs charged to the CRF program. As the expenditures detail report provided for the audit was manually prepared in an excel worksheet and as such was not an expenditure general ledger detail report generated from the CNMI's accounting system, we were not able to determine whether the payroll costs were also charged to the FEMA program or to any other federally financed programs, as the numbering system from the CNMI's accounting system was not reflected on the expenditures detail report provided for the audit.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-041, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$14,632,280

Condition, Continued:

<u>Pay Period</u>	<u>Employee No.</u>	<u>Per Summary Timesheet and Labor Cost Reports</u>	<u>Amount and Questioned Costs</u>
20-10	100889	PHE FEMA-3465-EM-MP COVID 19	\$ 2,185
20-11	159552	PHE FEMA-3465-EM-MP COVID 19	2,308
20-12	251537	PHE FEMA-3465-EM-MP COVID 19	1,317
20-14	555173	PHE FEMA-DR-4511-MP COVID 19	887
20-17	858745	PHE FEMA-3463-EM-MP COVID 19	1,103
20-20	514918	PHE FEMA-3465-EM-MP COVID 19	1,939
20-23	960559	PHE FEMA-3463-EM-MP COVID 19	1,806
20-26	1009045	PHE FEMA-3463-EM-MP COVID 19	<u>1,680</u>

13,225

Less amounts questioned at Finding No. 2020-040 at Condition 7 for employee nos. 100889, 159552, 251537 and 858745, at Condition 8 for employee nos. 555173 and 1009045 and at Condition 10 for employee no. 960559

(11,286)

\$ 1,939

12. For two (or 25%), the authorized overtime forms, labor cost forms and the summary timesheets for the following employees were not approved by the respective Department Head. No questioned costs are presented as amounts are questioned at Finding No. 2020-040, Condition 7.

<u>Pay Period</u>	<u>Employee No.</u>	<u>Amount</u>
20-10	100889	\$ 2,185
20-12	251537	<u>1,317</u>
		\$ <u>3,502</u>

13. For one (or 13%), of 47.5 hours amounting to \$887 charged to the CRF program, a timesheet and a labor cost report for 40 hours were not provided. No questioned cost is presented as the amount is questioned at Finding No. 2020-040, Condition 8.

<u>Pay Period</u>	<u>Employee No.</u>	<u>Amount</u>
20-14	555173	\$ 692

Of six reimbursements tested, aggregating \$36,845,431 of a total population of \$36,845,431, deficiencies were noted, as follows:

14. For one (or 17%), we were unable to verify the validity as supporting documentation was not provided to substantiate the recorded transaction. No questioned cost is presented as the amount is questioned at Finding No. 2020-040, Condition 1.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-041, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$14,632,280

Condition, Continued:

<u>Fund</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
1010	17122	65421	09/30/20	333291	\$ 35,453

Cause:

- The CNMI lacks monitoring control procedures over the following:
  - The usage of CRF funding;
  - Fund transfers to other government entities; and
  - Preparation of the expenditures detail report for completeness and accuracy;
- CRF and FEMA COVID-related expenditures were recorded in Fund 1010, Business Unit 1699J, instead of segregating the expenditures in separate Business Units to facilitate identification and segregation of program expenditures;
- The expenditures detail report was manually prepared in an excel worksheet and was not an expenditure general ledger detail report generated from the CNMI's accounting system;
- Expenditures reported on the final revised expenditures detail report are not verified as agreeing with amounts reported in the Grant Solutions portal; and
- The CNMI lacks adequate documentation and systematic filing of relevant documentation supporting program costs.

Effect:

The CNMI is in noncompliance with allowable costs/cost principles program requirements and questioned costs of \$14,632,280 exist.

<u>Condition</u>	<u>Questioned Costs</u>
2	\$ 176,656
3	14,453,685
11	<u>1,939</u>
	<u>\$ 14,632,280</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-041, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$14,632,280

Recommendation:

1. The CNMI should establish and implement monitoring control procedures over the following:
  - The usage of CRF funding;
  - Preparation of the expenditures detail report to verify its completeness and accuracy; and
  - To verify that fund transfers are in accordance with grant award notifications;
2. The CNMI should consider recording program expenditures in the same Fund account and business unit separate from other program expenditures to facilitate identification and segregation of program expenditures;
3. CRF expenditures should be supported by data per the CNMI's accounting system;
4. Responsible CNMI personnel should periodically review the recordation of CRF expenditures;
5. Responsible CNMI personnel should verify that overtime exempt guidelines are adhered to or maintain written documentation if or when such a restriction is waived or is no longer in effect; and
6. Responsible CNMI personnel should maintain adequate documentation to support program costs and to establish an efficient filing system.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-042  
 Federal Agency: U.S. Department of the Treasury  
 CFDA Program: 21.019 Coronavirus Relief Fund  
 Area: Period of Performance  
 Questioned Costs: \$-0-

Criteria:

The CNMI Government must use direct payments for necessary expenditures incurred between the covered period beginning March 1, 2020 to September 30, 2020 (fiscal year end), due to the COVID-19 public health emergency.

Condition:

Based on tests of completeness and accuracy of the SEFA and CRF expenditures detail report provided for the audit, which was manually prepared in an excel worksheet and which was not a general ledger detail report generated from the CNMI's accounting system, the following were noted:

1. Payroll costs included as FY2020 expenditures in the expenditures detail report were incurred prior to and subsequent to the covered period beginning 03/01/20 to 09/30/20 (fiscal year end). No questioned costs are presented as the amounts are questioned at Finding No. 2020-040, Condition 2.

<u>Pay Period No.</u>	<u>Pay Period Ended</u>	<u>Employee No.</u>	<u>Amount</u>
20-04 and 20-06	02/01/20 and 02/29/20	Various	\$ 365
20-22 to 20-26	10/10/20 to 12/05/20	Various	<u>185,554</u>
			<u>\$ 185,919</u>

Of seventeen nonpayroll expenditures tested, aggregating \$14,489,900 of a total population of \$14,870,670, deficiencies were noted, as follows:

2. For three (or 18%), costs included and reflected as FY2020 expenditures in the expenditures detail report were incurred subsequent to the covered period beginning 03/01/20 to 09/30/20 (fiscal year end). No questioned costs are presented as the amounts are questioned at Finding No. 2020-041, Condition 3 for document nos. 708019 and 700163 and at Finding No. 2020-040, Condition 3 for document no. 732338. Also refer to Condition 3 for the \$49,903 unsupported transaction.

<u>Transaction Date</u>	<u>Business Unit</u>	<u>Object Code</u>	<u>Document No.</u>	<u>Amount Reflected as FY2020 Expenditures</u>	<u>FY2020 Expenditures Per Invoices</u>	<u>FY2021 and FY2022 Expenditures Per Invoices</u>	<u>Unsupported</u>
09/22/20	1699J	62060	708019	\$ 1,242,642	\$ 248,528	\$ 994,114	Not applicable
05/14/20	1699J	62680	700163	\$ 2,668,129	\$ 2,229,298	388,928	\$ 49,903
05/01/20	1699J	62080	732338	\$ 36,215	\$ -	<u>36,215</u>	Not applicable
						<u>\$ 1,419,257</u>	

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-042, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Period of Performance  
Questioned Costs: \$-0-

Condition, Continued:

3. For one (or 6%), a portion of the transaction was not supported by corresponding invoices, airway bills, air inbound cargo receipts or other equivalent documentation; accordingly, the CNMI was not able to substantiate that the expenditures were incurred within the covered period beginning 03/01/20 to 09/30/20 (fiscal year end). No questioned cost is presented as the amount is questioned at Finding No. 2020-041, Condition 3.

<u>Transaction Date</u>	<u>Business Unit</u>	<u>Object Code</u>	<u>Document No.</u>	<u>Amount Charged to the Program</u>	<u>Amount Supported</u>	<u>Amount Unsupported</u>
05/14/20	1699J	62680	700163	\$ 2,668,129	\$ 2,618,226	\$ 49,903

Of eight payroll expenditures tested, aggregating \$13,225 of a total population of \$1,074,403, deficiencies were noted, as follows:

4. For one (or 13%), of 47.5 hours amounting to \$887, a timesheet and a labor cost report for 40 hours were not provided. Accordingly, the CNMI was not able to substantiate that the employee payroll costs amounting to \$692 were incurred within the covered period beginning 03/01/20 to 09/30/20 (fiscal year end). No questioned cost is presented as the amount is questioned at Finding No. 2020-040, Condition 8.

<u>Pay Period</u>	<u>Employee No.</u>	<u>Amount</u>
20-14	555173	\$ 692

5. For two (or 25%), payroll costs included as FY2020 expenditures pertain to FY2021 payroll costs, which is not within the covered period beginning 03/01/20 to 09/30/20 (fiscal year end). No questioned costs are presented as the amounts are questioned at Finding No. 2020-040, Condition 8 for employee no. 1009045 and at Condition 10 for employee no. 960559.

<u>Pay Period</u>	<u>Employee No.</u>	<u>Amount</u>
20-23	960559	\$ 1,806
20-26	1009045	<u>1,680</u>
		\$ <u>3,486</u>

Of six reimbursements tested, aggregating \$36,845,431 of a total population of \$36,845,431, deficiencies were noted, as follows:

6. For one (or 17%), we were unable to verify the validity as supporting documentation was not provided to substantiate recorded transactions. The CNMI was not able to substantiate that the related expenditures were incurred within the covered period beginning 03/01/20 to 09/30/20 (fiscal year end). No questioned cost is presented as the amount is questioned at Finding No. 2020-040, Condition 1.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-042, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Period of Performance  
Questioned Costs: \$-0-

Condition, Continued:

<u>Fund</u>	<u>Business Unit</u>	<u>Account No.</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>
1010	17122	65421	09/30/20	333291	\$ 35,453

Cause:

1. The CNMI lacks monitoring control procedures over the following:
  - The usage of CRF funding;
  - Preparation of the expenditures detail report and verification as to its completeness and accuracy; and
  - To verify that expenditures charged to the CRF funding were incurred within the covered period beginning 03/01/20 to 09/30/20 (fiscal year end);
2. The expenditures detail report was manually prepared in an excel worksheet and was not an expenditure general ledger detail report generated from the CNMI's accounting system;
3. Expenditures reported on the final revised expenditures detail report are to be verified to agree to the amounts reported in the Grant Solutions portal; and
4. The CNMI lacks adequate documentation and systematic filing of relevant documentation supporting program costs.

Effect:

The CNMI is in noncompliance with period of performance program requirements.

Recommendation:

1. The CNMI should establish and implement monitoring control procedures over the following:
  - The usage of CRF funding;
  - Preparation of the expenditures detail report to facilitate its completeness and accuracy; and
  - To verify that expenditures charged to the CRF funding were incurred within the allowed covered period;
2. CRF expenditures are supported by data in the CNMI's accounting system;
3. Responsible CNMI personnel should periodically review CRF expenditure recordation;

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-042, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Period of Performance  
Questioned Costs: \$-0-

Recommendation, Continued:

4. Responsible CNMI personnel should maintain adequate documentation to support program costs and should maintain an appropriate filing system.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-043  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Reporting  
Questioned Costs: \$70,711

Criteria:

Each prime recipient of the Coronavirus Relief Fund (CRF) shall provide a quarterly Financial Progress Report that contains COVID-19 related costs incurred during the covered period (the period beginning on March 1, 2020 and ending on December 30, 2021) to Treasury’s Office of Inspector General. For interim reporting, by no later than July 17, 2020, each prime recipient is responsible for reporting costs incurred during the period March 1 through June 30, 2020. For quarterly reporting, each prime recipient shall report this quarterly information into the GrantSolutions portal. The Prime recipient’s quarterly Financial Progress Report submissions is only for the reporting of costs incurred related to CRF proceeds received from Treasury and should be supported by the data in the prime recipient’s accounting system. By no later than September 21, 2020, prime recipients shall submit via the GrantSolutions portal the first detailed quarterly report, which shall cover the period March 1 through June 30, 2020 (with exception to the September 21 first quarter deadline and the October 13 second quarter reporting deadlines for those prime recipients using the GrantSolutions’ upload feature, which was available December 1, 2020). Thereafter, quarterly reporting will be due no later than ten days after each calendar quarter. If the 10th calendar day falls on a weekend or a federal holiday, the due date will be the next working day.

Condition:

Tests of the Financial Progress Interim Report for the period from 03/01/20 to 06/30/20 noted the following:

- The underlying accounting records supporting amounts reported were not provided. Alternatively, since the prime recipient’s quarterly financial progress report submissions should be supported by data in the prime recipient’s accounting system, we examined the expenditures detail report provided for the audit and determined the amounts per category based on the descriptions and the transaction dates covering the period from 03/01/20 to 06/30/20 and noted the following variances for which no reconciliations were provided:

<u>Expenditure Category</u>	<u>Amount per Expenditure Detail Report and per Audit Expectation</u>	<u>Amount per Financial Progress Interim Report</u>	<u>Variance and Questioned Costs</u>
Amount transferred to other governments	\$ -	\$ 4,732,188	\$ (4,732,188)
Amount spent on budgeted personnel and services diverted to a substantially different use	\$ 573,237	\$ -	573,237
Amount spent to improve telework capabilities of public employees	\$ 15,611	\$ 20,394	(4,783)
Amount spent on medical expenses	\$ 8,864,328	\$ -	8,864,328
Amount spent on public health expenses	\$ 474,039	\$ -	474,039
Amount spent on items not listed on other expense categories	\$ -	\$ 275,281	<u>(275,281)</u>
			4,899,352
			<u>(4,828,641)</u>
			\$ <u>70,711</u>

Less amounts questioned at Finding No. 2020-040, Condition 1

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-043, Continued  
Federal Agency: U.S. Department of the Treasury  
CFDA Program: 21.019 Coronavirus Relief Fund  
Area: Reporting  
Questioned Costs: \$70,711

Condition, Continued:

The expenditures detail report provided for the audit was manually prepared in an excel worksheet and was not an expenditure general ledger detail report generated from the CNMI's accounting system.

2. The first detailed report covering 03/01/20 to 06/30/20 and the 09/30/20 reporting periods were not submitted in the GrantSolutions portal. No questioned costs are presented as we are not able to quantify the extent of noncompliance.

Cause:

The CNMI lacks monitoring control procedures to verify that amounts reported are supported by underlying accounting records derived from the CNMI's accounting system and that the required financial progress reports are submitted in the GrantSolutions portal by applicable due dates.

Effect:

The CNMI is in noncompliance with Financial Progress reporting requirements and questioned costs of \$70,711 result for Condition 1.

Recommendation:

We recommend that the CNMI implement monitoring control procedures to verify that amounts reported are supported by underlying accounting records derived from CNMI's accounting system and that required financial progress reports are submitted in the GrantSolutions portal by applicable due dates.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-044  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States  
Federal Award Nos.: H126A190078 and H126A200078  
Area: Matching, Level of Effort, Earmarking  
Questioned Costs: \$35,553

Criteria:

In accordance with applicable maintenance of effort requirements, the amount otherwise payable to a state for a fiscal year shall be reduced by the amount by which expenditures from non-federal sources under the VR services portion of the Unified or Combined State Plan for any previous fiscal year are less than the total of such expenditures for the fiscal year two years prior to that previous fiscal year.

Condition:

Test of maintenance of effort requirements noted the following:

Level of State support:	
FY2018	\$ 88,097
FY2020	<u>(30,731)</u>
Amount underspent	57,366
Partial grantor waiver	<u>(21,813)</u>
Deficient amount	\$ <u>35,553</u>

Cause:

The CNMI failed to enforce compliance with maintenance of effort requirement.

Effect:

The CNMI is in noncompliance with applicable maintenance of effort requirements and questioned costs of \$35,553 result.

Recommendation:

Responsible personnel should consider providing support at required levels and establishing and implementing policies and procedures over compliance with applicable maintenance of effort requirements.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-045  
 Federal Agency: U.S. Department of Education  
 CFDA Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States  
 Federal Award Nos.: H126A190078 and H126A200078  
 Area: Reporting  
 Questioned Costs: \$-0-

Criteria:

In accordance with applicable reporting requirements, the grantee shall submit an accurate Federal Financial Report (SF 425) on a semi-annual basis for the periods ending March 31 and September 30, or any portion thereof, for the entire project period, which should be supported by underlying accounting records.

Condition:

The total federal and recipient shares of expenditures reported on the SF 425 report differ from underlying accounting records.

<u>Description</u>	<u>Per SF 425</u>	<u>Per Underlying Accounting Records</u>	<u>Variance</u>
H126A190078:			
10i. Total Recipient share required	\$ 222,486	\$ 231,072	\$ (8,586)
10j. Recipient share of expenditures	\$ 56,269	\$ 230,821	\$ (174,552)
10k. Remaining recipient share to be provided	\$ 166,217	\$ 251	\$ 165,966
H126A200078:			
10i. Total Recipient share required	\$ 149,665	\$ 236,409	\$ (86,744)
10j. Recipient share of expenditures	\$ 29,692	\$ 181,480	\$ (151,788)
10k. Remaining recipient share to be provided	\$ 119,973	\$ 54,929	\$ 65,044

Cause:

CNMI did not effectively monitor the accuracy and completeness of the SF 425 report based on underlying accounting records.

Effect:

CNMI is in noncompliance with SF 425 federal reporting requirements. No questioned costs result as reimbursements received did not exceed recorded expenditures of \$906,126.

Recommendation:

Responsible personnel should take steps to monitor reports and determine that the federal and recipient shares of expenditures reported on the SF 425 report are supported by underlying accounting records.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-046  
 Federal Agency: U.S. Department of Education  
 CFDA Program: 84.425 Education Stabilization Fund  
 84.425H Education Stabilization Fund-Governors (Outlying Areas) (ESF-Governors)  
 Federal Award No.: S425H200001  
 Area: Matching, Level of Effort, Earmarking  
 Questioned Costs: \$2,215,788

Criteria:

In accordance with applicable maintenance of effort requirements, (a) A State's application for funds to carry out sections 18002 or 18003 of this title shall include assurances that the State will maintain support for elementary and secondary education, and State support for higher education (which shall include State funding to institutions of higher education and state need-based financial aid, and shall not include support for capital projects or for research and development or tuition and fees paid by students) in fiscal years 2020 and 2021 at least at the levels of such support that is the average of such State's support for elementary and secondary education and for higher education provided in the 3 fiscal years preceding the date of enactment of this Act.

Condition:

Test of maintenance of effort requirements noted the following:

Level of State support for higher education:

FY2017	\$ 5,904,024
FY2018	5,756,471
FY2019	<u>8,785,080</u>
Average	6,815,192
FY2020	<u>4,599,404</u>
Excess/(Shortage)	\$ <u>(2,215,788)</u>

Cause:

The CNMI failed to enforce compliance with maintenance of effort requirements.

Effect:

The CNMI is in noncompliance with applicable maintenance of effort requirements and questioned costs of \$2,215,788 exist.

Recommendation:

Responsible personnel should consider providing support at required levels and establishing and implementing policies and procedures over compliance with applicable maintenance of effort requirements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-046, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.425 Education Stabilization Fund  
84.425H Education Stabilization Fund-Governors (Outlying Areas) (ESF-Governors)  
Federal Award No.: S425H200001  
Area: Matching, Level of Effort, Earmarking  
Questioned Costs: \$2,215,788

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-047  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.425 Education Stabilization Fund  
84.425H Education Stabilization Fund-Governors (Outlying Areas) (ESF-Governors)  
Federal Award No.: S425H200001  
Area: Subrecipient Monitoring  
Questioned Costs: \$-0-

Criteria:

In accordance with applicable subrecipient monitoring requirements, the pass-through entity (PTE) must establish and implement subrecipient monitoring policies and procedures, including the following:

- At the time of the award, clearly identifying to the subrecipient all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award; and
- Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

Condition:

During FY2020, the CNMI transferred a \$4,777,211 subaward to the Northern Marianas College (NMC), \$1,361,406 of which was reported by NMC in their FY2020 SEFA, while the remaining amount of \$3,415,805 was reported in the FY2021 SEFA based on Single Audit reports uploaded to the CNMI OPA website. Tests of subrecipient monitoring for the \$4,777,211 subaward noted the following:

1. The program did not include or list the correct required information in the subrecipient agreement for the following:
  - Subrecipient's unique entity identifier;
  - Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity;
  - Assistance listings number and title; and
  - A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and subaward period of performance start and end date.
2. Supervisory reviews are not performed to determine the adequacy of subrecipient monitoring.

Cause:

The CNMI failed to enforce compliance with subrecipient monitoring requirements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-047, Continued  
Federal Agency: U.S. Department of Education  
CFDA Program: 84.425 Education Stabilization Fund  
84.425H Education Stabilization Fund-Governors (Outlying Areas) (ESF-Governors)  
Federal Award No.: S425H200001  
Area: Subrecipient Monitoring  
Questioned Costs: \$-0-

Effect:

The CNMI is in noncompliance with applicable subrecipient monitoring requirements. No questioned costs are presented as the FY2020 and FY2021 Single Audit reports of NMC reported no questioned costs for this program.

Recommendation:

Responsible personnel should consider obtaining training in the area of subrecipient monitoring and establishing and implementing policies and procedures over compliance with applicable subrecipient monitoring requirements.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-048  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.575 Child Care and Development Block Grant  
 Federal Award No.: 1802MPCCDF  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$65,891

Criteria:

In accordance with applicable allowable costs/cost principles requirements, costs must be adequately documented in order to be allowable under Federal awards.

Condition:

Tests of twenty-five expenditures aggregating \$549,699 of a population total of \$3,840,210, noted that for two (or 8%), there were no transaction details comprising expenditures for administrative costs.

<u>Business Unit</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Amount</u>	<u>Questioned Costs</u>
H8575H	62790	03/31/20	328109	\$ 55,855	\$ 55,855
H8575H	62790	08/18/20	331258	\$ 10,036	<u>10,036</u>
					\$ <u>65,891</u>

Cause:

The CNMI did not enforce record keeping controls in accordance with applicable allowable costs/cost principles requirements.

Effect:

The CNMI is in noncompliance with applicable allowable costs/cost principles requirements, and questioned costs of \$65,891 result.

Recommendation:

The responsible personnel should establish a recordkeeping system whereby underlying support for each transaction is substantiated and filed.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-049  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.575 Child Care and Development Block Grant  
 Federal Award Nos.: 1802MPCCDF, 1901MPCCDD, 2001MPCCDF and 2001MPCCC3  
 Area: Eligibility  
 Questioned Costs: \$6,900

Criteria:

In accordance with the State’s Plan, an applicant’s eligibility for child care service shall be made within fifteen calendar days after submission of a complete application. The date of application shall be the date the signed form and all supporting documents are received by the Child Care Program.

Further, to be eligible for child care services, applicants must meet the following requirements, among others:

- If the parent qualifies for work, required documents include the most recent 1040 tax form and a current and valid CW work permit;
- The child must be under the age of 13;
- The family’s assets do not exceed \$1 million (the family completes a Family Asset Certification)

Condition:

Of forty eligibility files tested, aggregating \$18,800 in total benefits paid of a population of \$2,310,973, deficiencies were noted, as follows:

1. For sixteen (or 40%), eligibility determination was assessed beyond the 15-calendar day limit.

	<u>Case ID</u>	<u>Application Date</u>	<u>Date Eligibility Determined</u>	<u>Time Elapsed</u>
1	2863A	10/17/18	02/13/19	119
2	2946B	10/14/18	01/24/19	102
3	3096B	10/05/18	02/22/19	140
4	2546B	10/22/18	01/23/19	93
5	2627C	08/19/19	09/09/19	21
6	3135C	06/18/20	08/27/20	70
7	3087B	01/11/19	02/22/19	42
8	3106B	07/12/17	01/25/18	197
9	2581D	10/16/18	01/23/19	99
10	3160B	08/07/19	10/28/19	82
11	0002C	06/03/20	07/16/20	43
12	3198C	02/21/19	04/23/19	61
13	13551	12/26/18	12/11/19	350
14	3092A	10/10/18	01/16/19	98
15	3089C	10/19/18	11/26/18	38
16	2466C	10/24/18	01/31/19	99

No questioned costs are reported as eligibility was subsequently determined with no financial impact.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-049, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.575 Child Care and Development Block Grant  
 Federal Award Nos.: 1802MPCCDF, 1901MPCCDD, 2001MPCCDF and 2001MPCCC3  
 Area: Eligibility  
 Questioned Costs: \$6,900

Condition, Continued:

2. For two (or 5%), the program eligibility certification was not dated.

<u>Case ID</u>	<u>Certification Effective</u>	<u>Month Tested</u>	<u>Benefits Paid</u>	<u>Terminated</u>	<u>Total Questioned Costs</u>
0013A	08/24/18	December 2019	\$ 400	August 2020	\$400 x 9 = \$3,600
0013C	08/24/18	April 2020	\$ 500	August 2020	\$500 x 5 = <u>2,500</u>
					\$ <u>6,100</u>

3. For two (or 5%), the applicant's date of birth did not match the birth certificate on file.

<u>Case ID</u>	<u>Certification Effective</u>	<u>Month Tested</u>	<u>Benefits Paid</u>
0013A	08/24/18	December 2019	\$ 400
0013C	08/24/18	April 2020	\$ 500

No questioned costs are reported as amounts are questioned at Condition 2.

4. For one (or 3%), documentation of the valid work permit of an applicant who is a non-U.S. citizen before the eligibility period would begin was not on file.

<u>Case ID</u>	<u>Month Tested</u>	<u>Certification Effective</u>	<u>Valid Period of Work Permit</u>	<u>Benefit Amount</u>	<u>Questioned Cost</u>
3170C	July 2020	12/02/19	01/17/19 - 09/30/19	\$ 400 x 2 months	\$ 800

5. For one (or 3%), a completed Family Asset Certification was not on file.

<u>Case ID</u>	<u>Month Tested</u>	<u>Certification Effective</u>
3178A	January 2020	12/03/19

No questioned cost is reported as the applicant did not exceed the income limit threshold based on the applicant's average pay stubs.

6. For five (or 13%), a recent 1040 tax form was not on file.

<u>Case ID</u>	<u>Month Tested</u>	<u>Certification Effective</u>
3102A	August 2020	03/01/18
3106B	February 2020	03/01/18
3162B	May 2020	12/02/19
0002C	September 2020	09/01/20
3162D	September 2020	12/02/19

No questioned costs are reported as the applicants did not exceed the income limit threshold based on the applicants' average pay stubs.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-049, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.575 Child Care and Development Block Grant  
Federal Award Nos.: 1802MPCCDF, 1901MPCCDD, 2001MPCCDF and 2001MPCCC3  
Area: Eligibility  
Questioned Costs: \$6,900

Cause:

The CNMI did not effectively apply controls over compliance with applicable eligibility requirements.

Effect:

The CNMI is in compliance with applicable eligibility requirements, and questioned costs of \$6,900 result as the projected questioned costs exceed the \$25,000 threshold.

<u>Condition</u>	<u>Questioned Costs</u>
2	\$ 6,100
4	<u>800</u>
	\$ <u>6,900</u>

Recommendation:

The CNMI should strengthen controls over compliance with applicable eligibility requirements by having a checklist and reviewing it against the applicant's files to verify that all required forms and information were completed and filed accordingly.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement with Conditions 1 through 4 and states disagreement with Conditions 5 and 6, as follows:

Condition 5 - CCDF Statement of Asset for a client dated July 18, 2019, for the indicated Certification Effective stated as a finding was provided by the applicant. (Copy of CCDF Statement of Assets provided)

Condition 6 - Listed below are the reasons for the non-submission of the 1040 tax.

Case ID: 3102A: Applicant was employed on July 24, 2017, applicant was not due to file 1040 tax at the time. (Copy of CCDF Employment Verification provided)

Case ID: 3106B: At the initial submission of the client's waitlist application, the applicant was employed on May 16, 2017 and was not due to file 1040 tax at the time. (Copy of CCDF Employment Verification provided)

Case ID: 3162B: Applicant was employed on October 23, 2019, applicant was not due to file 1040 tax at the time. (Copy of CCDF Employment Verification provided)

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-049, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.575 Child Care and Development Block Grant  
Federal Award Nos.: 1802MPCCDF, 1901MPCCDD, 2001MPCCDF and 2001MPCCC3  
Area: Eligibility  
Questioned Costs: \$6,900

Views of Responsible Officials, Continued:

Case ID: 0002C: The applicant did submit the required 1040 tax upon submission of the CCDF waitlist application, at the time CCDF was supposed to receive local funds and the program issued a DCCA-Child Care and Development Fund Supplemental application which did not require submission of the 1040 tax. (Copy of CCDF Subsidy Waitlist application, 2017 1040 tax, and CCDF Supplemental Application provide

Case ID: 3162D: Applicant was employed on October 23, 2019, applicant was not due to file 1040 tax at the time. (Copy of CCDF Employment Verification provided)

Auditor Response:

Condition 5 - At the time of fieldwork, a completed Family Asset Certification was not on file.

Condition 6 - At the time of fieldwork, recent 1040 tax forms were not on file for case ID nos. 3102A, 3106B, 3162B, 0002C and 3162D.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-050  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.575 Child Care and Development Block Grant  
 Federal Award Nos.: 1802MPCCDF, 1901MPCCDD, 2001MPCCDF and 2001MPCCC3  
 Area: Matching, Level of Effort, Earmarking  
 Questioned Costs: \$392,972

Criteria:

The Program is required to spend on administrative costs not more than five percent of total CCDF awards expended, to spend on quality activities of not less than nine percent, and to spend at least an additional three percent on infants and toddlers. From the remainder, the program must use not less than 70 percent for direct services.

Condition:

1. The program spent more than 5% (or \$47,891) on administrative costs. See details below.

Total expenditures	\$ 3,827,696
Limit 5%	\$ 191,385
Per general ledger	<u>(239,276)</u>
Overspent and questioned cost	\$ <u>(47,891)</u>

2. The program did not spend the required 9% (or \$207,290) on quality activities and 3% (or \$4,557) on infants and toddlers. See details below.

<b>Quality Activities:</b>	<b>1802MPCCDF</b>
Expenditures	\$ <u>2,607,549</u>
Required 9%	\$ 234,679
Per general ledger (H8575I)	<u>(27,389)</u>
Underspent and questioned cost	\$ <u>207,290</u>

<b>Infant and Toddlers:</b>	<b>2001MPCCDF</b>	<b>2001MPCCC3</b>
Expenditures	\$ 63,171	\$ 88,728
Required 3%	\$ 1,895	\$ 2,662
Per general ledger (H0596E)	<u>-</u>	<u>-</u>
Per general ledger (No BU)	<u>-</u>	<u>-</u>
Underspent and questioned costs	\$ <u>1,895</u>	\$ <u>2,662</u>

3. The program did not spend the required 70% (or \$133,234) on direct services. See details below:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-050, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.575 Child Care and Development Block Grant  
 Federal Award Nos.: 1802MPCCDF, 1901MPCCDD, 2001MPCCDF and 2001MPCCC3  
 Area: Matching, Level of Effort, Earmarking  
 Questioned Costs: \$392,972

Condition, Continued:

<b>Direct Services:</b>	<b>1901MPCCDD</b>	<b>2001MPCCC3</b>
Expenditures	\$ <u>1,068,248</u>	\$ <u>88,728</u>
Admin 5%	(53,412)	(4,436)
Quality Activities 9%	(790,904)	(35,508)
Infant and Toddlers 3%	<u>(52,984)</u>	<u>(2,662)</u>
Remaining funds	\$ <u>170,948</u>	\$ <u>46,122</u>
Requirement 70%	\$ 119,664	\$ 32,285
Per general ledger (H9575H)	<u>(744)</u>	
Per general ledger (H0575H)		<u>(17,971)</u>
Underspent and questioned costs	\$ <u>118,920</u>	\$ <u>14,314</u>

Cause:

The CNMI did not effectively monitor compliance with applicable earmarking requirements.

Effect:

The CNMI is in noncompliance with applicable earmarking requirements, and questioned costs of \$392,972 result.

Recommendation:

The CNMI should periodically review changes in program requirements and established percentages and verify attendant compliance.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states disagreement, as follows:

Based on the actual ACF 696 report (attached) the following activities are met:

a. 1802MPCCDF			
Child Care Administration	-	\$ 205,866	(4.99 %)
Quality Activities	-	\$ 428,676	(10.38%)
Infant/Toddler Quality Activities	-	\$ 393,364	(9.52%)
Direct Services (Certificates)	-	\$ 3,016,858	(73.07%)
Total Expenditures	-	\$ 4,128,256	

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-050, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.575 Child Care and Development Block Grant  
Federal Award Nos.: 1802MPCCDF, 1901MPCCDD, 2001MPCCDF and 2001MPCCC3  
Area: Matching, Level of Effort, Earmarking  
Questioned Costs: \$392,972

Views of Responsible Officials, Continued:

- b. 1901MPCCDD - There should be no questioned cost as the grant is still open and active. Earmarking is only realized upon the end of the liquidation period and expiration of the grant.
- c. 2001MPCCDF - There should be no questioned cost as the grant is still open and active. Earmarking is only realized upon the end of liquidation period and expiration of the grant.
- d. 2001MPCCC3 - There should be no questioned cost as the grant is still open and active. Earmarking is only realized upon the end of liquidation period and expiration of the grant.

Auditor Response:

Our interpretation of the earmarking requirements differs from that of the CNMI. The CNMI appears to believe the earmarking requirements should be measured against the Federal funds awarded. However, the Code of Federal Regulations uses the word "expended," as opposed to "awarded." For instance, 45 CFR 98.54 (relative to administrative costs) states, "Not more than five percent of the aggregate *funds expended* [emphasis added] by the Lead Agency from each fiscal year's allotment...shall be expended for administrative activities." The requirements for the quality earmark and direct spending earmark likewise specify earmarking as a percentage of funds expended and not funds awarded. Therefore, CNMI should demonstrate compliance with earmarking requirements applicable to funds expended as of 09/30/2020. The ACF 696 report provided by CNMI was for FYE 09/30/2021.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-051  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.575 Child Care and Development Block Grant  
 Federal Award Nos.: 1802MPCCDF, 1901MPCCDD, 2001MPCCDF and 2001MPCCC3  
 Area: Special Tests and Provisions - Health and Safety Requirements  
 Questioned Costs: \$663,275

Criteria:

The Child Care Licensing program (CCLP) conducts two (2) unannounced inspections of licensed child care center providers to monitor compliance relative to the health, safety, and well-being of the children in care. Further, providers who are newly hired must complete a minimum of 18 hours of pre-service training hours no longer than 3 months from date of hire.

The CCLP also provides quarterly reports to the program administrator for her review and any appropriate action on information related to health and safety requirements of child care providers.

Condition:

Of five child care providers and licensed-exempt relative care tested, deficiencies were noted, as follows:

1. For three (or 60%), there were no unannounced inspections to licensed child care providers conducted from October 2019 through February 2020. Further, we noted grantor approval of a temporary waiver for inspections effective March 16, 2020, through the duration of the State declared emergency, not to exceed one year, due to the COVID-19 pandemic.

<u>Provider</u>	<u>Total Paid to Provider and Questioned Costs</u>
1	\$ 177,275
2	263,800
3	<u>222,200</u>
	\$ <u>663,275</u>

2. For one (or 20%), pre-service staff training hours were not met within three months from the date of hire. See details below.

	<u>Position</u>	<u>Date of Hire</u>	<u>Hours Completed</u>	<u>Hours Required</u>	<u>Deficient</u>
1	Child Care Aide (Floater)	11/05/19	-	18	18
2	Child Care Aide (Floater)	12/24/19	-	18	18

No questioned costs result as the amount is questioned at Condition 1.

Internal controls on information and communication were not effective as documentation was not provided that the CCLP provided quarterly reports to the program administrator for review and appropriate action.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-051, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.575 Child Care and Development Block Grant  
Federal Award Nos.: 1802MPCCDF, 1901MPCCDD, 2001MPCCDF and 2001MPCCC3  
Area: Special Tests and Provisions - Health and Safety Requirements  
Questioned Costs: \$663,275

Cause:

The CNMI scheduled all unannounced inspections in the latter part of the fiscal year from April to September 2020 for required inspections. Further, CNMI did not effectively monitor the pre-service training requirements for new staff.

Effect:

The CNMI is in noncompliance with special tests and provisions requirements for the required inspections and pre-service training requirements and questioned costs of \$663,275 exist for Condition 1.

Recommendation:

The CNMI should revisit and implement changes to procedures for the required inspections and pre-service training requirements.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states disagreement, as follows:

To correct the inaccuracy of this report, CCLP offers the following factual authority pursuant to the Northern Mariana Islands Administrative Code Subsections: 55-40.1-226 (Staff Training, Experience, and Personal Qualifications) (a) Each caregiver shall be qualified through training, experience, and personal qualities for the age group for which the person works. All childcare service staff must annually participate in at least 15 hours of training as approved and monitored by the Child Care Licensing Program. In reference to the preceding paragraph relative to the pre-service and the 3 - month deadline, this is not a Child Care Licensing Program requirement. CCLP recommends that the preparer of this report communicate factual information. This is misleading and flawed.

1. On August 2, 2022, CCLP Safety Inspector emailed the Auditor the calendar which indicated the scheduled days for the Announced and Unannounced Inspections. If one pays attention to the details of that calendar, one will see that Unannounced Inspections were not scheduled until the beginning of April 2020. To report that no Unannounced Inspections took place from October 2019 to February would be accurate but the insinuation that no inspection was conducted is very damaging to the Child Care Licensing Program.
2. Some reports were submitted. However, irrespective of this, even with the merger, the Child Care Licensing Program is under no obligation to provide the CCDF Administrator with a report. That requirement is directed to the Secretary of DCCA if he or she so requires it. The monitoring of the pre-service training is not a responsibility of the Child Care Licensing Program. Therefore, this reporting is both inaccurate and misleading.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-051, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.575 Child Care and Development Block Grant  
Federal Award Nos.: 1802MPCCDF, 1901MPCCDD, 2001MPCCDF and 2001MPCCC3  
Area: Special Tests and Provisions - Health and Safety Requirements  
Questioned Costs: \$663,275

Auditor Response:

1. The testing for the Health and Safety requirement applies only to unannounced inspections and the finding did not state that inspections were not conducted.
2. Based on the CCDF's State Plan, pre-service staff training hours are required to be met within three months from date of hire.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-052  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.767 Children's Health Insurance Program  
 Federal Award Nos.: 1905CQ5021 and 2005CQ5021  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$2,338,718

Criteria:

In accordance with applicable allowable costs/cost principles requirements, costs should be necessary and reasonable for the performance of the Federal award and be adequately documented. In addition, monthly interim certified public expenditures (CPE) should not be paid prior to the month it is due.

Condition:

Of twenty-eight nonpayroll expenditures tested, aggregating \$9,910,785 of a population of \$16,416,874, deficiencies were noted, as follows:

1. For one (or 4%), a transaction pertains to a \$2,175,000 prepayment made for a prescription drug that was represented to be urgently needed for a patient who was in an intensive care unit. However, the CNMI State Plan or Operational Plan does not state that prepayments for services or for prescription drugs are allowable. In addition, grantor approval of the prepayment was not obtained. Additionally, in accordance with the State Plan, the total allowable cost for on or off-island prescription drugs shall be the lesser of the Estimated Acquisition Cost (EAC), which is the average wholesale price (AWP) minus 10.5% plus a dispensing fee of \$4.67. However, 100% of the cost charged by the pharmacy was paid and documentation supporting the AWP price was not obtained; thus, the potential overpayment is undeterminable, for which no recovery effort has occurred. Further, there is no documentation on file to substantiate that the prescription drug was administered to the patient; accordingly, the entire \$2,175,000 is questioned.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Document No.</u>	<u>Amount Paid and Questioned Costs</u>
02/11/20	H0767C	1491418	\$ 2,175,000

2. For four (or 14%), monthly CPEs are being paid in the month due; however, the March 2020 to September 2020 CPEs were inappropriately prepaid. Grantor approval for the prepayments was not obtained. No questioned costs are presented as the total of \$7,330,572 in interim CPE payments was within approved interim CPE amounts.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Document No.</u>	<u>Monthly Interim CPE</u>	<u>Prepaid Amount</u>
02/20/20	H0767C	1492212	March 2020 and April 2020	\$ 725,629
02/20/20	H9767D	1492212	March 2020 and April 2020	\$ 674,020
04/02/20	H0767C	1495855	May 2020 - July 2020	\$ 2,099,473
04/14/20	H0767C	1496564	August 2020 - September 2020	\$ 1,399,649

3. For one (or 4%), the amount paid exceeded the allowable cost fee schedule.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-052, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.767 Children’s Health Insurance Program  
 Federal Award Nos.: 1905CQ5021 and 2005CQ5021  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$2,338,718

Condition, Continued:

General Ledger Date	Business Unit	Document No.	Date of Service	Product/Service Code	Quantity	Rate Per Service Provider	Rate Per Allowable Cost Fee Schedule	Amount Per Service Provider	Amount Per Allowable Cost Fee Schedule	Variance and Questioned Costs
12/20/19	H0767C	1485934	08/27/19	V2111	2	\$192.50	\$ 68.26	\$ 385	\$ 137	\$ 248

4. For one (or 4%), either the approved initial or updated off-island medical treatment authorizations (MTA) were not on file.

General Ledger Date	Business Unit	Document No.	Patient’s Case Numbers, Costs and Service Dates	Amount and Questioned Costs
06/26/20	H0767C	1544760	11-016054-00 for \$146,489 - updated MTA for 05/02/20 date of service 30-035056-00 for \$1,425 - initial MTA for 03/05/20-04/24/20 dates of service 13-002816-14 for \$15,556 - updated MTA for 03/19/20-03/20/20 dates of service	\$ 163,470

Cause:

The CNMI did not effectively monitor billings and lacks adequate monitoring procedures over claims and interim CPE processing and did not enforce recordkeeping controls in accordance with applicable allowable costs/cost principles requirements. Additionally, the CNMI has not arranged for sufficient follow-up activities to resolve the matter set forth in condition 1.

Effect:

The CNMI is in noncompliance with allowable costs/cost principles requirements, and questioned costs of \$2,338,718 exist.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$ 2,175,000
3	248
4	<u>163,470</u>
	<u>\$ 2,338,718</u>

Recommendation:

Responsible personnel should enforce policies and procedures over payment processing of interim CPEs and claims and over verification and monitoring of service provider billings for accuracy and are within the allowable cost fee schedule including recordkeeping controls. Additionally, based on the lack of a response regarding resolution of the matter set forth in condition 1, we recommend that the federal agency consider utilizing additional audit resources to assess the extent of the potential noncompliance.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-052, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.767 Children's Health Insurance Program  
Federal Award Nos.: 1905CQ5021 and 2005CQ5021  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$2,338,718

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-053  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.767 Children's Health Insurance Program  
 Federal Award No.: 2005CQ5021  
 Area: Special Tests and Provisions - Provider Eligibility (Screening and Enrollment)  
 Questioned Costs: \$-0-

Criteria:

In accordance with special tests and provisions requirements, service provider agreements are required and should be supported by a current CNMI business license and a CNMI or a U.S. license to practice medicine. In addition, providers in Hawaii or in off-island jurisdictions other than Guam, the CNMI Medicaid relies on the provider agreements in place for the Medicaid programs in the respective State(s).

Condition:

Of five service providers, aggregating \$2,874,347 of program costs of \$16,416,874, deficiencies were noted, as follows:

1. For one (or 20%), validity verification of a pharmacy's National Provider Identifier and whether the pharmacy has a provider agreement in place with the Medicaid Program in its respective State was not performed. In addition, validity verification of the pharmacist's licenses who dispensed the prescription drug was also not performed. No questioned cost is presented as the amount is questioned at Finding No. 2020-052, Condition 1.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Document No.</u>	<u>Amount</u>
02/11/20	H0767C	1491418	\$ 2,175,000

2. For one (or 20%), physician current licenses to practice covering the period services were performed, were not on file. No questioned cost is presented as the licenses that were subsequently obtained on 09/25/22 covered the period when services were performed.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Document No.</u>	<u>Patient's Case Number Reference</u>	<u>Licenses</u>	<u>Service Date</u>	<u>Amount</u>
06/26/20	H0767C	1544760	11-016054-00	All	03/03/20 - 03/13/20	\$ 13,950

Cause:

The CNMI lacks systematic filing of relevant documentation for service providers.

Effect:

The CNMI is in noncompliance with applicable special tests and provisions requirements.

Identification as a Repeat Finding:

Finding No. 2019-021

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-053, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.767 Children's Health Insurance Program  
Federal Award No.: 2005CQ5021  
Area: Special Tests and Provisions - Provider Eligibility (Screening and Enrollment)  
Questioned Costs: \$-0-

Recommendation:

Responsible personnel should maintain relevant documentation for service providers and physicians in accordance with special tests and provisions requirements.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-054  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.767 Children’s Health Insurance Program  
 Federal Award No.: 2005CQ5021  
 Area: Special Tests and Provisions - Refunding of Federal Share of CHIP  
 Overpayments to Providers  
 Questioned Costs: \$-0-

Criteria:

In accordance with the Special Tests and Provisions - Refunding of Federal Share of CHIP Overpayments to Providers requirements, States have up to one (1) year from the date of discovery of the overpayment to recover or attempt to recover the overpayment before the federal share must be refunded to CMS via Form CMS-64 Summary, Line 9C1-Fraud, Waste & Abuse Amounts, regardless of whether recovery is made from the provider. The federal share must be refunded to CMS via Form CMS-21 Summary, Line 4 - Adjustments Decreasing Claims - Collections. The State must credit the federal share to CMS either in the quarter in which the recovery is made or in the quarter in which the one-year period ends following discovery, whichever is earlier.

Condition:

Of nine CHIP overpayments to providers tested, aggregating \$3,359,542 of overpayments of \$3,361,558, deficiencies were noted, as follows:

1. For one (or 11%), 100% of the cost charged by the pharmacy was paid; however, in accordance with the State Plan, the total allowable cost for on or off-island prescription drugs shall be the lesser of the Estimated Acquisition Cost (EAC), which is the average wholesale price (AWP) minus 10.5% plus a dispensing fee of \$4.67. Documentation supporting the AWP price was not obtained; thus, the potential overpayment is undeterminable, for which recovery effort has also not been made. Further, the federal share of the potential overpayment has not been refunded and credited to CMS via Form CMS21. No questioned cost is presented as the amount is questioned at Finding No. 2020-052, Condition 1.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Document No.</u>	<u>Amount</u>
02/11/20	H0767C	1491418	\$ 2,175,000

2. For five (or 56%), the following overpayments were not refunded to CMS via Form CMS21. No questioned costs are presented for document nos. 1492212, 1495855 and 1496564 as the overpayments were deducted from the Medical Assistance Payment’s (CFDA No. 93.778) monthly interim CPEs and document no. 1544760 was deducted from the provider’s subsequent billings; thus, the overpayments were ultimately recovered which were deducted from subsequent drawdowns.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-054, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.767 Children’s Health Insurance Program  
 Federal Award No.: 2005CQ5021  
 Area: Special Tests and Provisions - Refunding of Federal Share of CHIP Overpayments to Providers  
 Questioned Costs: \$-0-

Condition, Continued:

General Ledger Date	Business Unit	Document No.	Description	Overpayment Amounts
02/20/20	H0767C	1492212	March 2020 - April 2020 CPEs	\$ 158,137
02/20/20	H9767D	1492212	March 2020 - April 2020 CPEs	\$ 146,812
04/02/20	H0767C	1495855	May 2020 - July 2020 CPEs	\$ 457,424
04/14/20	H0767C	1496564	August 2020 - September 2020 CPEs	\$ 304,949
06/26/20	H0767C	1544760	RCH20-12	\$ 232

3. For one (or 11%), the amount paid exceeded the allowable cost fee schedule, for which recovery effort has not occurred. Further, the federal share of the overpayment has not been refunded and credited to CMS via Form CMS21. No questioned cost is presented as the amount is questioned at Finding No. 2020-052, Condition 3.

General Ledger Date	Business Unit	Document No.	Date of Service	Product/Service Code	Quantity	Rate Per Service Provider	Rate Per Allowable Cost Fee Schedule	Amount Per Service Provider	Amount Per Allowable Cost Fee Schedule	Variance and Questioned Costs
12/20/19	H0767C	1485934	08/27/19	V2111	2	\$192.50	\$ 68.26	\$ 385	\$ 137	\$ 248

Cause:

The CNMI did not effectively monitor billings and lacks adequate monitoring procedures in place over overpayments of the federal share in accordance with applicable special tests and provisions - refunding of federal share of CHIP overpayments to providers.

Effect:

The CNMI is in noncompliance with applicable special tests and provisions - refunding of federal share of CHIP overpayments to providers.

Recommendation:

Responsible personnel should implement adequate monitoring procedures over claims processing and enforce policies and procedures over payment processing. In addition, responsible personnel should initiate recovery of the potential overpayments to be refunded to CMS via Form CMS21.

Views of Responsible Officials:

The CNMI’s Corrective Action Plan states agreement.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-055  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.778 Medical Assistance Program  
 Federal Award No.: 2005CQ5MAP  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$74,499

Criteria:

In accordance with applicable allowable costs/cost principles requirements, costs should be necessary and reasonable for the performance of the Federal award and be adequately documented. In addition, monthly interim certified public expenditures (CPE) should not be paid prior to the month it is due.

Condition:

Of twenty-eight nonpayroll expenditures tested, aggregating \$19,940,732 of a population of \$38,538,047, deficiencies were noted, as follows:

- For three (or 11%), monthly CPEs are being paid in the month it is due; however, the April 2020 to September 2020 CPEs were inappropriately prepaid. Grantor approval for the prepayments was not obtained. No questioned costs are presented as the total of \$21,790,184 in CPE payments made were within the approved interim CPE amounts.

General Ledger Date	Business Unit	Document No.	Monthly Interim CPE	Prepaid Amounts
03/23/20	H0778D	1495353	April 2020	\$ 1,469,719
04/02/20	H0778D	1495853	May 2020 to July 2020	\$ 4,738,516
04/14/20	H0778D	1496562	August 2020 & September 2020	\$ 3,159,011

- For three (or 11%), approved updated off-island medical treatment authorizations were not on file. No questioned costs are presented for case no. 14-035394-00 as there were no benefits paid during FY2020.

General Ledger Date	Business Unit	Document No.	Patient's Case Nos., Costs and Service Dates	Amount and Questioned Costs
06/25/20	H0778D	329615	13-002615-00 for \$6,895 - 11/25/19 to 11/27/19 13-002613-13 for \$7,338 - 12/10/19 to 12/16/19 14-010259-12 for \$156 - 12/02/19	\$ 14,389
06/25/20	H0778D	329615	12-012486-00 for \$10,851 - 11/26/19 11-021189-00 for \$821 - 12/13/19 - 12/16/19 13-002816-14 for \$40,913 - 12/27/19 - 02/18/20	52,585
N/A	N/A	N/A	14-035394-00 for \$0 - 06/04/20 - 06/05/20	—
				<u>\$ 66,974</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-055, Continued  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.778 Medical Assistance Program  
 Federal Award No.: 2005CQ5MAP  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$74,499

Condition, Continued:

3. For two (or 7%), the amount paid exceeded the allowable cost fee schedule.

General Ledger Date	Business Unit	Document No.	Product / Service Code	Quantity	Rate Per Service Provider	Patient's Case Numbers, Costs Per Service Provider and Service Dates	Rate Per Allowable Cost Fee Schedule	Amount Per Allowable Cost Fee Schedule	Variance and Questioned Costs
12/20/19	H0778D	1485966	90999G2V7	13	\$902	13-01029-001 for \$4,997 (\$11,726 less \$6,729 contractual adjustment) - 11/02/19 to 11/30/19	\$100.26 (\$235.27 x 42.6144%)	\$ 1,303	\$ 3,694
			90999G3V5	13	\$902	16-013142-00 for \$4,928 (\$11,726 less \$6,798 contractual adjustment) - 11/01/19	\$98.88 (\$235.27 x 42.0296%)	\$ 1,285	3,643
09/18/20	H0778D	1559587	76705	1	\$252	30-010943-00 for \$188 - 06/24/19	\$ 64	\$ 64	<u>188</u>
									\$ <u>7,525</u>

Cause:

The CNMI did not effectively monitor billings and lacks adequate monitoring procedures in place over claims and interim CPE processing and did not enforce recordkeeping controls in accordance with applicable allowable costs/cost principles requirements.

Effect:

The CNMI is in noncompliance with allowable costs/cost principles requirements, and questioned costs of \$74,499 exist.

<u>Condition</u>	<u>Questioned Costs</u>
2	\$ 66,974
3	<u>7,525</u>
	\$ <u>74,499</u>

Recommendation:

Responsible personnel should enforce policies and procedures over payment processing of interim CPEs and claims and over verification and monitoring of service provider billings for accuracy and that such comply with the allowable cost fee schedule. Additionally, recordkeeping controls should be complied with.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-056  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.778 Medical Assistance Program  
Federal Award Nos.: 1905CQ1323, 2005CQ5MAP, 2005CQ5ADM, 2005CQ1935, 2005CQIMPL,  
2005CQINCT, 2005CQMMIS, 1905CQ5ADM and 1905CQMMIS  
Area: Special Tests and Provisions - ADP Risk Analysis and System Security  
Review  
Questioned Costs: \$-0-

Criteria:

In accordance with applicable special tests and provisions requirements, State agencies must establish and maintain a program for conducting periodic risk analyses to ensure appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. On a biennial basis, State agencies shall review the ADP system security of installations involved in the administration of HHS programs. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices. The State agencies shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews (45 CFR section 95.621).

Condition:

The biennial review of the Program's ADP system security was not performed.

Cause:

The CNMI lacked monitoring procedures in place to make certain that the biennial review of the Program's ADP system security is being performed.

Effect:

The CNMI is in noncompliance with special tests and provisions requirements for the biennial ADP system security review. No questioned costs are presented as we are unable to quantify the extent of noncompliance.

Identification as a Repeat Finding:

Finding No. 2019-022

Recommendation:

The responsible CNMI personnel should enforce policies and procedures over the biennial review of the Program's ADP system security.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-057  
 Federal Agency: U.S. Department of Health and Human Services  
 CFDA Program: 93.778 Medical Assistance Program  
 Federal Award No.: 2005CQ5MAP  
 Area: Special Tests and Provisions - Provider Eligibility (Screening and Enrollment) and Provider Health and Safety Standards  
 Questioned Costs: \$99,547

Criteria:

In accordance with applicable special tests and provisions requirements for provider eligibility (screening and enrollment) and provider health and safety standards, providers of medical services must be licensed in order to participate in the Medicaid program.

Condition:

For two (or 40%) of five service providers tested, aggregating \$284,946 of program costs of \$37,018,404, three physician current licenses to practice were not on file covering the period services were performed. No questioned costs are presented for Document No. 1485966 as the effective dates of the physician’s licenses that were subsequently obtained on July 20, 2022, covered the period when services were performed.

General Ledger Date	Business Unit	Document No.	Billing Reference No.	Patient’s Case Numbers and Service Dates	Licenses	Amount and Questioned Costs
06/25/20	H0778D	329615	RCH20-07 RCH20-08r	14-009955-11 for 01/26/20 - 02/09/20 12-005016-11 for 01/31/20 - 02/14/20	All	\$ 62,217 37,330
12/20/19	H0778D	1485966	SJ20-06	13-01029-001 for 11/02/19 - 11/30/19 16-013142-00 for 11/01/19	Health Care Professions Licensing Board, Controlled Substance/Regulated Chemical Registration Certificate (DEA Registration) and National Provider Identifier (NPI)	- <u>\$ 99,547</u>

Cause:

The CNMI lacks systematic filing of relevant documentation for service providers.

Effect:

The CNMI is in noncompliance with applicable special tests and provisions requirements and questioned costs of \$99,547 result.

Identification as a Repeat Finding:

Finding No. 2019-023

Recommendation:

Responsible personnel should maintain required documentation for service providers and physicians in accordance with special tests and provisions requirements for provider eligibility and provider health and safety standards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-057, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.778 Medical Assistance Program  
Federal Award No.: 2005CQ5MAP  
Area: Special Tests and Provisions - Provider Eligibility (Screening and Enrollment) and Provider Health and Safety Standards  
Questioned Costs: \$99,547

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-058  
 Federal Agency: U.S. Department of Homeland Security  
 CFDA Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
 Federal Award No.: FEMA-4511-DR  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$2,167,425

Criteria:

The CNMI Government is responsible for making determinations as to what expenditures are necessary due to the COVID-19 public health emergency pursuant to Section 312 of Stafford Act. FEMA will not approve PA funding that duplicates funding or assistance provided by another Federal agency, including the U.S. Department of HHS, Centers for Disease Control and Prevention, and the U.S. Department of Agriculture.

Condition:

Of sixteen nonpayroll expenditures tested, aggregating \$15,659,556, two expenditures (or 13%) were also charged to the CARES Act CRF Program. In addition, as discussed at Finding no. 2020-041, Condition 4, we noted two other expenditures (document nos. 699055 and 698924) charged to both programs.

FEMA Expenditures						CRF Expenditures				
General Ledger Date	Business Unit	Document No.	Explanation	Amount	% Charged to FEMA	Transaction Date	Business Unit	Document No.	Amount	% Charged to CRF
09/28/20	M4511E	332517	698925/893940	\$ 937,500	75%	04/27/20	1699J	698925	\$ 1,250,000	100%
09/28/20	M4511E	332517	698974/256036	750,000	75%	09/24/20	1699J	698974	1,000,000	100%
09/28/20	M4511E	332517	699055/256035	457,500	75%	09/24/20	1699J	699055	610,000	100%
09/28/20	M4511E	332517	698924/893870	<u>22,425</u>	75%	04/23/20	1699J	698924	<u>29,900</u>	100%
				\$ <u>2,167,425</u>						\$ <u>2,889,900</u>

Cause:

The cause of the above condition is the lack of monitoring controls over the usage of Federal funding.

Effect:

The CNMI is in noncompliance with allowable costs/cost principles requirements and questioned costs of \$2,167,425 exists.

Recommendation:

The CNMI should establish and implement monitoring control over the usage of Federal funding and periodically review the recordation of Federal expenditures.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-059  
 Federal Agency: U.S. Department of Homeland Security  
 CFDA Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
 Federal Award No.: B-4511DRMPP1SMR500  
 Area: Period of Performance  
 Questioned Costs: \$675,000

Criteria:

In accordance with applicable period of performance requirements, a non-Federal entity shall not incur costs under the award prior to the start of the period of performance unless authorized by the federal awarding agency.

Condition:

Of twenty-nine subsequent expenditures tested, totaling \$26,031,900 of a total population of \$37,155,313, for one (or 3%), the obligation occurred prior to the start of the budget date of 04/01/20. Grantor authorization was not provided.

Business Unit	Document No.	General Ledger Date	Beginning Budget Period	Purchase Order Date	Check No.	Check Clearance Date	Questioned Costs
M4511E	333968	11/20/20	04/01/20	03/29/20	22209185	03/30/20	\$ 675,000

Cause:

The CNMI did not effectively monitor compliance with applicable period of performance requirements.

Effect:

The CNMI is in noncompliance with period of performance requirements, and questioned costs of \$675,000 result.

Identification as a Repeat Finding:

Finding No. 2019-024

Recommendation:

Responsible personnel should monitor the project worksheet to verify that costs were not incurred prior to the start of the period of performance unless otherwise authorized by the federal awarding agency.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-060  
Federal Agency: U.S. Department of Homeland Security  
CFDA Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
Federal Award Nos.: FEMA-4235-DR and FEMA-4404-DR  
Area: Subrecipient Monitoring  
Questioned Costs: \$-0-

Criteria:

In accordance with applicable subrecipient monitoring requirements, pass-through entities must establish and implement subrecipient monitoring policies and procedures. A pass-through entity (PTE) is responsible for:

- At the time of the award, clearly identifying to the subrecipient all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award;
- Monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved;
- Ensuring that subrecipients expending \$750,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years beginning on or after December 26, 2014 have met the audit requirements of 2 CFR part 200, subpart F and that the required audits are completed within 9 months of the end of the subrecipient's audit period;
- Ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings; and
- Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

Condition: Tests of subrecipient monitoring noted the following:

1. Control procedures to monitor subrecipient compliance with applicable laws, regulations, and provisions of contracts and grant agreements were not evident.
2. For two (or 100%) of two subrecipients tested (CUC and CPA), the program did not include the following required information in the subrecipient agreements for the subrecipient to be aware of the award information, and for the PTE to comply with Federal statutes, regulations, and the terms and conditions of the award, as follows:
  - Subrecipient's Data Universal Numbering System (DUNS) number
  - Amount of federal funds obligated by this action
  - Total amount of federal funds obligated to the subrecipient
  - Total amount of the federal award
  - CFDA number and name; the PTE must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement
  - Identification of whether the award is R&D
  - Indirect cost rate for the Federal award



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-060, Continued  
Federal Agency: U.S. Department of Homeland Security  
CFDA Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
Federal Award Nos.: FEMA-4235-DR and FEMA-4404-DR  
Area: Subrecipient Monitoring  
Questioned Costs: \$-0-

Condition, Continued:

3. For one (or 50%) of two subrecipients audits tested, the FY2020 audit of CUC uploaded to the CNMI OPA website includes three grant related findings; however, there is no evidence that a procedure was implemented by the CNMI to determine that the subrecipient takes timely and appropriate corrective action on all audit findings.
4. For subrecipients audits tested, there was no evidence that a procedure was implemented to determine that subrecipients expending \$750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of 2 CFR part 200, subpart F and that the required audits are completed within nine months of the end of the subrecipient's audit period.

Cause:

The CNMI failed to enforce compliance with subrecipient monitoring requirements.

Effect:

The CNMI is in noncompliance with applicable subrecipient monitoring requirements. No questioned costs are presented as we are unable to quantify the extent of the noncompliance.

Identification as a Repeat Finding:

Finding No. 2019-025

Recommendation:

The responsible personnel should consider obtaining training in the area of subrecipient monitoring and establishing and implementing policies and procedures over compliance with applicable subrecipient monitoring requirements.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-061  
 Federal Agency: U.S. Department of Homeland Security  
 CFDA Program: 97.039 Hazard Mitigation Grant Program (HMGP)  
 Federal Award No.: B-4235DRMPP5SMR500  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$205,071

Criteria:

In accordance with applicable allowable costs/cost principles requirements, costs should be necessary and reasonable for the performance of the Federal award and be adequately documented.

Condition:

Test of program expenditures noted the following:

1. Of twenty-two nonpayroll expenditures tested, aggregating \$2,862,795 of a total population of \$3,080,521, for one (or 5%), the expenditure was incurred before it was obligated.

<u>Business Unit</u>	<u>Object Account</u>	<u>General Ledger Date</u>	<u>Doc Type</u>	<u>Document No.</u>	<u>Amount and Questioned Costs</u>	<u>Obligating Document No.</u>	<u>Date</u>	<u>Invoice Date</u>	<u>Days Lapsed</u>
M142352	65400	10/24/19	PV	1479753	\$ 200,695	690618-OM	10/24/19	09/19/19	35

Of six payroll expenditures tested, aggregating \$27,025 of a total population of \$271,230, the following were noted:

2. For one (or 17%), the timesheet for employee 859758 for the pay period ending 02/15/20 was not provided. Payroll costs charged to the business unit totaled \$1,923. No questioned cost is presented as the cost is questioned at Condition 3.
3. For two (or 33%), the NOPA did not list the business unit associated with the program.

<u>Employee No.</u>	<u>Pay Period Ended</u>	<u>Chargeable Account</u>	<u>Percentage</u>	<u>Questioned Costs</u>
882572	10/12/19	1014.61100	100%	\$ 1,259
859758	06/17/20	5649F.61100, 5649G.61100, 5649H.61100	25%, 25%, 50%	<u>1,923</u>
				<u>\$ 3,182</u>

4. For one (or 17%), the payroll labor distribution report did not agree to general ledger details.

<u>Business Unit</u>	<u>Object Account</u>	<u>General Ledger Date</u>	<u>Document Type</u>	<u>Document No.</u>	<u>Amount</u>	<u>Per Payroll Labor Distribution Report</u>	<u>Variance and Questioned Costs</u>
M44040	61100	09/26/20	T2	12851	\$ 10,261	\$ 9,067	\$ 1,194

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-061, Continued  
 Federal Agency: U.S. Department of Homeland Security  
 CFDA Program: 97.039 Hazard Mitigation Grant Program (HMGP)  
 Federal Award No.: B-4235DRMPP5SMR500  
 Area: Allowable Costs/Cost Principles  
 Questioned Costs: \$205,071

Condition, Continued:

5. For four (67%), time allocation as stated in the NOPA could not be supported. No questioned costs are presented as we are unable to quantify the extent of noncompliance.

<u>Pay Period Ended</u>	<u>Employee No.</u>	<u>Chargeable Account</u>	<u>Effective Date</u>	<u>Approved Date</u>	<u>Percentage</u>
04/25/20	956491	M42351.61100, M44040.61100	04/01/20	04/15/20	15%, 85%
02/15/20	859758	5649F.61100, 5649G.61100, 5649H.61100	01/01/20	01/09/20	25%, 25%, 50%
08/01/20	937716	M42351.61100, M44040.61100	04/01/20	04/15/20	15%, 85%
09/26/20	253855	M42351.61100, M44040.61100	04/01/20	04/15/20	15%, 85%

Cause:

The CNMI did not effectively safeguard underlying supporting documents to substantiate costs charged. Further, the CNMI did not monitor the obligation of expenditures before expenditures were incurred.

Effect:

The CNMI is in noncompliance with allowable costs/cost principles requirements and questioned costs of \$205,071 result.

<u>Condition</u>	<u>Questioned Costs</u>
1	\$ 200,695
3	3,182
4	<u>1,194</u>
	\$ <u>205,071</u>

Recommendation:

Responsible CNMI personnel should safeguard underlying supporting documents to substantiate costs charged. Further, the CNMI should monitor the obligation of expenditures before expenditures are incurred.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-062  
Federal Agency: U.S. Department of Transportation  
CFDA Program: 20.205 Highway Planning and Construction  
Federal Award No.: CM-NH-ER-15 (002)  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Criteria:

In accordance with applicable procurement regulations, procurement transactions shall provide for full and open competition that is best suited to the circumstances. All government procurement shall be awarded by competitive sealed bidding except under circumstances permitting other than full and open competition.

In accordance with CNMI Procurement Regulations § 70-30.3-205 Competitive Sealed Bidding (f) Public Notice. The PS Director shall advertise the invitation for bids in a newspaper of general circulation in the Commonwealth at least once in each week from the time the solicitation is issued, including the week when the bidding period expires.

Condition:

For one contract (636623-OC), the CNMI awarded a contract to a vendor without resolution of the following noncompliance with bidding and post-bid requirements as required by the CNMI Office of the Attorney General.

- I. Bidding Requirements:
  - A. Failure to prove that Bid Bond Issuer (Surety) holds a Certificate of Authority from the U.S. Secretary of the Treasury.
  - B. Misrepresentation of information on the Major Shareholders Disclosure Affidavit.
    - i. Contractor failed to disclose the natural person shareholder(s) of the subsidiary company that was awarded the contract.
    - ii. Express misrepresentation on an affidavit.
- II. Post-Bid Requirements:
  - A. Issues with the Contractor's Subcontractor and/or Employee Disclosure and Davis-Bacon Compliance Form.
  - B. Failure to Prove that Both the Performance Bond Issuer (Surety) and the Payment Bond Issuer (Surety) Hold Certificates of Authority from the U.S. Secretary of the Treasury.

In addition, newspaper clippings or equivalent evidencing adequate public notices was not provided.

Cause:

The cause of the above condition is the lack of adherence to established policies and procedures regarding compliance with procurement requirements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2020

Finding No.: 2020-062, Continued  
Federal Agency: U.S. Department of Transportation  
CFDA Program: 20.205 Highway Planning and Construction  
Federal Award No.: CM-NH-ER-15 (002)  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$-0-

Effect:

The CNMI is in noncompliance with procurement regulations. No questioned costs result as we are unable to quantify the extent of noncompliance.

Recommendation:

We recommend that the CNMI comply with procurement regulations.

Views of Responsible Officials:

The CNMI's Corrective Action Plan states agreement.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Unresolved Prior Year Findings and Questioned Costs  
Year Ended September 30, 2020

Questioned Costs

The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs that were unresolved at September 30, 2020:

Questioned costs as previously reported:

Fiscal year 2019	\$ 3,739,720
Fiscal year 2018	369
Fiscal year 2017	1,393,892
Fiscal year 2016 and prior	<u>18,922,784</u>

24,056,765

Less questioned costs resolved in fiscal year 2020:

Questioned costs resolved per USDHHS email correspondence dated 09/04/20:

Fiscal year 2018 Single Audit	(369)
Fiscal year 2017 Single Audit	(4,558)
Fiscal year 2016 Single Audit	(8,300)
Fiscal year 2015 Single Audit	(101,528)
Fiscal year 2014 Single Audit	(448,187)
Fiscal year 2013 Single Audit	(21,816)
Fiscal year 2012 Single Audit	(13,888)
Fiscal year 2011 Single Audit	(307,310)
Fiscal year 2010 Single Audit	(256,341)
Fiscal year 2009 Single Audit	(572,356)
Fiscal year 2008 Single Audit	(198,937)
Questioned costs of fiscal year 2016 Single Audit (a)	(112,817)
Questioned costs of fiscal year 2015 Single Audit (a)	<u>(62,464)</u>

21,947,894

Questioned costs of fiscal year 2020 Single Audit 47,874,171

Unresolved questioned costs at September 30, 2020 \$ 69,822,065

- (a) 2 CFR § (b)(3) - questioned costs are treated as resolved as the CNMI considers these findings are no longer valid or do not warrant further action as 1) Two years have passed since the audit report in which the finding occurred was submitted to the FAC; 2) The Federal agency or pass-through entity is not currently following up with the CNMI on the audit finding; and 3) A management decision was not issued.



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**Finding No.:** 2020-001  
**CFDA Program:** N/A  
**Area:** External Financial Reporting  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The Department of Finance, Office of the Public Auditor, and Grants Management Office are continuing to work together to explore methods to improve the timeliness of the Component Unit's (CUs) audits so that they may be included in the Single Audit.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-002  
**CFDA Program:** N/A  
**Area:** Cash and Cash Equivalents  
**Contact Person(s):** Bernadita Palacios, Director, Div. of Finance & Accounting  
**Corrective Action Plan:**

The CNMI agrees to the recommendations and should establish policies and procedures over the timely reconciliation and adjustment of bank accounts and cash clearing accounts and over the updating of the bank account signatories.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-003  
**CFDA Program:** N/A  
**Area:** Receivables  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
Velma Palacios, Program Director, NMI Retirement Fund

**Corrective Action Plan:**

The CNMI agrees with the recommendation. DOF in collaboration with NMIRF are working on a process of updating and recording these receivables. Discussions were made and that the funds in question should have been booked in 2019. The account that could possibly be used would for the transfer would be the account 1000.12000 into the CNMI MUNIS system. DOF and NMIRF are working to process the transfer, but has agreed that we need to establish and implement policies and procedures for this transfer.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-004  
**CFDA Program:** N/A  
**Area:** Receivables – OPA Fees  
**Contact Person(s) :** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
David Blake, Audit Manager, Office of the Public Auditor

**Corrective Action Plan:**

The CNMI agrees with the recommendation and should record and reconcile based on updated calculations. The component units dispute the receivables, and the Department of Finance will engage with the component units to determine the collectability of prior years.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-005  
**CFDA Program:** N/A  
**Area:** Advances  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
Bernadita Palacios, Director, Div. of Finance & Accounting

**Corrective Action Plan:**

Condition 1: The CNMI agrees with the recommendation and will work with the Division of Finance & Accounting to review existing policies and procedures as recommended in relation to advances for those goods and/or services likely being received within a short period of time. Furthermore, DOF will investigate and properly monitor, make timely adjustments, and efficiently document and file upon receipt of those goods and services.

Condition 2: The CNMI agrees with the recommendation and will work with the Division of Finance & Accounting to ensure that responsible personnel should support documents for all travel advances. Furthermore, DOF will regularly review travel advances to ensure compliance with travel policies.

**Proposed Completion Date:** Ongoing





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**Finding No.:** 2020-006  
**CFDA Program:** N/A  
**Area:** Tax Rebates Payable  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

1. DRT disposed of physical tax returns dating tax year 2009 and prior. The Compliance-Records Section is developing policies and procedures to track tax returns within office and storage areas.

DRT continues to address challenges from manual data entry of tax returns that have the inherent risk of entry errors. Variances in the rebate payable per report and tax return may also be due to system processing based on matching algorithms and thresholds that hold returns for further review and inspection. DRT's reported estimated tax rebate payable includes unassessed returns with system calculated amounts. DRT will continue to address challenges in conducting periodic reviews of estimated tax payable amounts.

In regards to QC program recipients, DRT is implementing procedures to accurately reflect the tax rebate rate based on the QC agreement. The development of the new tax system will take this process into consideration.

2. DRT accepts this finding and will implement changes in the development of the new tax system in 2023.
3. DRT does not agree to this finding as we have determined the taxpayer was correctly paid based on the claim on Schedule 8812- Credits for Qualifying Children and Other Dependents. However, DRT agrees to the extent that further development is needed to update the printing function for tax returns to accurately reflect data that is entered into the tax system. DRT will address standard procedures used to assist taxpayers for necessary improvements.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-007  
**CFDA Program:** N/A  
**Area:** Notes Payable – Judicial Building Loan  
**Contact Person(s):** Alexander Castro, Chief Justice, CNMI Judiciary  
John Villagomez, Budget and Finance Director,  
CNMI Judiciary  
Tracy B. Norita, Acting Secretary of Finance, Dept of Finance

**Corrective Action Plan:**

The CNMI is following PL 9-3 to the extent that it can and is transferring funds as required by law. Urgent priorities throughout the year have resulted in the non-transfer of appropriated funds before the end of the fiscal year. The CNMI will continue work to ensure that the funding is remitted to pay the outstanding obligation.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-008  
**CFDA Program:** N/A  
**Area:** Compensated Absences  
**Contact Person(s):** Bernadita Palacios, Director, Div. of Finance & Accounting

**Corrective Action Plan:**

DOF agrees with the recommendation and that personnel should record valid charges as compensated absences payable. Currently annual leave is reviewed at the end of the calendar year and amounts more than 360 hours are transferred over to sick leave. DOF to explore updating the processes to include a mid-year review and to timely update payroll records.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-009  
**CFDA Program:** N/A  
**Area:** Due to Component Units  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance

**Corrective Action Plan:**

DOF will accept the audit adjustments based on the audited financial statements to each of the financial reports. DOF will work with the CUs to develop a systematic approach to reconcile differences in a timely manner.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-010  
**CFDA Program:** N/A  
**Area:** Interfund Transactions and Balances  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
Connie Agulto, CNMI Treasurer

**Corrective Action Plan:**

The CNMI accepts the proposed audit adjustments and has agreed that it should timely monitor, review and reconcile interfund transactions as recommended. Furthermore, the CNMI will work with Treasury in ways to effectively apply monitoring controls for these transactions.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-011  
**CFDA Program:** N/A  
**Area:** Other Liabilities and Accruals  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
Connie Agulto, CNMI Treasurer

**Corrective Action Plan:**

The CNMI has agreed to the recommendation and are working to establish and implement adequate policies and procedures to record liabilities in the correct fiscal year.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-012  
**CFDA Program:** N/A  
**Area:** Net Pension Liability  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance

**Corrective Action Plan:**

The CNMI agrees to the recommendations and that it should obtain audited NMISF based on GASB Statement Nos. 68 and 73 required schedules to determine the net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources, as applicable as of September 30, 2020.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-013  
**CFDA Program:** N/A  
**Area:** Interim Pension Obligation Bond  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
Connie Agulto, CNMI Treasurer

**Corrective Action Plan:**

The CNMI agrees with the proposed audit adjustments from the interim pension obligation bond account. Therefore, the CNMI also agrees that we should establish adequate monitoring procedures to make certain that applicable loan and interim bond requirements are met per the Pension Obligation Bond Credit Agreement.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-014  
**CFDA Program:** N/A  
**Area:** Fund Balance  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
Bernadita Palacios, Director, Division of Finance & Accounting

**Corrective Action Plan:**

The CNMI agrees with the recommendation and that the responsible DOF personnel should provide supporting documents for all encumbrances with updating encumbrances for actual expenditures. DOF to examine the validity of long outstanding encumbrances and debit balances, as well as take reasonable steps to timely adjust the subsidiary ledger to include valid fund balances at the end of the year.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-015  
**CFDA Program:** N/A  
**Area:** Purchase/Disbursements  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
Bernadita Palacios, Director, Division of Finance & Accounting  
Frank Aguon, Director, Division of Procurement Services

**Corrective Action Plan:**

The CNMI agrees with that recommendation and are continuing to work with the responsible DOF personnel on how to comply with our CNMI's procurement regulations effectively and efficiently, as well as in compliance with the control public funds and to maintain complete documentations for all applicable expenditures.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-016  
**CFDA Program:** N/A  
**Area:** Economic Impact Payment  
**Contact Person(s) :** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The CNMI agrees to the proposed audited adjustments for the Economic Impact Payment (EIP). Therefore, we have agreed that there is a need to continue to work on ways to timely reconcile EIP funding and disbursements and ascertain that these transactions are properly recorded.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-017  
**CFDA Program:** N/A  
**Area:** Other Revenues  
**Contact Person(s) :** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
Bernadita Palacios, Director, Division of Finance & Accounting  
Connie Agulto, CNMI Treasurer

**Corrective Action Plan:**

The Department of Finance is in the process of transitioning into our new financial management system called the MUNIS, which is end user friendly. The new system was established to effectively implement and monitor controls to confirm that documents are properly maintained and safeguarded. Work has begun for the transition into the new financial management system and are continuing to work on ways to record and document revenues effectively and efficiently, which went live since October 2021.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-018  
**CFDA Program:** N/A  
**Area:** Commonwealth Healthcare Corporation  
**Contact Person(s):** Esther Muna, CEO, Commonwealth Healthcare Corp.  
Pearl Santos, CFO, Commonwealth Healthcare Corp.  
Tracy B. Norita, Acting Secretary of Finance, Dept of Finance

**Corrective Action Plan:**

The Office of Grants Management received approval from the federal grantor (Office of Insular Affairs) for a transfer of expenses to BU I9875M for payment of prior incurred expenses by the CNMI government. In relation to procurement regulation compliance, the grant award did stipulate that procurement regulations must be adhered to, however, as the expenses were initially recorded under previous BU's (1694 and 1365), the procurement process should have already been completed.

With that, the CNMI agrees with the recommendation and will ensure that the responsible personnel monitors and enforces compliance with applicable procurement requirements, to include, a complete review of procurement files for completeness.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-019  
**CFDA Program:** N/A  
**Area:** CNMI Workers' Compensation Commission  
**Contact Person(s):** Edward M. Deleon Guerrero, Secretary of Commerce,  
Dept of Commerce  
Tracy B. Norita, Acting Secretary of Finance, Dept of Finance

**Corrective Action Plan:**

Condition 1:

The Office of Management and Budget agrees to this finding. The semi-annual report has been completed and prepared for the respective fiscal year. The program obtained the established schedule from the federal agency and reminders have been set prior to report due dates.

Condition 2:

The Office of Management and Budget agrees to this finding. OMB will coordinate the journal entry to transfer excess expenditure in business unit I17CID. OMB will communicate with the respective recipients to liquidate the remaining balances in business units I17CIC, I17CIE, I17CIF, I17CIK, and I17CIL for the services provided to FAS citizens. OMB will amend the SF 425 to reflect corrections on actual expenditures recorded.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-020  
**CFDA Program:** N/A  
**Area:** CNMI Group Health and Life Insurance  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
Velma Palacios, Program Director, NMI Retirement Fund

**Corrective Action Plan:**

The CNMI agrees to the recommendation. NMIRF will book the amounts in Peachtree to MUNIS as a liability for the full amount for FY 2022. The accounts in MUNIS that are to be utilized will be the 5000.21500 for Life Insurance and 5000.21600. These are the corresponding accounts in JDE. NMIRF and DOF will need to have further discussions on how the entries will be made for FY 2023 into MUNIS.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-021  
**CFDA Program:** N/A  
**Area:** CNMI Local Noncompliance  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance

**Corrective Action Plan:**

Responsible DOF personnel should examine issues attendant to the over expenditures and should assess the propriety of budgeted levels.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-022  
**CFDA Program:** N/A  
**Area:** Schedule of Expenditures of Federal Awards  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance

**Corrective Action Plan:**

The CNMI should prepare SEFA in accordance with federal requirements. Also, the CNMI should establish and implement monitoring controls to periodically review the SEFA during the fiscal year for accuracy and completeness.

**Proposed Completion Date:** Ongoing





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**Finding No.:** 2020-023  
**CFDA Program:** 10.539 CNMI Nutrition Assistance Program  
**Area:** Eligibility  
**Questioned Costs:** \$20,901  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance/  
Moises Muna and Vanessa Andres, Certification Unit Supervisor

**Corrective Action Plan:**

Nutrition Assistance Program Certification Unit agrees with Deloitte & Touche LLC's recommendation. Certification Unit will create a checklist for application processing. Certification Unit will also conduct training highlighting the importance of documenting changes and printing of Notice of Disposition and required signatures. The FY2020 Audit conducted by Deloitte & Touche LLC was conducted during a one-month process from November 2022 to December 2022 with findings presented to the Nutrition Assistance Program Unit's Principal Staff. During the audited year, Nutrition Assistance Program Certification Unit was transitioning from the Y2K database system to Maven system program and went live with Maven on April 22, 2019. This was a new process for the Certification Unit team.

1. The application form was either (a) not properly filled out to indicate if the household is a new applicant, an ongoing applicant, or an applicant that is re-applying for benefits; (b) not signed or dated by the applicant/head-of-household/authorized presentative, eligibility worker or both. Application forms and documents must be properly filled out in their entirety and be signed by both the applicant and the case worker. In addition, Nutrition Assistance Program (NAP) Certification Unit (CU) application must be completely filled out.
  - a. USDA-FNS requires data collection for statistics and reporting the number and types of application (new, ongoing and re-apply) received and processed for statistical data reporting. Additional training for eligibility workers shall be conducted highlighting the importance of the application type.
  - b. Addresses signature and certification from head-of-household, authorized representative and eligibility workers.
    - i. Resolution: conduct training with EWs to reinforce the importance of the required signatures for the applicable documents. In addition, is reinstate Certification Unit Supervisor's final review for benefit distribution. Eligibility workers shall make eligible determination and Certification Unit Supervisor shall approve benefit distribution.
2. Lack of documentation pertaining to "...either one or two pages or the entire application with residence map was not provided and documents supporting income" must and shall be obtained by the eligibility workers prior to making a final determination on any application received by the Certification Unit. In the questioned application case, seven household members were listed on the written application, however, the Notice of Disposition listed only four household members. This can be explained by only eligible household members are listed on the notice of disposition and the other household members may have been noneligible household members. Discovery of additional information can result in changes in household composition. Training shall be conducted instructing EWs





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to thoroughly review submitted documents for completeness and accuracy. Upon reviewing any changes from the written application shall be documented on either the application or case notes or both. All eligibility workers must and shall review and print out the notice of disposition indicating reported qualifying and eligible household members. And shall be reviewed by the client and the EW for completeness and accuracy and signed by both.

3. The name and social security number of the head-of-household does not match Management and Evaluation Unit's disposition review and eligibility disposition. There is only certain condition that the listed head-of-household would be changed; (1) head-of-household could have been determined to work register and failed to comply, resulting in suspension. The next eligible adult household member shall assume the head-of-household role. Hence, all the adult household members sign the three waivers (Authorization for Release of Information, Penalty Warning and Penalties for Violation). (2) The head-of-household is no longer a part of the household; therefore, the next eligible adult household member shall resume the head-of-household role. (3) The listed person on the application form is not eligible to be the head-of-household, i.e., non-U.S. citizen. Training EW staff on how and when head-of-households should be changed. There are two options for changing the head-of-household. Training will cover the two types of options, withdrawing the application and creating a new application or amend the current application to identify the head-of-household. In any case, EWs shall describe in the case notes what has occurred to cause the change of head-of-household.
4. Eligibility determination was assessed beyond the 30-days limit. Auditor did not have access to Maven. Date of application status was initially April 13, 2020. The application was processed based on reported household circumstances; household composition, living arrangements, resources and income. The application status was changed to June 29, 2020 to pending and changed back to approved in six minutes due to the pandemic, application certifications were extended for additional three months. The EW changed the application status to pending and then back to approved with the extended dates. Training for the EWs instructing them, whenever the date of application status changes, the EW shall print, sign, scan and attach the updated Notice of Disposition.
5. The Authorization for Release of Information was either not on file or was not provided. Training the EWs on importance of the completing the checklist which includes the authorization for release of information, for completeness accuracy and signature.
6. For the questioned case number B100074174 dated 07/13/2020, the application listed six household members all qualifying citizens; disposition recorded five household members. Conduct training for the EWs covering the necessity to highlight the noneligible household members on the application and make case notes describing the situation. Please note that only eligible members are listed on the Notice of Disposition.
7. The resource amounts on the application differ from that stated on the disposition. This can occur when the circumstances of the household changes, such as the resources changing, between the time the application was submitted and the interview and final disposition determined. Conduct training for EWs on the importance of printing Notice of Disposition after entering any changes to household circumstances. All data entry must and shall be



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entered correctly including zero resources. Document all resources, verify amounts including zero amount data entry. In the event of reporting additional information and variances occur, Certification Unit personnel must and shall make appropriate updates, annotate case notes, print and issue the notice of disposition with the eligibility worker or Certification Unit Supervisor's signature.

8. The case in question was not eligible as applicant's actual monthly income exceeded the applicable income threshold for a household of it's size. This occurred at the beginning of the pandemic. Reported income calculation was an estimate and the actual income calculation exceeded the income threshold, the application was approved without income calculation accuracy. Conduct training to instruct EWs on the use of the Employer Statement of Earnings (ESE), this is an estimate of earnings to arrive at the gross average monthly income. Highlight the importance of the clients need to report changes in income within 10-days.
9. The gross income per notice of disposition did not match the supporting documents on file. Train EWs on the importance of entering the correct data into Maven and printing out the Notice of Disposition with those new changes.
10. The notice of disposition form was dated, but it was not signed by the eligibility worker. Train EWs instructing them to print, sign, scan and attach any Notice of Dispositions.
11. Certification Unit Eligibility Workers or Supervisors or both did not respond to the MEU finding on active cases for discrepancies found in its review within 10-days after receipt of notice. Cause was due to insufficient time with eligibility workers over loaded with case load during the Y2K transition in to Maven system and pre-pandemic caseloads. Train EWs instructing them of the importance of responding to MEU's finding. EWs shall take the required initiative to respond to and impose corrective actions, as appropriate. This resolution will ensure strict compliance with program guidelines. Also, provide approved allotted time during the day or week to respond to MEU's findings. Every day or every week a certain block of time must be designated to respond to MEU's finding. Recommend 2½ hours a week allotting time to work on disposition review response. Nutrition Assistance Program Certification Unit agrees with Deloitte & Touche LLC's recommendation. Certification Unit will create a checklist for application processing. Certification Unit will also conduct training highlighting the importance of documenting changes and printing of Notice of Disposition and required signatures.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-024  
**CFDA Program:** 10.539 CNMI Nutrition Assistance Program  
**Area:** Matching, Level of Effort, Earmarking  
**Questioned Costs:** \$178,399  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance/  
Merced Muna, Benefit Issuance & Claims Accountability Unit

**Corrective Action Plan:**

The NAP Coupons Weekly Accountability Report are produced by using the following reports from the Y2K Program before merging to the new system called MAVEN.

1. Pre-Register Reports – Listings of all authorized recipients to receive NAP benefit
2. Reconciliation and Non-Reconciliation Reports
  - a. Reconciliation – Listings of all authorized recipients, Issued benefits
  - b. Non-Reconciliation – Listings of all authorized recipients, Unissued benefits

Since May 2019 when Maven System went live, the NAP Coupon Weekly Accountability Report remained estimated figures to this date. The Maven System is unable to produce the non-Reconciliation report. The reports in the MAVEN System are not producing consistence figures. The figures keep changing when reports are run on different dates. Also, lack of manpower to work on this report. We will start a process of before the new process month start, we will try to print the Pre-Reconciliation by Issued Status report to cross check with cashier's Maven Report if benefit are released/issued and to see if NAP Coupons Weekly Accountability Report can be finalized by using the Pre-Reconciliation by Issued Status report since Maven System is unable to produce the non-Reconciliation report.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-025  
**CFDA Program:** 10.539 CNMI Nutrition Assistance Program  
**Area:** Period of Performance  
**Questioned Costs:** \$10,276  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance/  
Techelul N. Olkeriil, Accountant IV

**Corrective Action Plan:**

NAP Accounting disagree with this finding. The purchase requisition was processed by NAP on July 17, 2020, and signed by DCCA Secretary, the expenditure authority, on July 21, 2020. When it was submitted to the Division of Procurement and Supply, it was signed by the Acting P&S Director on August 20, 2020, and the purchase order was generated on September 02, 2020. The delivery of the item was received by NAP Administrator on September 30, 2020, and the invoice was forwarded to NAP Accounting on October 1, 2020. Upon receipt of the invoice, NAP Accounting submitted it to procurement and Supply because of the huge size of it and the weight is heavy and requested for the item to be tagged. The tagging was done on December 21, 2020, by Procurement & Supply as the date is stamped on the invoice. In order for accounts payable at Department of Finance (DOF) to process payment(S) for capital items, Procurement and Supply department is required to submit receiving report with the original invoice to Finance & Accounting. Therefore, just by looking at the date of actions and the length of time processing the payment, the delay was done by the DOF. NAP often follow up on payments but often times they are not entered yet or no drawdowns made, and these are beyond NAP's control. The CNMI just recently launched its new financial system (Tyler Hub Munis) on October 2021 which is designed to easily manage all the transactions with proper approval workflow. With the new MUNIS system in place, hopefully the Department of Finance will be able to speed up the processing of payments.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-026  
**CFDA Program:** 10.539 CNMI Nutrition Assistance Program  
**Area:** Procurement and Suspension and Debarment  
**Questioned Costs:** \$10,545  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance/  
Techelul N. Olkeriil, Accountant IV

**Corrective Action Plan:**

Based on NAP files, only two price quotations were obtained, one from Tropical Instant Press, Inc. and one from R&M Printers. Therefore, NAP accounting agrees with this finding, NAP Accounting staffs have been reminded to be more careful and follow procurement regulations.

Based on NAP files, three price quotations were obtained for purchase order no. 706326, one from MIC, Pacifica, and AB Risk. For purchase order no. 699592, NAP agrees with the finding as there was only one price quotation that was obtained from R&M Printers. Finally, for purchase order no. 700033, NAP also agrees with the finding as there were only two price quotations that were obtained. One from Tropical Instant Press, Inc. and R&M Printers. With these findings, NAP Accounting staffs have been reminded to be more cautious and follow procurement regulations.

**Proposed Completion Date:** December 27, 2020

**Finding No.:** 2020-027  
**CFDA Program:** 11.016 Statistical, Research, and Methodology Assistance  
**Area:** Allowable Costs/Cost Principles  
**Questioned Costs:** \$1,904,417  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance

**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just recently launched its new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions.

**Proposed Completion Date:** Ongoing



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**Department of Finance**



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**Finding No.:** 2020-028  
**CFDA Program:** 11.016 Statistical, Research, and Methodology Assistance  
**Area:** Equipment and Rental Property Management  
**Questioned Costs:** \$0  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The CNMI just recently launched its new financial system (Tyler Hub Munis) on October 2021 which is designed to easily manage asset management and capital inventory for the department and agencies. This new system ensures that all transactions are properly approved, and all related supporting documents are completely uploaded into the system. The DOF will assist the agencies/departments to ensure that all existing capital assets and inventory are accounted for, accurate, and complete.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-029  
**CFDA Program:** 11.016 Statistical, Research, and Methodology Assistance  
**Area:** Procurement and Suspension and Debarment  
**Questioned Costs:** \$90,307  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just recently launched its new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing





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**Finding No.:** 2020-030  
**CFDA Program:** 15.875 Economic, Social, and Political Development of the Territories – Capital Improvement Projects  
**Area:** Equipment and Real Property Management  
**Questioned Costs:** \$0  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The CNMI just recently launched its new financial system (Tyler Hub Munis) on October 2021 which is designed to easily manage asset management and capital inventory for the department and agencies. This new system ensures that all transactions are properly approved and all related supporting documents are completely uploaded into the system. The DOF will assist the agencies/departments to ensure that all existing capital assets and inventory are accounted for, accurate, and complete.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-031  
**CFDA Program:** 15.875 Economic, Social, and Political Development of the Territories – Capital Improvement Projects  
**Area:** Period of Performance  
**Questioned Costs:** \$66,936  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will work closely with the department in charge of the Nutrition Assistance Program to revisit the process that they have in-placed to properly monitor their check payments which include the monitoring of the liquidations that occurs timely. Also, we will ensure that the department will seek approval timely approval from the grantor if extensions are needed. In addition, the CNMI just recently launched its new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction that ensures all transactions are duly approved and within the period of performance.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-032  
**CFDA Program:** 15.875 Economic, Social, and Political Development of the Territories – Capital Improvement Projects  
**Area:** Procurement  
**Questioned Costs:** \$31,059  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just recently launched its new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-033  
**CFDA Program:** 15.875 Economic, Social, and Political Development of the Territories – Capital Improvement Projects  
**Area:** Subrecipient Monitoring  
**Questioned Costs:** \$0  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing





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**Finding No.:** 2020-034  
**CFDA Program:** 15.875 Economic, Social, and Political Development of the Territories – Capital Improvement Projects  
**Area:** Special Tests and Provisions (Grant Terms and Conditions)  
**Questioned Costs:** \$0  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-035  
**CFDA Program:** 17.225 Unemployment Insurance  
**Area:** Activities Allowed or Unallowed  
**Questioned Costs:** \$770  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-036  
**CFDA Program:** 17.225 Unemployment Insurance  
**Area:** Allowable Costs/Cost Principles  
**Questioned Costs:** \$219,547  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just recently launched its new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-037  
**CFDA Program:** 17.225 Unemployment Insurance  
**Area:** Eligibility  
**Questioned Costs:** \$2,071,943  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just recently launched its new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-038  
**CFDA Program:** 17.225 Unemployment Insurance  
**Area:** Reporting  
**Questioned Costs:** \$0  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just recently launched its new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-039  
**CFDA Program:** 17.225 Unemployment Insurance  
**Area:** Special Tests and Provisions – UI Program Integrity - Overpayments  
**Questioned Costs:** \$0  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**  
The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.  
**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-040  
**CFDA Program:** 21.019 Coronavirus Relief Fund  
**Area:** Activities Allowed or Unallowed  
**Questioned Costs:** \$19,600,539  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**  
The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just recently launched its new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions. Also, the new system is designed to generate a complete and accurate detailed schedule of expenditures that will support the amounts reported in the SEFA. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.  
**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-041  
**CFDA Program:** 21.019 Coronavirus Relief Fund  
**Area:** Allowable Costs/Cost Principles  
**Questioned Costs:** \$14,632,280  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just recently launched its new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions. Also, the new system is designed to generate a complete and accurate detailed schedule of expenditures that will support the amounts reported in the SEFA. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-042  
**CFDA Program:** 21.019 Coronavirus Relief Fund  
**Area:** Period of Performance  
**Questioned Costs:** \$0  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just recently launched its new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions. Also, the new system is designed to generate a complete and accurate detailed schedule of expenditures that will support the amounts reported in the SEFA. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-043  
**CFDA Program:** 21.019 Coronavirus Relief Fund  
**Area:** Reporting  
**Questioned Costs:** \$70,711  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just recently launched its new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions. Also, the new system is designed to generate a complete and accurate detailed schedule of expenditures that will support the amounts reported in the SEFA. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-044  
**CFDA Program:** 84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States  
**Area:** Matching, Level of Effort, Earmarking  
**Questioned Costs:** \$35,553  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-045  
**CFDA Program:** 84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States  
**Area:** Reporting  
**Questioned Costs:** \$0  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The U.S. Department of Education, Office of Special Education and Rehabilitative Services completed its off-site monitoring review report of the Office of Vocational Rehabilitation for Federal Fiscal Years 2016 to 2018 on August 19, 2020. One of the Focus areas included the Financial Management of the State Vocational Rehabilitation Services and State Supported Employment Services Program.

A corrective Action Plan on the Findings was submitted to the Rehabilitation Services Administration on April 30, 2022, in regard to the accuracy and timely submission of SF425. Moving forward as stated in our corrective action plan, the OVR Fiscal Officer and Division of Financial Services, Federal Section staff will meet at least quarterly to ensure that all financial reporting is accurate and submitted on time in accordance with the internal control process. A meeting could be through a virtual conference call to comply with the COVID-19 pandemic protocol or an in-person meeting upon lifting of the pandemic protocol.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-046  
**CFDA Program:** 84.425 Education Stabilization Fund  
**Area:** Matching, Level of Effort, Earmarking  
**Questioned Costs:** \$2,215,788  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-047  
**CFDA Program:** 84.425 Education Stabilization Fund  
**Area:** Subrecipient Monitoring  
**Questioned Costs:** \$4,777,211  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-048  
**CFDA Program:** 93.575 Child Care and Development Block Grant  
**Area:** Allowable Costs/ Cost Principles  
**Questioned Costs:** \$65,891  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
Roselle Teregeyo, Accountant

**Corrective Action Plan:**

This amount is the indirect cost charge. As stated in the email communications titled CCDF Federal Register on Admin Cost, the Office of Grants Management (OGM) charged CCDF 5% across the board on all activities. There were inquiries/clarifications/ discussions regarding this matter but OGM insisted on charging the 5% across the board and would not approve the Advice of Allotment prepared by CCDF without allotting 5% Indirect Cost on all activities. Please find attached email communications regarding clarification on this subject with our grantor (Region IX) and CNMI Office of Grants Management (OGM).

**Proposed Completion Date:** Ongoing





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**Finding No.:** 2020-049  
**CFDA Program:** 93.575 Child Care and Development Block Grant  
**Area:** Eligibility  
**Questioned Costs:** \$6,900  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
Roselle Teregeyo, Accountant

**Corrective Action Plan:**

1. CCDF Rules and Regulations are currently being amended to change the application processing time from 15 days to 60 days. Effective December 1, 2022 CCDF requires interested applicant/s and ongoing clients to submit the CCDF Subsidy Waitlist application or CCDF Renewal Application in person to ensure applications are complete upon submission to prevent exceeding the required eligibility determination processing timeframe.
2. The CNMI DCCA-CCDF Administrative Officer conducts a review at a minimum of 15 case files on a monthly basis by pulling random samples of case files from each eligibility worker to ensure accuracy in eligibility determination. The CCDF Administrative Officer follows up with the eligibility specialists and administrative data specialists on areas identified as needing improvement.
3. The CNMI DCCA-CCDF Administrative Officer conducts a review at a minimum of 15 case files on a monthly basis by pulling random samples of case files from each eligibility worker to ensure accuracy in eligibility determination. The CCDF Administrative Officer follows up with the eligibility specialists and administrative data specialists on areas identified as needing improvement.
4. The CNMI DCCA-CCDF Administrative Officer conducts a review at a minimum of 15 case files on a monthly basis by pulling random samples of case files from each eligibility worker to ensure accuracy in eligibility determination. The CCDF Administrative Officer follows up with the eligibility specialists and administrative data specialists on areas identified as needing improvement.
5. CCDF Statement of Asset for a client dated July 18, 2019, for the indicated Certification Effective stated as a finding was provided by the applicant. (Copy of CCDF Statement of Assets provided)





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6. Listed below are the reasons for the non-submission of the 1040 tax.
  - Case ID: 3102A: Applicant was employed on July 24, 2017, applicant was not due to file 1040 tax at the time. (Copy of CCDF Employment Verification provided)
  - Case ID: 3106B: At the initial submission of the client's waitlist application the applicant was employed on May 16, 2017, and was not due to file 1040 tax at the time. (Copy of CCDF Employment Verification provided)
  - Case ID: 3162B: Applicant was employed on October 23, 2019, applicant was not due to file 1040 tax at the time. (Copy of CCDF Employment Verification provided)
  - Case ID: 0002C: The applicant did submit the required 1040 tax upon submission of the CCDF waitlist application, at the time CCDF was supposed to receive local funds and the program issued a DCCA-Child Care and Development Fund Supplemental application which did not require submission of the 1040 tax. (Copy of CCDF Subsidy Waitlist application, 2017 1040 tax, and CCDF Supplemental Application provide)
  - Case ID: 3162D: Applicant was employed on October 23, 2019, applicant was not due to file 1040 tax at the time. (Copy of CCDF Employment Verification provided)

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-050  
**CFDA Program:** 93.575 Child Care and Development Block Grant  
**Area:** Matching, Level of Effort, Earmarking  
**Questioned Costs:** \$392,972  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
 Roselle Teregeyo, Accountant

**Corrective Action Plan:**

Based on the actual ACF 696 report (attached) the following activities are met:

- a. 1802MPCCDF
 

Child Care Administration	-	\$205,866 (4.99 %)
Quality Activities	-	\$428,676 (10.38%)
Infant/Toddler Quality Activities	-	\$393,364 (9.52%)
Direct Services (Certificates) -		\$3,016,858 (73.07%)
 Total Expenditure	-	\$4,128,256.00
- b. 1901MPCCDD - There should be no questioned cost as the grant is still open and active. Earmarking is only realized upon the end of the liquidation period and expiration of the grant.
- c. 2001MPCCDF - There should be no questioned cost as the grant is still open and active. Earmarking is only realized upon the end of liquidation period and expiration of the grant.
- d. 2001MPCCC3 - There should be no questioned cost as the grant is still open and active. Earmarking is only realized upon the end of liquidation period and expiration of the grant.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-051  
**CFDA Program:** 93.575 Child Care and Development Block Grant  
**Area:** Special Tests and Provisions – Health and Safety Requirements  
**Questioned Costs:** \$663,275  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
Roselle Teregeyo, Accountant

**Corrective Action Plan:**

To correct the inaccuracy of this report, CCLP offers the following factual authority pursuant to the Northern Mariana Islands Administrative Code Subsections: 55-40.1-226 (Staff Training, Experience, and Personal Qualifications) (a) Each caregiver shall be qualified through training, experience, and personal qualities for the age group for which the person works. All childcare service staff must annually participate in at least 15 hours of training as approved and monitored by the Child Care Licensing Program. In reference to the preceding paragraph relative to the pre-service and the 3 - month deadline, this is not a Child Care Licensing Program requirement. CCLP recommends that the preparer of this report communicate factual information. This is misleading and flawed.

1. On August 2, 2022, CCLP Safety Inspector emailed the Auditor the calendar which indicated the scheduled days for the Announced and Unannounced Inspections. If one pays attention to the details of that calendar, one will see that Unannounced Inspections were not scheduled until the beginning of April 2020. To report that no Unannounced Inspections took place from October 2019 to February would be accurate but the insinuation that no inspection was conducted is very damaging to the Child Care Licensing Program.
2. Some reports were submitted. However, irrespective of this, even with the merger, the Child Care Licensing Program is under no obligation to provide the CCDF Administrator with a report. That requirement is directed to the Secretary of DCCA if he or she so requires it. The monitoring of the pre-service training is not a responsibility of the Child Care Licensing Program. Therefore, this reporting is both inaccurate and misleading.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-052  
**CFDA Program:** 93.767 Children's Health Insurance Program  
**Area:** Allowable Costs/Cost Principles  
**Questioned Costs:** \$2,338,718  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just implemented a new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-053  
**CFDA Program:** 93.767 Children's Health Insurance Program  
**Area:** Special Tests and Provisions – Provider Eligibility (Screening and Enrollment)  
**Questioned Costs:** \$0  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just implemented a new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures. In addition, as a result of the 2019-021 audit finding, the CMA Healthcare is currently developing the official policy and procedures which will be submitted to CMS no later than March 31, 2023.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-054  
**CFDA Program:** 93.767 Children's Health Insurance Program  
**Area:** Special Tests and Provisions – Refunding of Federal Share of CHIP Overpayments to Providers  
**Questioned Costs:** \$0  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just implemented a new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-055  
**CFDA Program:** 93.778 Medical Assistance Program  
**Area:** Allowable Costs/Cost Principles  
**Questioned Costs:** \$74,499  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just implemented a new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-056  
**CFDA Program:** 93.778 Medical Assistance Program  
**Area:** Special Tests and Provisions – ADP Risk Analysis and System Security Review  
**Questioned Costs:** \$0  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just implemented a new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-057  
**CFDA Program:** 93.778 Medical Assistance Program  
**Area:** Special Tests and Provisions – Provider Eligibility (Screening and Enrollment)/ and Provider Health and Safety Standards  
**Questioned Costs:** \$99,547  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just implemented a new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures. In addition, as a result of the 2019-022 audit finding, the CMA Healthcare is currently developing the official policy and procedures which will be submitted to CMS no later than March 31, 2023.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-058  
**CFDA Program:** 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)  
**Area:** Allowable Costs/Cost Principles  
**Questioned Costs:** \$2,167,425  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just implemented a new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2020-059  
**CFDA Program:** 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)  
**Area:** Period of Performance  
**Questioned Costs:** \$675,000  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just implemented a new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-060  
**CFDA Program:** 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)  
**Area:** Subrecipient Monitoring  
**Questioned Costs:** \$0  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing





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**Finding No.:** 2020-061  
**CFDA Program:** 97.039 Hazard Mitigation Grant Program (HMGP)  
**Area:** Allowable Costs/Cost Principles  
**Questioned Costs:** \$205,071  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just implemented a new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2020-062  
**CFDA Program:** 20.205 Highway Planning and Construction  
**Area:** Procurement and Suspension and Debarment  
**Questioned Costs:** \$0  
**Contact Person(s):** Tracy B. Norita, Acting Secretary of Finance, Dept of Finance  
**Corrective Action Plan:**

The DOF will revisit the internal controls of each agency to ensure that it aligns with the compliance requirements and the CNMI's policies. In addition, the CNMI just implemented a new financial system (Tyler Hub Munis) on October 2021 which is designed to monitor the proper process of each transaction based on the CNMI policies and internal controls. All the required approval and documents will be processed in this new system and this will address the findings related to the unsupported transactions. We will also ensure that all the personnel handling the grants will be aware and knowledgeable of the overall compliance requirements for each federal award and a proper approval process will be in place to review the completeness and accuracy of the expenditures.

**Proposed Completion Date:** Ongoing





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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
<b>2019</b>				
2019-001	External Financial Report	Ongoing	David Atalig, Secretary of Finance, Dept of Finance	The Department of Finance, Office of the public auditor and Grants management office are continuing to work together to explore methods to improve the timelessness of the component Unit's audits so that they may include in the Single Audit.
2019-002	Cash and Cash Equivalents	Ongoing	Bernadita Palacios, Director, Div. of Finance & Accounting	Condition 1: Bank Code 11401 does not have any transactions during FY 2019. Account 1010.11410 ( BOH Special disability) was closed on 07/26/2018 as described in JE 2070, Finds were deposited into BOG acct *4932 and into 1010.11.411. for bank code 11431, bank reconciliations are not currently being done at DOF, Bank reconciliation for bank code 11431 is available at the GHU office, CNMI will improve efforts to comply with cash management policies and submit requested documents in a timely manner as well as work with managing agency(s) to comply with DOF cash management policies. Condition 2: Bank code 15050 does not have any transactions during FY 2019, DOF will conduct a review of accounts to include 11628 and determine appropriate actions. Condition 3: DOF accepts the proposed audit adjustments of \$3,858,769. DOF will conduct a review and determine appropriate actions. Condition 4 & 5: DOF will review the accounts and make the necessary adjustments. Condition 6: DOF accepts the proposed audit adjustment, Management will improve process to correct entries.
2019-003	Receivables	Ongoing	David Atalig, Secretary of Finance, Dept of Finance and Velma Palacios, Program Director, NMI Retirement Fund	DOF and the NMIRF are in the process of updating and recording these receivables. The agencies area is also in the process of coordinating the documentation of this transfer if deemed collectible.
2019-004	OPA Receivables	Ongoing	David Atalig, Secretary of Finance, Dept of Finance and David Blake, Audit Manager, Office of the Public Auditor	The Component units dispute the receivables schedule nevertheless, the Department of Finance will engage with the component units to determine the collectability of prior years.
2019-005	Tax Rebates Payable	Ongoing	Tracy Norita, Director, Div of Revenue & Taxation, Maria White, Research and Statistics Manager, Div of Revenue & Taxation	The CNMI agrees with the recommendation and will work with the Division of Revenue and Taxation to establish policies and procedures as recommended, Furthermore, DOF will ensure proper filing and maintenance of tax forms as well as reconcile recorded rebates payable with the ability indication on the tax forms as well as reconcile recorder rebates payable with the liability indicated on the tax forms. Variances, if any, shall be investigated, monitored, documented and timely addressed.
2019-006	Notes Payable - Judicial Building Loan	Ongoing	Alexander Casto, Chief Justice, CNMI Judiciary, John Villagomez, Budget and Finance Director, CNMI Judiciary, David Atalig, Secretary of Finance, Dept of Finance	The CNMI is following PL-9-3 to the extent that is able and is transferring funds as required by law. Urgent priorities throughout the year has resulted in the non-transfer of appropriated funds before the end of the fiscal year, the CNMI continue to work to ensure that the funding is remitted.
2019-007	Compensated Absences	Ongoing	Bernadita Palacios, Director, Div. of Finance & Accounting	DOF accepts the proposed audit adjustment. Currently, annual leave is reviewed at the end of the calendar year and amounts in excess of 360 hours transferred to sick leave. DOF will explore updating processes to include a mid-year review.
2019-008	Due to Component Units	Ongoing	Bernadita Palacios, Director, Div. of Finance & Accounting	DOF will accept audit adjustments based on audited financial statements of each of the financial reports. DOF will work with CU to develop a systematic approach to reconcile differences in a timely manner.
2019-009	Fund Balance - Encumbrances	Ongoing	Bernadita Palacios, Director, Div. of Finance & Accounting	General Fund 1: DOF accepts the proposed audit reclassification General Fund 2: Contract was not materialized as there was no response from Attorney Generals Officer regarding this contract General Fund 3: DOF will review outstanding encumbrances Grants Assistance Fund 1: DOF accepts the proposed audit reclassification Grants Assistance Fund 2: DOF will review outstanding encumbrances. Grants Assistance 3: a. The Contract process was not completed as DOF was not informed of the outcome. DOF will review for de-obligation b. Contract was not materialized as there was no response from the AG's Office and the Office of the Governor
2019-010	Commonwealth Healthcare Corporation	Ongoing	Esther Muna, CEO, Commonwealth Healthcare Corp., Pearl Santos, CFO, Commonwealth Healthcare Corp., David Atalig, Secretary of Finance, Dept of Finance	The CNMI and CHCC have been working on the final issues of the transition of CHCC to an independent corporation. CHCC and the CNMI has identified some areas to be transferred to the CHCC, such as fixed assets, and we will continue to review until such matters are formally documented.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
2019-011	CNMI Worker's Compensation Commission	Ongoing	Mark Rabauliman, Secretary of Commerce, Department of Commerce and David Atalig, Secretary of Finance, Department of Finance	DOF and Department of Commerce will finalize the transfer of assets in writing and complete the work on establishing and assigning general ledger accounts for WCC funds
2019-012	CNMI Group Health and Life Insurance	Ongoing	Velma Palacios, Program Director, Group Health and Life Insurance Program	DOF and GHLI will finalize the transfer of assets in writing and has already completed the work on establishing and assigning general ledger for GHLI 1. Bank reconciliations are available for review at the respective Office 2. Ongoing discussion between DOF GHLI staff are still taking place. Records are in transition from the previous system (Peachtree) to a new financial system.
2019-013	CNMI Local Noncompliance	Ongoing	David Atalig, Secretary of Finance, Dept of Finance	The CNMI agrees with finding and continuously works towards addressing over expenditures and determining the appropriate budgetary levels for the Commonwealth. Areas affecting public Health and human welfare are an issue as areas such as medical referral for patients requiring urgent health care are not available in the commonwealth often experiences budgetary shortfalls, Additional hiring of law enforcement personnel has also reduced the amount of overtime compared to prior years as there are more employees working regular hours and sharing the responsibility for the CNMI safety .
2019-014	Schedule of Expenditures of Federal Awards	Ongoing	David Atalig, Secretary of Finance, Dept of Finance	The CNMI agrees with finding and will provide training on the preparation of the SEFA in accordance with the Uniform Guidance
2019-015	Allowable Costs / Principles	Ongoing	David Atalig, Secretary of Finance, Dept of Finance and Walter Macaranas, Administrator, Nutrition Assistance Program	The CNMI agrees with the recommendation and as the responsible party for this function of the federal award, the CNMI is working with Nutrition Assistance Program (NAP) to address this deficiency, It has been noted that NAP periodically performs on a monthly basis reconciliation of food coupons against the redemption reports or bank statements. DOF also utilizes the bank statements as the source to draw final funds for each month. To verify and confirm accuracy and consistency, the CNMI will work with NAP to ensure there are no variances between the General Ledger entries, the bank reports and the monthly reconciliation of food coupons.
<b>2018</b>				
2018-001	External Financial Reporting	Ongoing	David Atalig, Secretary of Finance, Dept of Finance	The Department of Finance and the Office of the Public Auditor are working together and exploring methods to improve the timeliness of the Component Units's audits so that they may be included in the Single Audit (SA). Though component units complete their audits on or around the deadline (June 30), this does not provide CNMI's auditors sufficient time to be incorporated in the Single Audit reports for that reporting period. A restatement is often recorded in the following year SA report. One proposal is to establish legislation to require component units to complete the audits 1-2 months before the deadline so that they can be included.
2018-002	External Financial Reporting	Completed September 30, 2020	David Atalig, Secretary of Finance, Dept of Finance	The Settlement Fund (NMISF) Trustee maintains the position that the NMISF is not a component unit and is not subject to be included in the Single Audit or GASB rules. Nevertheless, continued discussions with the Trustee and CNMI officials have led to a solution to provide improved external financial reporting for the CNMI. We anticipate this
2018-003	Cash and Cash Equivalents	Completed September 30, 2019	Bernadita Palacios, Director, Div. of Finance & Accounting	Condition 1: Bank code 11230 was left unreconciled at the grantor's request until disaster-related adjustments were submitted to DOF from program grantee office. Condition 2: Reconciliations are done at the agency level and documents are available for review at respective offices (Judiciary and NMIRF). Condition 3: Bank Code 15050 does not have any transactions during FY 2018. DOF will conduct a review of accounts to include 11991 and determine appropriate actions. Condition 4: DOF accepts the proposed audit adjustments of \$972,230. DOF will conduct a review and determine appropriate actions. Condition 5 & 7: DOF will review the accounts and make the necessary adjustments. Condition 6: DOF accepts the proposed audit adjustment. Management will improve process to correct entries.
2018-004	Receivables	Completed September 30, 2019	David Atalig, Secretary of Finance, Dept of Finance, Velma Palacios, Program Manager, NMI Retirement Fund	DOF and the NMIRF have completed the review and analysis to determine the receivables of the NMIRF to be transferred to the CNMI. These should be reflected as audit adjustment in the Single Audit reports for September 30, 2019.
2018-005	Receivables	Ongoing	David Atalig, Secretary of Finance, Dept of Finance, David Blake, Audit Manager, Office of the Public Auditor	The component units dispute the receivables. The Department of Finance will engage with the component units to determine collectability of prior years.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
2018-006	Tax Rebates Payables	09/30/2019	Tracy Norita, Director, Div of Revenue & Taxation, Maria White, Research and Statistics Manager, Div of Revenue & Taxation	<p>Condition 1: For unpaid tax year 2017 and Prior</p> <p>a. Unmatched filings</p> <p>i. The requested tax returns were unable to be located due to damage to the file storage facility caused by Super Typhoon Yutu. The Division of Revenue and Taxation has suffered a major document loss for filings in tax years 1998-2006 due to water damage. The Division is taking steps to house documents in a new storage unit that will protect documents from future storms.</p> <p>ii. The Division of Revenue and Taxation - Compliance Branch is currently developing internal standard procedures to properly review returns for completeness prior to data entry.</p> <p>b. Assessed filings</p> <p>i. Tax filings for tax years 1998-2006 were unable to be located due to water damage caused by the typhoon. For the other returns requested, the Division of Revenue &amp; taxation will develop standard filing procedures to ensure returns are properly filed and efficiently retrieved.</p> <p>ii. The miscalculation of rebate taxes was due to a taxpayer amendment to the filed return to include an additional W-2, thus the payable increased to \$1,001. The Division of Revenue and Taxation - Compliance Branch is currently developing internal standard procedures to properly document such changes to amended returns.</p> <p>c. Matched filings</p> <p>i. The discrepancy in rebate payable was due to error in taxpayer calculation of rebate computation and system allocation error.</p> <p>The Division of Revenue &amp; Taxation is working closely with system programmers to correct this system allocation error.</p>
2018-007	Notes Payable - Judicial Building Loan	Ongoing	Alexander Casto, Chief Justice, CNMI Judiciary, David Atalig, Secretary of Finance, Dept of Finance	The CNMI is following PL 9-3 to the extent that it is able and is transferring funds as required by law. Unfortunately, there is a lack of funding to cover the remaining balance owed on monthly payment as collections are not sufficient to cover the entire monthly payment. The Judiciary has applied for a loan with the USDA to address this issue, but no agreement has been established at this time.
2018-008	Compensated Absences	Completed September 30, 2019	Bernadita Palacios, Director, Div. of Finance & Accounting	DOF accepts the proposed audit adjustment. Currently, annual leave is reviewed at the end of the calendar year and amounts in excess of 360 hours transferred to sick leave. DOF has changed revised reporting processes to so as to improve data validity (removing non-employees for the reporting period) and compensated absences calculations.
2018-009	Due to Component Units	Ongoing	David Atalig, Secretary of Finance, Dept of Finance	DOF will accept audit adjustments based on audited financial statements of each of the financial reports. DOF will work with CU to develop a systematic approach to reconcile differences in a timely manner.
2018-010	Fund Balance - Encumbrances	Ongoing	Bernadita Palacios, Director, Div. of Finance & Accounting	<p><b>Update September 2020:</b> DOF is currently preparing to transition to a new financial management system. One of the key tasks is to identify old encumbrances that cannot be removed from the current system and ensure that they are not included in the data transfer.</p> <p>General Fund 1: DOF accepts the proposed audit reclassification of \$1,888,060.</p> <p>General Fund 2: Contract 494924-OC was rejected by the Attorney General and was not notified to complete de-obligation process. DOF will remind relevant agencies of standard operating procedures and steps to prevent further occurrences.</p> <p>Grants Assistance Fund 1: DOF accepts the proposed audit reclassification.</p> <p>Grants Assistance Fund 2: DOF will review outstanding encumbrances.</p> <p>Grants Assistance Fund 3: (a) DOF accepts the proposed audit adjustment. (b) DOF accepts the proposed audit adjustment. (c) Contract 59-OS was a transfer from the old system and was corrected by using another line item--DOF will make the necessary adjustments. Contract 658502-OP is an open purchase order for childcare and left pending for 90 days for liquidation period. Contract 574600-OC was rejected by the Attorney General and was not notified to complete de-obligation process. DOF will remind relevant agencies of standard operating procedures and steps to prevent further occurrences.</p> <p>Saipan Amusement Fund 1: DOF accepts the proposed audit reclassification.</p> <p>Other Governmental Funds 1: DOF accepts the proposed audit reclassification.</p> <p>Other Governmental Funds 2: DOF will review outstanding encumbrances.</p> <p>Other Governmental Funds 3: (a) DOF accepts the proposed audit adjustment. (b) Contract 600733-OM is an obligation to reserve funds for a pending case that never materialized. We will de-obligate this encumbrance and will review other outstanding encumbrances.</p>



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
2018-011	Commonwealth Healthcare Corporation	Ongoing	Esther Muna, CEO, Commonwealth Healthcare Corp., Derek Sasamoto, CFO, Commonwealth Healthcare Corp., David Atalig, Secretary of Finance, Dept of Finance	The CNMI and CHCC have been working on the final issues of the transition of CHCC to an independent corporation. CHCC and the CNMI has identified some areas to be transferred to the CHCC, such as fixed assets, and we will continue to review until such matters are formally documented.
2018-012	CNMI Workers' Compensation Commission	Ongoing	Mark Rabauliman, Secretary of Commerce, Dept of Commerce, David Atalig, Secretary of Finance, Dept of Finance	DOF and Department of Commerce will finalize the transfer of assets in writing and complete the work on establishing and assigning general ledger accounts for WCC funds.
2018-013	CNMI Group Health and Life Insurance	Completed 9/30/2020	Velma Palacios, Program Manager, Group Health & Life Insurance Program	<b>Update September 2020:</b> DOF has established accounts and processes to record GHLI transactions in CNMI.  DOF and GHLI will finalize the transfer of assets in writing and complete the work on establishing and assigning general ledger accounts for GHLI. <ol style="list-style-type: none"> <li>1. Bank Reconciliations are available for review at the respective office.</li> <li>2. DOF and GHLI staff have scheduled a meeting to establish new processes to properly record monies received by CU's held in trust.</li> <li>3. GHLI have since updated the records for receivables from component units and reconcile against the proposed audit adjustments.</li> </ol>
2018-014	CNMI Local Noncompliance	Ongoing	David Atalig, Secretary of Finance, Dept of Finance	The CNMI agrees with this finding and continuously works towards addressing over expenditures and determining the appropriate budgetary levels for the Commonwealth. Areas affecting public health and human welfare are an issue as areas such as medical referral for patients requiring urgent health care not available in the Commonwealth, it is anticipated that revenue will continue to arise to address the areas where the Commonwealth often experiences budgetary shortfalls. Additional hiring of law enforcement personnel will also reduce the amount of overtime as there are more employees working regular hours and sharing the responsibility for the CMNMI safety.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
<b>2017</b>				
2017-001	External Financial Report	06/30/2019	Michael Pai, Public Auditor, Lillian Pangelinan, NMISF Administrator, Gary Camacho, CUC Executive Director, Esther Muna CHCC CEO, Glenn Muna, Acting PSS Commissioner and Carmen Fernandez, NMC President	The Public School System and the Northern Marianas College completed their FY17 audits prior to June 30th, but after the deadlines set by the auditors conducting the CNMI audit, and therefore was not possible to include their financial in the CNMI audit without impacting the release of the CNMI audit in a timely manner. As contractor for this audit, the Public Auditor will establish a schedule oversight in conjunction with all agencies that are required to submit audited financial statements to the CNMI Government and work with agencies to meet the deadlines in a timely manner for the FY18 audit. All Department Heads of each of the agencies are aware of the deadlines and will ensure that all contracts to begin audits are in place for their financial audits prior to the close of the fiscal year. They will also ensure that all year end reports required for the FY18 audit are submitted to the CNMI as per deadlines set in conjunction with OPA to ensure that they are included in the next report.
2017-002	External Financial Report	Ongoing	Edward Manibusam, Attorney General, Lillian Pangelinan NMISF Administrator, and Larrisa Larson, Secretary of Finance	Legal Review in this matter is ongoing as the NMISF has taken the position that it is an arm of the court and not the component unit. As a result, the NMISF believes that it is not a pension fund and is not required to comply with GASB Statement No. 68. The matter continues to be under discussion between the CNMI and the NMISF. The Administration will take appropriate action upon conclusion of this discussion.
2017-003	Cash and Cash Equivalents	09/30/2018	Larrisa Larson, Secretary of Finance and Connie Agulto, CNMI Treasurer	1. An updated signature card for the new authorized signers are completed and will be submitted in FY 2018. 2. This account has remained inactive since its inception. DOF will conduct a review of accounts that remain inactive and proceed with appropriate consolidations and closures. 3. DOF accepts the proposed audit adjustments. The cash management policies were implemented in the latter part of FY17 and the reconciliation of similar accounts are to be completed in a timely manner. 4. These accounts are managed and reconciled by the Judicial branch, and DOF is working with them to provide the department with necessary documents to demonstrate internal controls. 5. DOF will conduct a review of accounts to include 15050 and determine appropriate actions. 6-7. DOF accepts the proposed audit adjustments. The cash management policies were implemented in the latter part of FY 17, and the reconciliation of similar accounts are to be completed in a timely manner.
2017-004	Receivables	09/30/2019	Larrisa Larson, Secretary of Finance, Michael Pai, Public Auditor	DOF and the NMIRF are in the process of updating and recording these receivables. The agencies area also in the process of coordinating the documentation of this transfer if deemed collectible.
2017-005	Receivables	06/30/2019	Larrisa Larson, Secretary of Finance, Michael Pai, Public Auditor	The component units dispute the receivables schedule nevertheless, the Department of Finance will enforce collections starting in FY 2019 and determine collectability of prior years.
2017-006	Tax Rebates Payable	09/30/2018	Larrisa Larson, Secretary of Finance and Maria White, Division of Revenue & Taxation	The Division of Revenue and Taxation has increased its personnel in February 2017, and as such we hope to implement most, if not all, the recommendations by the start of FY 2018. It is imperative that the division trains its employees on the newly established policies and procedures and retain its quality employees to effectively carry out the divisions directives.
2017-007	Notes Payable - Judicial Building Loan	09/30/2019	Alexandro Castro, Chief Justice and Larrisa Larson, Secretary of Finance	The CNMI is following PL 9-3 to the extent that it is able and is transferring funds as required by law. Unfortunately, there is a lack of funding to cover the remaining balance owed on monthly payment as collections are not sufficient to cover the entire monthly payment. The Judiciary has applied for a loan with the USDA to address this issue. With the improving financial standing of the CNMI in the recent years, and through discussion in FY 2019, we are optimistic the loan will be approved in the coming months.
2017-008	Compensated Absences	09/30/2018	Bernadita Palacios, Director of F&A, Eloida Macaranas, Payroll Manager	The Department of Finance completed its cash management plan in the latter part of FY17. The plan contains policies and procedures to review the validity of charges in compensated absences payable in a timely manner. DOF contracted a consultant who reviewed the balances with DOF staff and made will continue to review these balances on a regular basis.
2017-009	Fund Balance - Encumbrances	09/30/2018	Bernadita Palacios, Director of F&A	CNMI agrees with all proposed audit adjustments. The cash management plan implemented in the latter part of FY 17 contains policies and procedures to review the encumbrances. Furthermore, DOF will establish a task force to examine the validity of outstanding encumbrances to timely adjust the subsidiary ledger by year end.
2017-010	Revenue/Receipts - Division of Revenue & Taxation	Ongoing	Larrisa Larson, Secretary of Finance	DOF is currently updating its policies and procedures that will address the security of files that contain personal information. With the implementation of the revised policies and procedures we aim to address proper filings and maintenance.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
2017-011	Expenditures	Not Applicable	Municipal Treasurers and/or Mayors of First and Second Senatorial District	The CNMI disagrees with this finding. The CNMI has conducted transfers based upon both CNMI law and a spending plan/budget worksheet provided by the Municipalities prior to transfer of funding. The CNMI Legislature passes appropriation laws that transfer funds to either the Municipalities of each Senatorial District or the offices of the Mayors of each Senatorial District. Documents pertaining to the transfers are available at the CNMI Department of Finance. Documents supporting the expenditures once the funds are transferred are maintained at each Senatorial District and are recorded when incurred in each of the respective municipalities.
2017-012	Commonwealth Healthcare Corporation	Ongoing	Esther Muna, CHCC CEO, Derek Sasamoto, CHCC CFO and Larrisa Larson, Secretary of Finance	The CNMI and CHCC have been working on the final issues of the transition of CHCC to an independent corporation. CHCC and the CNMI will review and develop a plan for pending matters.
2017-013	CNMI Worker's Compensation Commission	Ongoing	Larrisa Larson, Secretary of Finance and Mark Rabauliman, Secretary of Commerce	DOF and Department of Commerce will finalize the transfer of assets in writing and complete the work on establishing and assigning general ledger accounts for WCC funds.
2017-014	CNMI Group Health and Life Insurance	09/30/2019	Larrisa Larson, Secretary of Finance	The CNMI has been working on the separation of the GHLI program from the NMIRF and integration into the CNMI DOF. As both functions are currently within the DOF area of responsibility, the work to separate all aspects of the two entities will be completed in the current fiscal year.
2017-015	CNMI Local Noncompliance	09/30/2018	Virginia Villagomez, Special Assistant for the Office of Management and Budget and Larrisa Larson, Secretary of Finance	The CNMI agrees with this finding and continuously works towards addressing over expenditures and determining the appropriate budgetary levels for the Commonwealth. Areas affecting public health and human welfare are an issue as areas such as medical referral for patients requiring urgent health care not available in the Commonwealth, it is anticipated that revenue will continue to arise to address the areas where the Commonwealth often experiences budgetary shortfalls. Additional hiring of law enforcement personnel will also reduce the amount of overtime as there are more employees working regular hours and sharing the responsibility for the CNMI safety.
<b>2016</b>				
2016-001	External Financial Report	09/30/2018	Michael Pai, Public Auditor Lillian Pangelinan, NMISF Manuel Sablan, CDA Executive Director Gary Camacho, CUC Executive Director Esther Muna, CHC CEO Larrisa Larson, DOF Secretary	There have been several changes in the financial oversight of the various agencies that did not complete their audits for FY16 by the deadline required for submission of this report. As contractor for the contract for the audit, the Public Auditor will establish a schedule of oversight in conjunction with all agencies that are required to submit audited financial statements to the CNMI Government and work with agencies to meet the deadlines in a timely manner to meet deadlines for the FY17 audit. All Department Heads of each of the agencies are aware of the deadlines and will get all contracts in place for their financial audits prior to close of the fiscal year and have all year end reports required for the FY 17 audit as per deadlines set in conjunction with OPA.
2016-002	External Financial Report	09/30/2018	Edward Manibusan, Attorney General Lillian Pangelinan, NMISF Larrisa Larson, DOF Secretary	The NMISF has taken the position that it is not a component unit of the CNMI Government and that it is also not a pension fund and therefore does not need to provide financial statements that comply with GASB Statement No. 61. The matter is currently under legal review by the OAG and the CNMI Government and a course of action regarding this matter is still pending. The Administration will take a position once the legal review has been completed and address this matter upon deciding whether it agrees or disagrees with this position.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
2016-003	Cash and Cash Equivalents	Ongoing	Larrisa Larson, DOF Secretary Bernadita Palacios, F&A Director Martha Camacho, F&A Manager	<p>1. The Division of Finance and Accounting has hired new employees to help and have greatly improved our bank reconciliations to meet target dates and be in compliance with established policies and procedures. We expect such findings to be resolved in FY 2017.</p> <p>2. Bank code 11411 is operated under the Department of Commerce (See Finding 2016-012), and the Department of Finance (DOF) will coordinate/facilitate with Commerce to implement reconciliation policies and procedures.</p> <p>3. DOF accepts the proposed adjustments.</p> <p>4. We have contacted the Judicial offices and received confirmation that reconciliations for such accounts are now being prepared in accordance with policies and procedures. We expect such finding to be resolved in FY 2017.</p> <p>5. Department of Finance has developed a cash management plan to consolidate policies and procedures for the various sections and divisions, which does include timely updating bank account information. We will update our records to include information for bank code 15050.</p> <p>6. DOF accepts the proposed adjustments.</p> <p>7. DOF accepts the proposed adjustments.</p> <p>Due to the findings presented in the audit of fiscal year 2015, DOF has taken great strides to improve compliance and expect to see improvements in fiscal year 2017. There is in development a cash management plan, which is currently under final review to update policies and procedures and pertinent information. The cash management plan is expected to be formally implemented at the start of fiscal year 2018.</p>
2016-004	Receivables	Ongoing	Larrisa Larson, NMIRF Administrator (Acting)	DOF and the NMIRF are in the process of updating and recording these receivables. The agencies area also in the process of coordinating the documentation of this transfer.
2016-005	Receivables	Ongoing	Michael Pai, Public Auditor Larrisa Larson, DOF Secretary Edward Manibusan, Attorney General	OPA will provide reports on receivables to DOF on a regular basis to allow for DOF to record and reconcile accounts to the payable balances in a timely manner. DOF will also work with the OAG to determine collectability of all arrears. OPA, OAG and DOF will work on draft legislation to ensure that all agencies comply with the mandated 1%
2016-006	Interfund Receivables and Payables	Ongoing	Larrisa Larson, DOF Secretary	The CNMI will conduct an assessment of the collectability of interfund balances. The CNMI will also develop a process of recording updated balances on a regular basis in compliance with GASB Statement No. 34.
2016-007	Tax Rebates Payable	09/30/2018	Larrisa Larson, DOF Secretary Maria T. White, Division of Revenue and Taxation Manager	The Division of Revenue and Taxation has increased its personnel in February 2017, and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018. It is imperative that the division trains its employees on the newly established policies and procedures and retain its quality employees to effectively carry out the divisions directives.
2016-008	Notes Payable - Judicial Building Loan	09/30/2018	Alexandro Castro, Chief Justice Larrisa Larson, DOF Secretary	The CNMI is following PL9-3 to the extent that it is able and transferring funds as collected and as required by law. Unfortunately, there is a lack of funding to cover the remaining balance owed on monthly payment as collections aren't sufficient to cover the entire monthly payment. The Judiciary has applied for a loan with the USDA to address this issue. Upon approval of this loan, the entire balance of this loan will be paid and a new loan at a lower rate will be in place.
2016-009	Compensated Absences	08/30/2017	Larrisa Larson, DOF Secretary Bernadita Palacios, F&A Director	<p>DOF has contracted a consultant to update personnel records of inactive, terminated, or retired employees.</p> <p>In the development of the cash management plan, we have included in our policies and procedures to review the validity of charges in compensated absences payable in a timely manner.</p>
2016-010	Fund Balance - Encumbrances	08/30/2017	Larrisa Larson, DOF Secretary Bernadita Palacios, F&A Director	<p>General Fund - 1. DOF has informed the auditor that this testing/finding is invalid as DOF did not receive a request for such documents.</p> <p>Grants Assistance Fund - 2. We have reviewed such findings and are currently in contact with the vendors. We have received some confirmations to de-obligate the outstanding encumbrances and expect to clear all by then end of fiscal year 2017.</p> <p>All others - A majority of these encumbrances are carried over from the old accounting system. We have hired a consultant to help us access this old information and make the necessary changes in the new system.</p>
2016-011	Commonwealth Healthcare Corporation	Ongoing	Esther Muna, CHCC CEO Derek Sasamoto, CHCC CFO Larrisa Larson, DOF Secretary	The CNMI and CHCC have been working on the final issues of the transition of CHCC to independent corporation. CHCC and the CNMI will review the pending matters and develop a plan for any pending matters.





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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
2016-012	CNMI Worker's Compensation Commission	12/31/2017	Larrisa Larson, DOF Secretary Mark Rabauliman, Department of Commerce, Secretary	DOF and Department of Commerce will finalize the transfer of assets in writing and complete the work on establishing and assigning general ledger accounts for WCC funds. A consultant has been hired to assist with this matter. An investment policy is currently under review and will be finalized by end of 2017.
2016-013	CNMI Local Noncompliance	Ongoing	Virginia Villagomez, OMB Special Assistant Larrisa Larson, DOF Secretary	The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Acts. Areas affecting public health and welfare are an issue as areas such as Medical Referral for patients requiring urgent health care not available in the Commonwealth and Overtime for the salaries of the law enforcement officers who's responsibility is public welfare and safety often require resources beyond what has been budgeted. As investment increases in the Commonwealth, it is anticipated that revenue will continue to rise and address these areas where the Commonwealth often experiences budgetary shortfalls. In the meantime, measures are in place to work towards keeping agencies that do not play a role in the public safety and welfare of the community are spending within their operating budget.
<b>2015</b>				
2015-01	External Financial Reporting	FY 2018	Larrisa Larson Edward Manibusan	The Settlement Fund (NMISF) Trustee maintains the position that the NMISF is not a component unit and is not subject to be included in the Single Audit or GASB rules. Nevertheless, continued discussions with the Trustee and CNMI officials have led to a solution to provide improved external financial reporting for the CNMI. We anticipate this
2015-02	External Financial Reporting	FY 2018	Larrisa Larson Edward Manibusan	The Settlement Fund (NMISF) Trustee maintains the position that the NMISF is not a component unit and is not subject to be included in the Single Audit or GASB rules. Nevertheless, continued discussions with the Trustee and CNMI officials have led to a solution to provide improved external financial reporting for the CNMI. We anticipate this
2015-03	Revenue/Receipts - Tobacco Settlement Resources	Completed	Larrisa Larson Edward Manibusan	The CNMI has consulted with Michael Herring from the NAAG, and it was determined that it is nearly impossible to estimate receivables and revenues for the CNMI, even based on historical data, as proscribed in GASB TB 2004-1. It is recommended that a footnote to such revenue be provided in future financial statements.
2015-04	Cash and Cash Equivalents	Completed	Connie Agulto Bernadita Palacios	We have hired new employees to help keep with timely bank reconciliations and timely adjustments to the general ledger in order to adhere to the established policies and procedures. We are currently reviewing such policies and procedures to improve time management and process improvement.
2015-05	Receivables	FY 2018	Larrisa Larson Velma Palacios	Staff have been hired by NMIRF to address the outstanding issues. We have identified a significant portion of the receivables and have reconciled them to the appropriate accounts. Policies have been proposed and currently under review. Operational procedures are currently being developed to be in line
2015-06	Receivables	FY 2018	Larrisa Larson	We are currently in discussion with the OAG to determine the collectability on all arrears due to the CNMI. We are also currently working with the Office of the Public Auditor and have established a procedure for periodic review of such receivables between our offices. We have also begun discussions with both the Office of the Public Auditor and the OAG in order to draft legislation that ensures agency compliance with the mandated 1% receivables.
2015-07	Tax Rebates Payable	FY 2018	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2015-08	Notes Payable - Judicial Building Loan	FY 2017	Larrisa Larson	See Finding 2016-07
2015-09	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2015-10	Fund Balance - Encumbrances	FY 18	Larrisa Larson	We are reviewing past encumbrances and have made the necessary corrections thus far. Also in progress is a review of our policies and procedures and will make the necessary changes to ensure precise reporting.
2015-11	Commonwealth Health Center Corporation	30-Sep-17	Larrisa Larson Esther Muna Derek Sasamoto	We have contacted the Chief Financial Officer of the Commonwealth Health Center to document receivables, inventory and obligations. We expect this finding to be completed FY 2017





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REF	Findings	Status/Completion Date	Contact Person	Remarks
2015-12	CNMI Worker's Compensation Commission	30-Sep-17	Larrisa Larson Mark Rabauliman	DOF and Department of Commerce will finalize the transfer of assets in writing and complete the work on establishing and assigning general ledger accounts for WCC funds. A consultant has been hired to assist with this matter. An investment policy is currently under review and will be finalized by end of FY 2017.
2015-13	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.
2015-14	Schedule of Expenditures of Federal Awards	30-Sep-17	Larrisa Larson	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2017.
<b>2014</b>				
2014-001	External Financial Reporting	Ongoing	Larrisa Larson Edward Manibusan	The Department of Finance (DOF) and the Office of the Attorney General (OAG) have had discussions with NMISF regarding NMISF's position of not being a component unit and therefore not required to provide financial statements to the CNMI. This matter is currently under legal review by the OAG, and the Administration will be taking a position when such review is completed.
2014-002	Revenue/Receipts - Tobacco Settlement Resources	Completed	Larrisa Larson Edward Manibusan	<b>Corrective Action Taken:</b> The CNMI has consulted with Michael Herring from the NAAG, and it was determined that it is nearly impossible to estimate receivables and revenues for the CNMI, even based on historical data, as proscribed in GASB TB 2004-1. It is recommended that a footnote to such revenue be provided in future financial statements.
2014-003	Cash and Cash Equivalents	Completed	Connie Agulto Bernadita Palacios	We have hired new employees to help keep with timely bank reconciliations and timely adjustments to the general ledger in order to adhere to the established policies and procedures. We are currently reviewing such policies and procedures to improve time management and process improvement.
2014-004	Cash and Cash Equivalents	Completed		Corrective action was taken.
2014-005	Receivables	FY 2018	Larrisa Larson Velma Palacios	Staff have been hired by NMIRF to address the outstanding issues. We have identified a significant portion of the receivables and have reconciled them to the appropriate accounts. Policies have been proposed and currently under review. Operational procedures are currently being developed to be in line
2014-006	Receivables	FY 2018	Larrisa Larson	We are currently in discussion with the OAG to determine the collectability on all arrears due to the CNMI. We are also currently working with the Office of the Public Auditor and have established a procedure for periodic review of such receivables between our offices. We have also begun discussions with both the Office of the Public Auditor and the OAG in order to draft legislation that ensures agency compliance with the mandated 1% receivables.
2014-007	Advances	Completed		Corrective action was taken.
2014-008	Tax Rebates Payable	Ongoing	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2014-009	Other Liabilities and Accruals	Completed		Corrective action was taken.
2014-010	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2014-011	Fund Balance - Encumbrances	FY 2018	Larrisa Larson	We are reviewing past encumbrances and have made the necessary corrections thus far. Also in progress is a review of our policies and procedures and will make the necessary changes to ensure precise reporting.
2014-012	Commonwealth Healthcare Corporation	FY 2017	Larrisa Larson Esther Muna Derek Sasamoto	We have contacted the Chief Financial Officer of the Commonwealth Health Center to document receivables, inventory and obligations. We expect this finding to be completed FY 2017



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REF	Findings	Status/Completion Date	Contact Person	Remarks
2014-013	CNMI Workers' Compensation Commission	FY 2017	Larrisa Larson Mark Rabauliman	DOF and Department of Commerce will finalize the transfer of assets in writing and complete the work on establishing and assigning general ledger accounts for WCC funds. A consultant has been hired to assist with this matter. An investment policy is currently under review and will be finalized by end of FY 2017.
2014-014	CNMI Local Noncompliance	Completed	Corrective action was taken.	
2014-015	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.
2014-016	Schedule of Expenditures of Federal Awards	FY 2017	Larrisa Larson	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2017.
<b>2013</b>				
2013-001	Revenues/Receipts - Tobacco Settlement Resources	Completed	Larrisa Larson Edward Manibusan	<b>Corrective Action Taken:</b> The CNMI has consulted with Michael Herring from the NAAG, and it was determined that it is nearly impossible to estimate receivables and revenues for the CNMI, even based on historical data, as proscribed in GASB TB 2004-1. It is recommended that a footnote to such revenue be provided in future financial statements.
2013-002	Purchases/Disbursements	Completed	Corrective action was taken.	
2013-003	Purchases/Disbursements	Completed	Corrective action was taken.	
2013-004	Cash and Cash Equivalents	Completed	Connie Agulto Bernadita Palacios	We have hired new employees to help keep with timely bank reconciliations and timely adjustments to the general ledger in order to adhere to the established policies and procedures. We are currently reviewing such policies and procedures to improve time management and process improvement.
2013-005	Receivables	Completed	Corrective action was taken.	
2013-006	Advances	Completed	Corrective action was taken.	
2013-007	Interfund Receivables and Payables	Completed	Corrective action was taken.	
2013-008	Tax Rebates Payable	Ongoing	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2013-009	Other Liabilities and Accruals	Completed	Corrective action was taken.	
2013-010	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2013-011	Fund Balance - Encumbrances	FY 2018	Larrisa Larson	We are reviewing past encumbrances and have made the necessary corrections thus far. Also in progress is a review of our policies and procedures and will make the necessary changes to ensure precise reporting.
2013-012	Commonwealth Healthcare Corporation	FY 2017	Larrisa Larson Esther Muna Derek Sasamoto	We have contacted the Chief Financial Officer of the Commonwealth Health Center to document receivables, inventory and obligations. We expect this finding to be completed FY 2017
2013-013	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.
2013-014	Schedule of Expenditures of Federal Awards	FY 2017	Larrisa Larson	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2017.
<b>2012</b>				
2012-01	Cash Flows	Completed	Corrective action was taken.	



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REF	Findings	Status/Completion Date	Contact Person	Remarks
2012-02	Revenues/Receipts - Tobacco Settlement Resources	Completed	Larrisa Larson Edward Manibusan	<b>Corrective Action Taken:</b> The CNMI has consulted with Michael Herring from the NAAG, and it was determined that it is nearly impossible to estimate receivables and revenues for the CNMI, even based on historical data, as proscribed in GASB TB 2004-1. It is recommended that a footnote to such revenue be provided in future financial statements.
2012-03	Purchases/Disbursements	Completed	Corrective action was taken.	
2012-04	Purchases/Disbursements	Completed	Corrective action was taken.	
2012-05	Cash and Cash Equivalents	Completed	Connie Agulto Bernadita Palacios	We have hired new employees to help keep with timely bank reconciliations and timely adjustments to the general ledger in order to adhere to the established policies and procedures. We are currently reviewing such policies and procedures to improve time management and process improvement.
2012-006	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2012-07	Receivables	Completed	Corrective action was taken.	
2012-08	Tax Receivables - Division of Customs	Completed	Corrective action was taken.	
2012-09	Advances	Completed	Corrective action was taken.	
2012-10	Travel Advances	Completed	Corrective action was taken.	
2012-11	Interfund Receivables and Payables	Completed	Corrective action was taken.	
2012-12	Retirement Contributions - General Fund	Completed	Corrective action was taken.	
2012-13	Tax Rebates Payable	Ongoing	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2012-14	Other Liabilities and Accruals	Completed	Corrective action was taken.	
2012-15	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2012-16	Fund Balance - Encumbrances	FY 2018	Larrisa Larson	We are reviewing past encumbrances and have made the necessary corrections thus far. Also in progress is a review of our policies and procedures and will make the necessary changes to ensure precise reporting.
2012-17	Commonwealth Healthcare Corporation	FY 2017	Larrisa Larson Esther Muna Derek Sasamoto	We have contacted the Chief Financial Officer of the Commonwealth Health Center to document receivables, inventory and obligations. We expect this finding to be completed FY 2017
2012-18	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	<b>Corrective Action Taken:</b> The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.
2012-19	CNMI Local Noncompliance	Completed	Corrective action was taken.	
2012-20	Schedule of Expenditures of Federal Awards	FY 2017	Larrisa Larson	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2017.
2012-21	Single Audit Reporting	Completed	Corrective action was taken.	
<b>2011</b>				
2011-01	Cash Flows	Completed	Corrective action was taken.	
2011-02	Revenues/Receipts - Tobacco Settlement Resources	Completed	Larrisa Larson Edward Manibusan	<b>Corrective Action Taken:</b> The CNMI has consulted with Michael Herring from the NAAG, and it was determined that it is nearly impossible to estimate receivables and revenues for the CNMI, even based on historical data, as proscribed in GASB TB 2004-1. It is recommended that a footnote to such revenue be provided in future financial statements.
2011-03	Purchases/Disbursements	Completed	Corrective action was taken.	
2011-04	Purchases/Disbursements	Completed	Corrective action was taken.	
2011-05	Purchases/Disbursements	Completed	Corrective action was taken.	
2011-06	Cash and Cash Equivalents	Completed	Connie Agulto Bernadita Palacios	<b>Corrective Action Taken:</b> We have hired new employees to help keep with timely bank reconciliations and timely adjustments to the general ledger in order to adhere to the established policies and procedures. We are currently reviewing such policies and procedures to improve time management and process improvement.
2011-07	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2011-08	Receivables	Completed	Corrective action was taken.	
2011-09	Receivables	Completed	Corrective action was taken.	



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REF	Findings	Status/Completion Date	Contact Person	Remarks
2011-10	Tax Receivables - Division of Customs	Completed		Corrective action was taken.
2011-11	Advances	Completed		Corrective action was taken.
2011-12	Travel Advances	Completed		Corrective action was taken.
2011-13	Interfund Receivables and Payables	Completed		Corrective action was taken.
2011-14	Retirement Contributions - General Fund	Completed		Corrective action was taken.
2011-15	Tax Rebates Payable	Ongoing	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2011-16	Other Liabilities and Accruals	Completed		Corrective action was taken.
2011-17	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2011-18	Fund Balance - Encumbrances	FY 2018	Larrisa Larson	We are reviewing past encumbrances and have made the necessary corrections thus far. Also in progress is a review of our policies and procedures and will make the necessary changes to ensure precise reporting.
2011-19	Journal Entries	Completed		Corrective action was taken.
2011-20	Schedule of Expenditures of Federal Awards	FY 2017	Larrisa Larson	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2017.
2011-21	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.
2011-22	CNMI Local Noncompliance	Completed		Corrective action was taken.
<b>2010</b>				
2010-01	Cash Flows	Completed		Corrective action was taken.
2010-02	Revenues/Receipts - Division of Customs	Completed		Corrective action was taken.
2010-03	Revenues/Receipts - Tobacco Settlement Resources	Completed		Corrective action was taken.
2010-04	Purchases/Disbursements	Completed		Corrective action was taken.
2010-05	Cash and Cash Equivalents	Completed		Corrective action was taken.
2010-06	Cash and Cash Equivalents	Completed		Corrective action was taken.
2010-07	Receivables	Completed		Corrective action was taken.
2010-08	Receivables	Completed		Corrective action was taken.
2010-09	Advances	Completed		Corrective action was taken.
2010-10	Interfund Receivables and Payables	Completed		Corrective action was taken.
2010-11	Retirement Contributions - General Fund	Completed		Corrective action was taken.
2010-12	Tax Rebates Payable	Ongoing	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2010-13	Other Liabilities and Accruals	Completed		Corrective action was taken.
2010-14	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2010-15	Fund Balance - Encumbrances	FY 2018	Larrisa Larson	We are reviewing past encumbrances and have made the necessary corrections thus far. Also in progress is a review of our policies and procedures and will make the necessary changes to ensure precise reporting.
2010-16	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
<b>2009</b>				
2009-1	External Financial Reporting	Completed	Corrective action was taken.	
2009-2	Cash Flows	Completed	Corrective action was taken.	
2009-3	Revenues/Receipts - Division of Customs	Completed	Corrective action was taken.	
2009-4	Revenues/Receipts - Tobacco Settlement Resources	Completed	Corrective action was taken.	
2009-5	Purchases/Disbursements	Completed	Corrective action was taken.	
2009-6	Disbursements - Land Compensation	Completed	Corrective action was taken.	
2009-7	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2009-8	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2009-9	Receivables	Completed	Corrective action was taken.	
2009-10	Receivables	Completed	Corrective action was taken.	
2009-11	Travel Advances	Completed	Corrective action was taken.	
2009-12	Advances	Completed	Corrective action was taken.	
2009-13	Interfund Receivables and Payables	Completed	Corrective action was taken.	
2009-14	Retirement Contributions - General Fund	Completed	Corrective action was taken.	
2009-15	Tax Rebates Payable	Ongoing	María T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2009-16	Other Liabilities and Accruals	Completed	Corrective action was taken.	
2009-17	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2009-18	Fund Balance - Encumbrances	FY 2018	Larrisa Larson	We are reviewing past encumbrances and have made the necessary corrections thus far. Also in progress is a review of our policies and procedures and will make the necessary changes to ensure precise reporting.
2009-19	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.
<b>2008</b>				
2008-01	External Financial Reporting	Completed	Corrective action was taken.	
2008-02	Cash Flows	Completed	Corrective action was taken.	
2008-03	Purchases/Disbursements	Completed	Corrective action was taken.	
2008-04	Disbursements - Land Compensation	Completed	Corrective action was taken.	
2008-05	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2008-06	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2008-07	Receivables	Completed	Corrective action was taken.	
2008-08	Receivables	Completed	Corrective action was taken.	
2008-09	Travel Advances	Completed	Corrective action was taken.	
2008-10	Advances	Completed	Corrective action was taken.	
2008-11	Retirement Contributions - General Fund	Completed	Corrective action was taken.	
2008-12	Tax Rebates Payable	Ongoing	María T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2008-13	Other Liabilities and Accruals	Completed	Corrective action was taken.	
2008-14	Due to Component Units	Completed	Corrective action was taken.	
2008-15	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS

REF	Findings	Status/Completion Date	Contact Person	Remarks
2008-16	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS

REF	Findings	Status/Completion Date	Contact Person	Remarks
<b>2007</b>				
2007-1	External Financial Reporting	Completed	Corrective action was taken.	
2007-2	Cash Flows	Completed	Corrective action was taken.	
2007-3	Purchases/Disbursements	Completed	Corrective action was taken.	
2007-4	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2007-5	Receivables	Completed	Corrective action was taken.	
2007-6	Receivables	Completed	Corrective action was taken.	
2007-7	Travel Advances	Completed	Corrective action was taken.	
2007-8	Retirement Contributions - General Fund	Completed	Corrective action was taken.	
2007-9	Tax Rebates Payable	Ongoing	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2007-10	Due to Component Units	Completed	Corrective action was taken.	
2007-11	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS**

CNMI - Prepared Schedule										
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$ Amt Bal Carry Forward		
							\$	13,367,586	\$	21,947,894
<b>FY2019</b>										
2019-015	10.551/10.561	Allowable Costs / Cost Principles	\$ 50,004.0	Ongoing	Walter Macaranas, NAP Administrator	The CNMI agrees with the recommendation and as the responsible party for this function of the federal award, the CNMI is working with Nutrition Assistance Program (NAP) to address this deficiency, it has been noted that NAP periodically performs on a monthly basis reconciliation of food coupons against the redemption reports or bank statements. DOF also utilizes the bank statements as the source to draw final funds for each month. To verify and confirm accuracy and consistency, the CNMI will work with NAP to ensure there are no variances between the General Ledger entries, the bank reports and the monthly reconciliation of food coupons.	\$ -		\$ 50,004	
2019-016	15.875	Equipment and Real Property	\$-	Ongoing	Elizabeth S. Balajadia, CIP Administrator	The Department of Finance is in the process of adopting a new financial management system which will be an end user friendly that will incorporate the requires documents as stated in the grant terms and conditions to be able to populate the required information for compliance in property management and procedures. The new system maintains a flexible application to easily manage asset management and capital inventory for the department and agencies. The Company has begun the work for the transition to the new financial management system and will go live January 2022.	\$ -		\$ -	
2019-017	15.875	Procurement and Suspension and Debarment	\$363,800.0	Ongoing	Anthony Benavente, Secretary of DLNR	The office of grants management received approval from the federal grantor (Office of Insular Affairs) for a transfer of expenses to BU 19875M for payment of prior incurred expenses by the CNMI government. In relations to procurement regulation compliance, the grant award did stipulate that procurement regulations must be adhered to, however, as the expenses were initially recorded under the previous BU's (1694 and 1365), the procurement process should have already been completed.	\$ -		\$ 363,800	
2019-018	15.875	Reporting	\$51,563.0	Ongoing	Anthony Benavente, Secretary of DLNR	Condition 1: The Office of Management and budget agrees to this finding. The semi-annual report has been completed and prepared for the respective fiscal year. The program obtained the established schedule from the federal agency and reminders have been set prior to report due dates. Condition 2: The Office of Management and Budget agrees to this finding. OMB will coordinate the journal entry to transfer excess expenditure in business unit I17CIC, I17CIE, I17CIF, I17CIK, and I17CIL, for the services provided to FAS citizens. OMB will amend the SF 425 to reflect on actual expenditures received.	\$ -		\$ 51,563	
2019-019	15.875	Subrecipient Monitoring	\$-	Ongoing	Elizabeth S. Balajadia, CIP Administrator	The listed federal awards were previously submitted in preceding audit requests. The program did include most of the information as stated in Condition 2. The CIP Office has incorporated the required information listed in condition 2 in the Subrecipient Monitoring Agreement. A copy of the revised agreement has been sent to the subrecipient for acknowledgment and signature. The CIP Office agrees that the responsible personnel should obtain more training in the area of subrecipient monitoring and a revision to establish and implement policies and procedures to reflect the changes and/or updates in the compliance for the applicable subrecipient	\$ -		\$ -	
2019-020	93.767	Eligibility	\$-	Ongoing	Vicenta Borja, Acting Director Commonwealth Medicaid Agency	Yes, we do agree Medicaid made an error on both eligibility income calculations. CMA will enforce thorough review of supporting documents and validate income calculations are correct.	\$ -		\$ -	





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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule									
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2019-021	93.767	Special Tests and Provisions-Provider Eligibility	\$-	Ongoing	Vicenta Borja, Acting Director Commonwealth Medicaid Agency	We agree with these findings , CMA is making every effort each year to improve the maintenance of provider applications and supporting documents.	\$ -	\$ -	
2019-022	93.778	Special Tests and Provisions - ADP	\$-	Ongoing	Frank Celis, Director, Division of Information Technology Services	The Division of Information Technology Services has developed the policies and procedures to be in compliance with the program's ADP security system. It has been reviewed and approved by the Secretary of Finance and has been formally implemented into the current process.	\$ -	\$ -	
2019-023	93.778	Special Tests and Provisions - Provider Eligibility	\$-	Ongoing	Vicenta Borja, Acting Director Commonwealth Medicaid Agency	We agree with these findings . CMA is making every effort each year to improve the maintenance of provider applications and supporting documents.	\$ -	\$ -	
2019-024	97.036	Period of Performance	\$3,274,353.0	Ongoing	Virginia C. Villagomez, Governor's Authorized Representative, CNMI	1. As part of Public Assistance (PA) Closeout Processes, current Implementation and monitoring measures are in a place to ensure that all required closeout documents pertaining to the completed project scope of work by subrecipient's with validation by the CNMI PA Office are submitted to the regional PA office, While these mechanisms have been established for the closeout reporting of subrecipient's and approved cope of work , additional documentation and components are needed for inclusion and monitoring of liquidation regulations. Liquidation deadlines will be detailed and documentation into subrecipient monitoring checklists and mechanisms to ensure that timely liquidations occur and that, when needed, timely extension requested are submitted for grantor consideration and approval. 2. Effective immediately, the CNMI PA Office will include the liquidation regulations as a critical component of subrecipient monitoring processes alongside closeout reporting regulations, The CNMI PA office has monitored the completion of project work and deliverables within approved Periods of Performance (POP); however, the liquidation deadline monitoring is an area that will be highlighted of equal importance, included in the monitoring process and detailed accordingly, Liquidations will be referenced based on 2 C.F.R. §200.343. 3. All CNMI PA projects will be examined to determine compliance with liquidation regulations by May 2021. The Pao's immediate attention will be directed to correct any oversight in meeting liquidation of obligations requirements. Through the review, monitoring and communication with CNMI PA projects, request(s) to FEMA will be submitted for any projects that may need extensions to the Period of Performance end date, the closeout reporting, and liquidation deadline.		\$ 3,274,353	
2019-025	97.036	Subrecipient Monitoring	\$-	Ongoing	Virginia C. Villagomez, Governor's Authorized Representative, CNMI	The CNMI through the Public Assistance Office (PAO), hired a Compliance and Audit personnel in early January of this year. This personnel's primary responsibility is to evaluate internal controls within the agency and establish written subrecipient monitoring policies and procedures and to ensure implementation to comply with 2 CFR Part 200, Subpart D. - Subrecipient Monitoring Management, and Subpart F- Audit Requirements. Additionally, the PAO is in the process of revisiting its subrecipient agreement to include all required information to ensure every subaward is clearly identified to the subrecipient as stipulated in 2 CFR §200.322(a)(1) - Requirements for pass-through entities. Federal Award Identification		\$ -	
			\$ 3,739,720				\$ -	\$ 3,739,720	



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule									
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
<b>FY2018</b>									
2018-015	15.875	Allowable Costs/Cost Principles	\$ -	Ongoing	Kodep Ogumoro-Uludong, Administrator, Office of Capital Improvement Projects	<p><b>Update September 2020:</b> The DOF conducts an annual review of accounts to ensure that grants that are old, closed, and inactive are properly controlled in the system to prevent erroneous, invalid transactional postings. Our standard operating procedures assign an individual to monitor and report on federal programs based on the Federal Agency. In addition, since our inclusion in the Government Finance Officers Association (GFOA), through the support of the Office of Insular Affairs, we have also implemented performance measure to improve and ensure completion and timeliness of the required reporting, such as the SF-425.</p> <p>Our current systems do not support program-based accounting, and as such, significant resources, time and talent, is dedicated to ensure proper administration and support rather than program deliverables. CNMI has initiated procurement of additional software tools to aid in project-based accounting to increase timeliness of reviews and efficiency of tasks.</p> <p>---Previous Response---</p> <p>Will defer to Ryan Camacho of the Department of Finance to appropriately address this issue. It was recommended that the CIP Office request a copy of the General Ledger Expenditure report of all business units associated with the CIP program prior to submission to auditors for review and request for adjustments that may need to be made if any.</p> <p>Business unit (BU) 5192 is an old grant and has expired. However, this business unit was part of the older Capital Improvement Program, which had a federal and local cost share of 50% of the total project cost. The obligation for the construction of the Tinian Transfer Station (683-05) was made to BU 5192 for the remaining local CIP available funds.</p>	\$ -	\$ -	



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CNMI - Prepared Schedule									
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2018-016	15.875	Equipment and Real Property Management	\$ -	Ongoing	Kodep Ogumoro-Uludong, Administrator, Office of Capital Improvement Projects	<p><b>Update September 2020:</b> The Division of Procurement and Supply (P&amp;S) has developed and implemented the Fixed Asset Inventory Reconciliation (FAIR) program. This 6-phase program requires all departments and offices of the central government to provide annual updates from the agencies and reconciliation to our asset management system. Audit-identified agencies are reported to have submitted their initial updates to P&amp;S on or before June 30, 2020. P&amp;S is currently reviewing these preliminary submissions and will be working to reconcile various information. Additionally, this program will allow us to determine high-risk agencies for more frequent inspections and controls.</p> <p>Our current technological systems makes executing this program highly manual and labor-intensive. CNMI is currently seeking support to upgrade the financial and resource management system to improve efficiencies in agency updates, review notifications, accurate reporting and analyses.</p> <p>---Previous Response--- We determined that only fiscal years 2014 and 2015 are part of the CIP program and the remaining fiscal years are part of the MAP or TAP grants, which is administered by the Office of Grants Management. We have reviewed the capital inventory listing and identified which capital inventory was purchased for the respective department/agency. The CIP office will submit a transfer for the equipment to the respective department/agencies.</p>	\$ -	\$ -	
2018-017	15.875	Subrecipient Monitoring	\$ -	Ongoing	Kodep Ogumoro-Uludong, Administrator, Office of Capital Improvement Projects	<p><b>Update September 2020:</b> The CNMI has developed templates to meet requirements of sub-recipient monitoring and is provided to new and on-going federal program managers through the Office of Grants Management. Additionally, the Department of Defense has agreed to fund training programs for grant managers and other federal program staff to improve compliance of sub-recipient monitoring and other Uniform Guidance requirements. We anticipate training to resume by the year end or when conditions are manageable during the COVID-19 pandemic.</p> <p>---Previous Response--- Although the subrecipient agreement has been drafted and reviewed by the Office of the Attorney General, a standardized subrecipient agreement monitoring policies and procedures and checklists will be made for all CNMI departments /agencies. In addition, there is no formal training on subrecipient monitoring so a request for technical assistance for subrecipient monitoring training will be useful for grant</p>	\$ -	\$ -	



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CNMI - Prepared Schedule									
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2018-018	20.205	Equipment and Real Property Management	\$ -	Ongoing	Lorraine M. Seman, Administrator, Highway Planning Program	<p><b>Update September 2020:</b> The Division of Procurement and Supply (P&amp;S) has developed and implemented the Fixed Asset Inventory Reconciliation (FAIR) program. This 6-phase program requires all departments and offices of the central government to provide annual updates from the agencies and reconciliation to our asset management system. Audit-identified agencies are reported to have submitted their initial updates to P&amp;S on or before June 30, 2020. P&amp;S is currently reviewing these preliminary submissions and will be working to reconcile various information. Additionally, this program will allow us to determine high-risk agencies for more frequent inspections and controls.</p> <p>Our current technological systems makes executing this program highly manual and labor-intensive. CNMI is currently seeking support to upgrade the financial and resource management system to improve efficiencies in agency updates, review notifications, accurate reporting and analyses.</p> <p>---Previous Response---</p> <p>1. DPW, TSD-Highway Branch has included in its inventory sheet "Federal participation" and "Federal Award Identification Number" and will resubmit its FY18 inventory list to the Department of Finance, Division of Procurement &amp; Supply and to the Auditing firm, Deloitte &amp; Touche.</p> <p>2. DPW, TSD-Highway Branch has been in compliance with the Secretary of Public Works Directive (Corrective Action Plan and its process) but still encounter discrepancies because of Procurement &amp; Supply's overall lump sum master list including inventories of both local and federal properties. To address the difference in the program total and P&amp;S, Highway Branch has requested for a separate "Inventory</p>	\$ -	\$ -	



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2018-019	20.509	Equipment and Real Property Management	\$ -	Ongoing	Alfreda Camacho, Director, Commonwealth Office of Transit Authority	<p><b>Update September 2020:</b> The Division of Procurement and Supply (P&amp;S) has developed and implemented the Fixed Asset Inventory Reconciliation (FAIR) program. This 6-phase program requires all departments and offices of the central government to provide annual updates from the agencies and reconciliation to our asset management system. Audit-identified agencies are reported to have submitted their initial updates to P&amp;S on or before June 30, 2020. P&amp;S is currently reviewing these preliminary submissions and will be working to reconcile various information. Additionally, this program will allow us to determine high-risk agencies for more frequent inspections and controls. Our current technological systems makes executing this program highly manual and labor-intensive. CNMI is currently seeking support to upgrade the financial and resource management system to improve efficiencies in agency updates, review notifications, accurate reporting and analyses.</p> <p>---Previous Response---</p> <p>The Commonwealth Office of Transit Authority, together with Mr. Ton Manahane at Procurement &amp; Supply worked together to attain a copy of the most updated property listing. A comparison was conducted with the listing COTA provided for the audit performed by Deliotte: Ms. Carole Dela Cruz.</p> <p>COTA's listing are items currently being used or in good working condition. Procurement &amp; Supply's listing are of all items/property acquired from the inception of the program. Some of the items/property in the listing with Procurement &amp; Supply are no longer with the Program (damaged/ past its' useful life) or are not in working condition.</p> <p>Another internal asset management inventory was conducted on Tuesday, July 23, 2019 and some of the items in question were located and resolved.</p> <p>We acknowledge that there is no documentation to support what happened to the items that are damaged and/or past its useful life. We find that the items in question are each under \$5,000.00. Majority, if not all, are dated back to 2013, in which, none of the current</p>	\$ -	\$ -



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2018-020	93.767 93.778	Eligibility	\$ 369.00	Closed/Resolved	Helen C. Sablan, Director, Children's Health Insurance Program	<p><b>Update 2019:</b> See email dated September 4, 2020 from Linda Gee (CMC/CMCS).</p> <p>Condition 1: We agree with the audit finding. Moving forward we will be ensuring the pregnant CW-Visa holders' Medicaid coverage expires on the expiration date of their CW-Visa.</p> <p>Condition 2: We agree with the audit finding for case number 11-011811-00. We are making every effort to get a hold of the individual to obtain a copy of their social security card.</p> <p>We agree with the audit finding for case number 14-034080-00 because we are unable to prove that the social security card for household member 2 was submitted prior to 02/08/19.</p> <p>Condition 3: We agree with the audit finding. Countable resources should be \$618 and not \$629. Correction was made.</p> <p>Condition 4: Prior to submission of the application to Medicaid, the</p>	\$ 369	\$ -
2018-021	93.778	Special Tests and Provisions - ADP	\$ -	Ongoing	Vicenta Borja, Acting Director Commonwealth Medicaid Agency	Update September 2020: Since 2018 the CNMI Department of Finance has been working diligently to comply with the IRS Publication 1075 standards for data security. During this time, we have upgraded equipment, implemented new policies, and initiated new practices designed to better secure our data against theft, improve our disaster recovery capabilities, and enhance management oversight of data operations. These practices and policies will serve as a blueprint for other agencies in the CNMI to attain and maintain compliance with the	\$ -	\$ -
2018-022	93.778	Special Tests and Provisions - Provider Eligibility	\$ -	Completed	Helen C. Sablan, Director, Medicaid	We agree with the audit finding. Since Guam Regional Medical City is a huge hospital facility with over a hundred medical personnel, we accepted a listing that included the names, titles and license information of all the providers. However, since we were made aware that we needed to attach each provider's licenses in the Provider's Agreement, we were able to completely obtain them. Moving forward, we will make sure that regardless of size or type of provider, we will	\$ -	\$ -



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule									
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2018-023	97.036	Reporting	\$ -	Completed	Virginia Villagomez, Governor's Authorized Representative	<p><b>Update September 2020:</b> The DOF conducts an annual review of accounts to ensure that grants that are old, closed, and inactive are properly controlled in the system to prevent erroneous, invalid transactional postings. Our standard operating procedures assign an individual to monitor and report on federal programs based on the Federal Agency. In addition, since our inclusion in the Government Finance Officers Association (GFOA), through the support of the Office of Insular Affairs, we have also implemented performance measure to improve and ensure completion and timeliness of the required reporting, such as the SF-425.</p> <p>Our current systems do not support program-based accounting, and as such, significant resources, time and talent, is dedicated to ensure proper administration and support rather than program deliverables. CNMI has initiated procurement of additional software tools to aid in project-based accounting to increase timeliness of reviews and efficiency of tasks.</p> <p>---Previous Response--- DOF submitted the SF-425 and was finalized, but reclassifications were made on the individual accounts subsequent to the filing. Because the</p>	\$ -	\$ -	\$ -
2018-024	97.036	Reporting	\$ -	Ongoing	Virginia Villagomez, Governor's Authorized Representative	<p><b>Update September 2020:</b> The DOF conducts an annual review of accounts to ensure that grants that are old, closed, and inactive are properly controlled in the system to prevent erroneous, invalid transactional postings. Our standard operating procedures assign an individual to monitor and report on federal programs based on the Federal Agency. In addition, since our inclusion in the Government Finance Officers Association (GFOA), through the support of the Office of Insular Affairs, we have also implemented performance measure to improve and ensure completion and timeliness of the required reporting, such as the SF-425.</p> <p>Our current systems do not support program-based accounting, and as such, significant resources, time and talent, is dedicated to ensure proper administration and support rather than program deliverables. CNMI has initiated procurement of additional software tools to aid in project-based accounting to increase timeliness of reviews and efficiency of tasks.</p> <p>---Previous Response--- DOF submitted the SF-425 and was finalized, but reclassifications were made on the individual accounts subsequent to the filing. Because the</p>	\$ -	\$ -	\$ -
			\$ 369.00				\$ 369.00	\$ -	\$ -



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule									
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
<b>FY2017</b>									
2017-016	15.875	Equipment and Real Property	\$ -	12/31/2018	Larrisa Larson, Secretary of Finance	The Department of Finance has submitted in its 2019 budget proposal to incorporate new technological systems to improve inventory (and other financial) procedures. The aim of this implementation is to process documents more efficiently, with less required human resources, and to maintain records to include information such as federal award identification number, source of property, title, percentage of federal participation, and use and condition of the property. Additionally, this will improve the time and effort needed for central government to reconcile records with program managers. A physical inventory of FY 2017 will be coordinated with program manager and Division of Procurement & Supply to address these findings. Through a TAP grant through OIA, CNMI has developed a system and process to conduct	\$ -	\$ -	
2017-017	15.875	Procurement and Suspension Debarment	\$ 1,356,194	N/A	Anthony Benavente, Secretary of DLNR	CNMI disagrees with this finding. Contracting office determines that Regulations 70-30.1-115(f) is not applicable in this matter because Contract 659-OS was implemented due to extraordinary circumstances to prevent Stipulated Orders from EPA. As such, CNMI determines that section (g) is applicable: "The head of contracting activity may, in exceptional cases, waive the requirement for submission of certified cost or pricing data. The authorization for the waiver and the reasons granting it shall be in writing." CIP office believes that extending the contract through change orders was more cost effective and timely rather than conducting open bids and engineering estimates as a price analysis was conducted in the beginning of the project. CNMI will	\$ -	\$ 1,356,194	
2017-018	15.875	Subrecipient Monitorig	\$ -	06/30/2018	Adminstrator of CIP Office	1. The Subrecipient Agreement has been drafted and reviewed by the office of the Attorney General. All component units for sub grants for fiscal year 2017 have signed and executed subrecipients are required to review and sign the agreements annually, before the release of funds. 2. Sub recipient monitoring policies & procedures have been implemented and communicated to all sub recipients. Moving forward, all subrecipients are required to review and initial the document annually. Additionally, our office is aware that control procedures must be in place that require the subrecipients' reporting of audit findings related to 15.875, It is stated in theSubrecipient Monitoring Policies & Procedures that any and all independent audit findings for autonomous	\$ -	\$ -	
2017-019	20.205	Equipment and Real Property	\$ -	12/30/2018	Lorraine M. Seman, Administrator, Highway Planning	1. Conduct physical inventory on a semi-annual basis and update inventory forms to include Federal Award numbers, and percentage of federal participation, and to remain separate from items purchased with local funds. 2. Include a separate listing to include infrastructure assets and maintain annually. 3. Coordinate with CNMI division of Procurement & Supply to update central records to include information such as but not limited to property records, transfers, surveyed properties and de-obligation records. In addition, propose inventory system to identify separately DPW/TSD from local. 4. Establish control procedures for monitoring of property files and equipment to include	\$ -	\$ -	
2017-020	66.600	Equipment and Real Property	\$ 33,140	12/31/2018	Larrisa Lason, Secretary of Finance	Condition 1. The Department of Finance is currently in award/procurement process to incorporate new technological systems to improve inventory (and other financial) procedures. Such implementation aims to efficiently process documents. With less required human resources, and to maintaining records to include information such as federal award identification number, source of property, title, percentage of federal participation, and use and condition of the property. Condition 2-5: A physical inventory of FY 2017 will be coordinated with program manager and Division of Procurement & Supply to address these findings. Through a TAP grant through OIA, CNMI has developed a system and process to conduct	\$ -	\$ 33,140	





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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule									
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2017-021	66.600	Reporting	\$ -	06/30/2018	Gloria Castro, DEQ and Larrisa Larson, Secretary of Finance	The Department of Finance agrees that the figures reported in error need closer review. The Department of Finance disagrees with the statement that there are a lack of control over compliance with reporting requirements and monitoring of program income. Reports are done on a quarterly basis. Copies of these reports are distributed to the Department and the federal program officers on a quarterly basis as well. All supporting documentation are attached to the SF425s to support the information contained in the report. We believe this to be an isolated instance with zero question cost, but will take note of this	\$ -	\$ -	
2017-022	93.767	Eligibility	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See letter from Linda Gee (CMS/CMCS)	\$ -	\$ -	
2017-022	93.778	Eligibility	\$ 4,558	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 4,558	\$ -	
2017-023	93.778	Special Tests and Provisions	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director and Frank Celis	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -	
2017-024	97.036	Subrecipient Monitoring	\$ -	Closed	Virginia Villagomez, Authorized Representative	Letter from FEMA dated May 15, 2019	\$ -	\$ -	
			\$ 1,393,892				\$ 4,558	\$ 1,389,334	
<b>FY2016</b>									
2016-014	10.551	Allowable Costs/Cost Principles	\$ -	Corrective Action Taken: Awaiting determination letter	Walter Macaranas, NAP Administrator	CNMI-NAP is in compliance with the yearly indirect cost rate. CNMI NAP prior to an annual budget negotiation must always have and present the current and approved Indirect Cost Rate with the Memorandum of Understanding to the USDA, Food and Nutrition Services (FNS). Indirect Cost Rate consists of two types: (1) Fixed Rate with Utilities direct charges, and (2) Fixed Rate without Utilities direct charges. During FY 2016, Fixed Rate with Utilities was 4.37% while Rate without utilities was 10.64%. CNMI NAP routinely applies the Rate with Utilities due to	\$ -	\$ -	
2016-015	10.551	Reporting	\$ 43,552.00	Corrective Action Taken: Completed 4/11/2018 Awaiting determination letter	Walter Macaranas, NAP Administrator	CNMI NAP has identified Ms. Techelul N. Olkeriil-Accountant IV- to be the person to monitor the reconciliation and accountability reports between the Issuance and Redemption Units for accuracy and completeness. Retail and Redemption Unit will maintain the coupons redeemed for a period of three (3) Months on a quarterly basis with the flexibility that whenever there is a discrepancy, NAP shall reverify the coupons redeemed for correctness. At the same time, Issuance Unit (BICA) is required to do a daily counts of coupons inventory as well as the benefit issued. If the reports are deemed to be inconsistency Ms. Techelul will notify the units involved for further verification on the reports. A re-verification report will be submitted to Techelul for	\$ -	\$ 43,552	
2016-016	11.419	Equipment and Real Property Management	\$ 9,498.00	Warranting no further action	Janice Castro, DCRM Program Manager	1. DCRM will revise operating procedures to include detailed procurement and inventory standards according to local and federal regulations/guidelines. 2. DCRM will complete physical inventory and 3. Reconcile with P&S  Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC.	\$ 9,498	\$ -	



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CNMI - Prepared Schedule									
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2016-017	11.419	Procurement and Suspension Debarment	\$ 69,865.00	Warranting no further action	Janice Castro, DCRM Program Manager	1. DCRM will revise operating procedures to include detailed procurement and inventory standards according to local and federal regulations/guidelines.  Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC.	\$ 69,865	\$	-
2016-018	11.419	Reporting	\$ -	Warranting no further action	Janice Castro, DCRM Program Manager	Although not requested nor denied from grantor, DCRM will provide such reports in the future.  Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC.	\$ -	\$	-
2016-019	11.482	Matching, Level of Effort, Earmarking	\$ 33,454.00	Warranting no further action	Jihan Buniag, DCRM Project Coordinator	DCRM will implement a more effective and accurate tracking system that will measure the amount of contributed match as it occurs over the grant cycle.  Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC.	\$ 33,454	\$	-
2016-020	11.482	Reporting	\$ -	Warranting no further action	Jihan Buniag, DCRM Project Coordinator	DCRM will revise operating procedures to monitor amounts reported on SF-425 and meet all reporting requirements.  Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC.	\$ -	\$	-
2016-021	15.875	Procurement and Suspension Debarment	\$ 15,275,668.00	Corrective Action Taken: Documents requested by DOI	Virginia C. Villagomez, CIP Administrator	Per USDOJ letter dated May 22, 2018	\$ 9,567,010	\$	5,708,658
2016-022	15.875	Subrecipient Monitoring	\$ -	Corrective Action Taken: Completed 6/30/17 Awaiting Determination Letter	Virginia C. Villagomez, CIP Administrator	1. The Subrecipient Agreement has been drafted and reviewed by the Office of the Attorney General. All component units for subawarded grants for FY 2016 have signed this agreement. 2. The Subrecipient Monitoring policies and procedures have been implemented and communicated to all subrecipients which requires subrecipient to review and initial agreement.	\$ -	\$	-
2016-023	93.767	Allowable Costs/Cost Principles	\$ 8,300.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	CNMI agrees with this finding: We will return the questioned costs and request a refund from the provider. See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 8,300	\$	-
2016-024	93.778	Activities Allowed or Unallowed	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$	-
2016-025	93.767	Eligibility	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See letter from Linda Gee (CMS/CMCS)	\$ -	\$	-
2016-025	93.778	Eligibility	\$ 18,592.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 18,592	\$	-
2016-026	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$	-
2016-027	93.778	Special Tests and Provisions	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director Frank C. Celis, EDP	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$	-



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<b>CNMI - Prepared Schedule</b>								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2016-028	97.036	Cash Management	\$ -	Closed/Resolved	Virginia C. Villagomez, OMB, Authorized Representative	Per US Dept. of Homeland Security Letter dated June 21, 2018.	\$ -	\$ -
2016-029	97.036	Procurement and Suspension Debarment	\$ 608,343.00	Open	Chellah Sablan, Financial Analyst	Per US Dept. of Homeland Security Letter dated June 21, 2018: Pending FEMA decision on CNMI's appeal.	\$ 337,295	\$ 271,048
2016-030	97.036	Reporting	\$ -	Closed/Resolved	Virginia C. Villagomez, OMB, Authorized Representative	Per US Dept. of Homeland Security Letter dated June 21, 2018	\$ -	\$ -
2016-031	10.551	Equipment and Real Property Management	\$ -	Corrective Action Taken: Completed 4/5/2018 Awaiting Determination Letter	Rosemary Camacho, Federal Progm Coordinator IV	CNMI NAP currently have a full-time employee who foresee the Physical Inventory of all Equipment. Attached Exhibit B indicated all Federal and Local requirements of the physical inventory equipment from serial or federal award identification number, source of the property, who holds the title, percentage of federal participation in the cost of the property and use and condition of the property. Furthermore, a FY2016 NAP Inventory Listing was reconciled against Procurement and Supply Inventory Listing. NAP has made a requirement and recommended by the Auditor to do Inventory on all	\$ -	\$ -
2016-031	15.875	Equipment and Real Property Management	\$ -	Open	Rosemary Camacho, Federal Progm Coordinator IV	The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records. There is a newly proposed set of policies and procedures for P&S. DOF is in the process of hiring a consultant to help train current and new employees to effectively carry out the duties set forth.	\$ -	\$ -
			<b>\$ 16,067,272</b>				<b>\$ 10,044,014</b>	<b>\$ 6,023,258</b>
<b>FY2015</b>								
2015-14	-	Schedule of Expenditures of Federal Awards	\$ -	Corrective Action Taken	Larrisa Larson, Secretary of Finance	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2018.	\$ -	\$ -
2015-15	10.551	Reporting	\$ -	Corrective Action Taken		The CNMI complied with Exhibit G, Part III E2 of the MOU between FNS and DCCA. The final CNMI-269 report for FY 2015 was submitted to FNS on Dec. 30, 2015. The grantor's reconciliation of grant carryover for FY 2015 disclosed carryover funds of \$1,056,825.	\$ -	\$ -
2015-16	10.551	Special Tests and Provisions	\$ -	Corrective Action Taken: Completed 04/11/18 Awaiting determination letter		CNMI NAP had identified Ms. Techelul N. Olkeriil to be the person to monitor the reconciliation and accountability reports between the Issuance and Redemption Units for accuracy and completeness. Retail and Redemption Unit will maintain the coupons redeemed for a period of three (3) Months on a quarterly basis with the flexibility that whenever there is a discrepancy, NAP can revisit to reverify the coupons redeemed for accuracy. At the same time, Issuance Unit (BICA) is required to do a daily monitor and inventory on all coupons as well as the benefit issued. If the reports are deemed to be inconsistency Ms. Techelul will notify the units involved for further verification on the reports including but not limited to coupons redeemed and issued. A re-verified report will be submitted to Techelul for further verification. Any addition verification needed will be done to ensure the accuracy of	\$ -	\$ -
2015-36	10.551	Equipment and Real Property Management	\$ -	Corrective Action Taken		The reconciliation performed by P&S for FY 2015 was completed on January 14, 2016. The NAP report for the physical inventory performed July 7-22, 2016 was completed with the requirements of OMB Guidance § 200.313.	\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2015-17	11.419	Allowable Costs/Cost Principles	\$ 3,231.00	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response: DCRM is in direct contact with grantor agency and has completed prior corrective action plan (see below). DCRM demonstrated weak monitoring controls to effectively monitor transactions for proper accounting treatment. However, because payroll and payments are handled outside of DCRM, DCRM administrative personnel charged with oversight of payroll preparation and payments to vendors will work closely with the Office of Personnel Management and DOF's Finance & Accounting and Accounts Payable sections to ensure that accounts are entered correctly. Moreover, DCRM seeks to tighten its internal controls by updating its Standard Operating Procedures to include a second review by a different individual prior to moving forward with further action on any given action, including but not limited to payroll calculations, review of	\$ 3,231	\$ -
2015-18	11.419	Equipment and Real Property Management	\$ -	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response: DCRM will complete an inventory count of all DCRM property and provide information to P&S to reconcile property records, especially item with no market value.	\$ -	\$ -
2015-19	11.419	Program Income	\$ -	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response:DCRM has sought guidance from grantor (NOAA) regarding expenditure of program income since 2010, and has received incomplete and/or conflicting guidance. As of May 2015 and June 2016, DCRM will return program income from expired grants.	\$ -	\$ -
2015-20	11.419	Reporting	\$ -	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response:DCRM has requested DOF to report all program income earned and expended on FORM SF-425 for each reporting period.	\$ -	\$ -
2015-21	11.419	Special Tests and Provisions	\$ 12,866.00	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response: DCRM has received grantor approval for SAC #2. SAC #14,#6, and #7 is still awaiting response from grantor.	\$ 12,866	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2015-22	11.482	Allowable Costs/Cost Principles	\$ -	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response:DCRM gave the employee a 10% raise for completing Master's degree and believes this is an appropriate decision as it is in approved personnel budget award. DCRM has made great stride to fine tune administrative procedures to ensure that grantor approval is acquired for such items.	\$ -	\$ -
2015-23	11.482	Matching, Level of Effor, Earmarking	\$ 46,367.00	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response: DCRM will implement a more effective and accurate tracking system that will measure the amount of contributed match as it occurs over the grant cycle.	\$ 46,367	\$ -
2015-24	11.482	Reporting	\$ -	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response:DOF will monitor and ensure that all supporting documents are maintained, especially for SF-425 reports.	\$ -	\$ -
2015-25	15.875	Allowable Costs/Cost Principles	\$ -	Corrective action taken.		USDOJ-OIA Audit Resolution Determination for CNMI letter dated June	\$ -	\$ -
2015-26	15.875	Cash Management	\$ -	Corrective Action Taken		The Office of the Attorney General has assisted the CIP office in creating the CNMI CMIAA policy, which includes 1) programs covered by the agreement, 2) the method of funding to be used 3) the method used to calculate interest, and 4) procedures for determining check clearing patterns. The CNMIAA policy will now be included in the annual CIP staff training as well as contractual agreements with contractors/vendors	\$ -	\$ -
2015-27	15.875	Period of Availability of Federal Funds	\$ -	Corrective action taken.		USDOJ-OIA Audit Resolution Determination for CNMI letter dated June	\$ -	\$ -
2015-28	15.875	Procurement and Suspension and Debarment	\$ 1,888,948.00	Partial Corrective Action		*USDOJ Audit Resolution letter dated 08/03/2017 reinstating funds for conditions 2 and 6. *USDOJ OIA letter dated 12/22/2017 (SA MDL 1); see Finding 2016-21	\$ 1,309,226	\$ 579,722
2015-29	15.875	Reporting	\$ -	Corrective Action Taken		To ensure the Financial Status Report and Narrative Project Reports are submitted timely, a grant notification system has been implemented and will be used to track any and all grant and contract expiration dates.	\$ -	\$ -
2015-30	15.875	Subrecipient Monitoring	\$ -	Corrective Action Taken: Awaiting determination letter		1. A subrecipient agreement has been drafted for all component units receiving sub-awards. Upon execution of the agreement, monitoring requirements have been implemented.  2. In collaboration with Graduate School USA, our office has developed standard tools to be used for monitoring activities.	\$ -	\$ -
2015-31	15.875	Special Tests and Provisions	\$ -	Corrective action taken.		USDOJ-OIA Audit Resolution Determination for CNMI letter dated June	\$ -	\$ -
2015-36	15.875	Equipment and Real Property Management	\$ -	Open		The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records.	\$ -	\$ -
2015-36	20.205	Equipment and Real Property Management	\$ -	Open		The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records.	\$ -	\$ -



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Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2015-32	93.778	Activities Allowed or Unallowed	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -	
2015-33	93.778	Eligibility	\$ 101,528.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 101,528	\$ -	
2015-34	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -	
2015-35	93.778	Special Tests and Provisions	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -	
2015-37	97.036	Cash Management	\$ -	Closed/Resolved	Virginia C. Villagomez, OMB, Authorized Representative	Per US Dept. of Homeland Security Letter dated June 21, 2018: CNMI should complete two separate drawdowns no later than July 15, 2018 (DR1541 and DR1611).	\$ -	\$ -	
			\$ 2,052,940				\$ 1,473,218	\$ 579,722	
<b>FY2014</b>									
2014-016	-	Schedule of Expenditures of Federal Awards	\$ -	Corrective Action Taken	Larrisa Larson, Secretary of Finance	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2018.	\$ -	\$ -	
2014-017	10.551	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	CNMI-DOF has hired staff to ensure timely filings of Treasury-State Agreements (TSA). Additionally, CNMI-DOF has developed and implemented a cash management handbook to effectuate policies and procedures that are in compliance with TSA.	\$ -	\$ -	
2014-018	10.551	Special Tests and Provisions	\$ -	Corrective Action Taken: Completed 04/11/18 Awaiting determination letter	Elizabeth Palacios-Olouachel, Retail & Redemption Office	A current practice is that the Retail and Redemption Unit is availing the first month of the quarter High Redeemer Listing to do Compliance Visit instead of waiting for the third month of the quarter. In doing so, reports are completed on time including in compliance of NAP regulation. Manual of Operation including the MOU does not restrict the listing for High Redeemer as long as the Retailer falls in the high redeemer lists of that certain Quarter.	\$ -	\$ -	
2014-019	10.551	Special Tests and Provisions	\$ 270,373	Corrective Action Taken - Awaiting determination letter	Merced Muna, Benefit Issuance & Claims Accountability (BICA) Unit Supervisor	Actions and steps for claim notices to be sent out to NAP clients had been lessened and decreased to be able to meet the length of time for the notice to be mailed out. Benefit Issuance and Claim Accountability (BICA) Unit is currently operating with four (4) staffs. These staffs are more than enough to encounter the procedure of sending notices out on time to clients without any delays.	\$ -	\$ 270,373	
2014-020	11.419	Allowable Costs/Cost Principles	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated	\$ -	\$ -	
2014-021	11.419	Equipment and Real Property Management	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated	\$ -	\$ -	
2014-022	11.419	Period of Availability of Federal Funds	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated	\$ -	\$ -	
2014-023	11.419	Procurement and Suspension and Debarment	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated	\$ -	\$ -	
2014-024	11.419	Program Income	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated	\$ -	\$ -	
2014-025	11.419	Reporting	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated	\$ -	\$ -	
2014-026	11.419	Special Tests and Provisions	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated May 11, 2016.	\$ -	\$ -	
2014-027	11.482	Allowable Costs/Cost Principles	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated	\$ -	\$ -	
2014-028	11.482	Matching, Level of Effort, Earmarking	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated	\$ -	\$ -	
2014-029	11.482	Period of Availability of Federal Funds	\$ -	Corrective action taken.		Award Action Request Approved through Grants Online	\$ -	\$ -	
2014-030	11.482	Procurement and Suspension and Debarment	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated	\$ -	\$ -	
2014-031	11.482	Reporting	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated	\$ -	\$ -	
2014-032	11.482	Special Tests and Provisions	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated	\$ -	\$ -	
2014-033	15.875	Period of Availability of Federal Funds	\$ 4,896	Corrective action taken.		The CIP Office has implemented policies and procedures to track	\$ -	\$ 4,896	



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2014-034	15.875	Procurement and Suspension and Debarment	\$ 1,060,520	Corrective Action Taken: Awaiting determination letter		Name of Contact Person: Virginia C. Villagomez, CIP Administrator  Corrective Action: Going forward, the CIP office has implemented evaluation procedures in procuring project managers that will ensure fairness in the selection process and compliance with procurement regulations.  Proposed Completion Date: Immediate	\$ -	\$ 1,060,520
2014-035	15.875	Subrecipient Monitoring	\$ -	Corrective Action Taken: Awaiting determination letter		1. A subrecipient agreement has been drafted for all component units receiving sub-awards. Upon execution of the agreement, monitoring requirements will be implemented.  2. In collaboration with Graduate School USA, our office has developed standard tools to be used for monitoring activities.	\$ -	\$ -
2014-036	15.875	Special Tests and Provisions	\$ -	Corrective Action Taken: Awaiting determination letter		Name of Contact Person: Virginia C. Villagomez, CIP Administrator  Corrective Action: To ensure future compliance the Capital Improvement Office has developed a comprehensive check list for all projects that includes the submission of land title certification requirement  Proposed Completion Date: Ongoing	\$ -	\$ -
2014-037	20.205	Procurement and Suspension and Debarment	\$ -		Maegan Agulto, Finance Coordinator	Name of Contact Persons: James A. Ada, Secretary of Public Works, Anthony Camacho, Acting Director of Technical Services Division and GERALYN C. DELA CRUZ, Highway Administrator Corrective Action: The project contract executed was in the old format which did not include this provision. DPW is currently routing a contract change order to include this provision in the said contract. Proposed Completion Dates: FY 2016	\$ -	\$ -
2014-038	66.600	Equipment and Real Property Management	\$ -	Open	Richard Salas, Director, Coastal Resource Mgt	Name of Contact Person: : Gloria S. Castro, Administrative Service Manager, BECQ  Corrective Action: Of the four items that could not be located by the auditor, BECQ found item MP-18547CM (a PH meter) in the chemistry lab. ITEM-38533 (a battery backup) was surveyed and received by P&S on 05/12/14. ITEM-41817 (a labeling machine and MP18060CM (a Printer/Deskjet 5750) were surveyed and received by P&S on 11/14/13.	\$ -	\$ -



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS**

CNMI - Prepared Schedule									
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2014-039	66.600	Procurement and Suspension and Debarment	\$ 12,912	Open	Richard Salas, Director, Coastal Resource Mgt	Name of Contact Person: Gloria S. Castro, Administrative Service Manager, BECQ  Corrective Action: Condition 1: BECQ ordinarily tries to get multiple quotations for purchases of goods and services. BECQ followed the CNMI procurement regulations and policies in place, which do not require obtaining quotations for travel. Transportation is not specifically addressed in the CNMI Procurement Regulations and DOF uses established, written DOF policies when procuring government travel. Moreover, BECQ has complied with the grantor's requirements for offisland travel for all three expenditures listed with respect to document nos. 1169003, 1192021 and 1154604. In accordance with EPA's April 15, 2015 letter regarding BECQ's approved procurement practices and in accordance with programmatic condition P1 of the cooperative agreement, BECQ has satisfied this finding where EPA's PIO Program Manager has approved the travel expenses. Condition 2: All four BECQ contracts (contract nos. 556615 OC, 567038 OC, 538598 OC and 577142 OC) already contain the following terms and conditions: "Contractor will comply ... with Executive Order 11246 of September 24, 1965 entitled "Equal Employment Opportunity," as amended by Executive Order 11848 of October 3, 1967.	\$ -	\$ 12,912	
2014-040	66.600	Reporting	\$ -	Open	Richard Salas, Director, Coastal Resource Mgt	Name of Contact Person: Gloria S. Castro, Administrative Service Manager, BECQ  Corrective Action: In accordance with programmatic condition P5 of the cooperative agreement, BECQ retained and made available all program income generated to support the activities associated with the consolidated environmental program. BECQ maintained records which account for program income. Accordingly, BECQ provided the EPA project officer an accounting of all program income received and a description of how those funds have or will be utilized to support the overall environmental program. The Office of Finance & Accounting is the agency responsible for all SF-425 reporting requirements. The Office of Finance & Accounting has provided BECQ a copy ensuring that the program income reporting requirement is in compliance to date.	\$ -	\$ -	
2014-041	93.575	Allowable Costs/Cost Principles	\$ 36,634	Not corrected.	Vivian Sablan, Chief DYS Administrator	Name of Contact Person: Maribel Loste, Child Care and Development Fund (CCDF) Administrator and Roselle Teregeyo, CCDF Accountant  Corrective Action: The CCDF Program relies solely on DOF for guidance for the most appropriate and latest negotiated indirect cost rates. The approved indirect cost rate for FY2014 was received on 12/12/14. The general ledger was adjusted in December 2014 only for accounts under business unit H3575A-F and not H2575A-F as reports were finalized in September 2014.	\$ -	\$ 36,634	





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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2014-042	93.575	Eligibility	\$ 10,242	Open	Vivian Sablan, Chief DYS Administrator	Name of Contact Person: Maribel Lose, CCDF Administrator and Vince Rabauliman, CCDF Administrative Manager  Corrective Action: We agree with the finding. Current policies and procedures on timing of application and renewal will be reviewed and changed to ensure that applications and renewals are timely received. In addition to Eligibility Specialists (ESs) routinely conducting review of files, ESs will conduct peer reviews of files bi-annually to ensure that all necessary documents related to eligibility are available and updated.  Proposed Completion Date: Ongoing	\$ -	\$ 10,242
2014-043	93.575	Equipment and Real Property Management	\$ -	Open	Vivian Sablan, Chief DYS Administrator	Name of Contact Person: Maribel Lose, CCDF Administrator and Vince Rabauliman, CCDF Administrative Manager  Corrective Action: The CCDF Office will review its current policies and procedures on property management and will amend them to include random visual "spot checks" throughout the year for all properties and equipment purchased under the Program. It will conduct a review annually of the complete listing of all properties to ensure that the listing is updated.	\$ -	\$ -
2014-044	93.575	Reporting	\$ -	Open	Vivian Sablan, Chief DYS Administrator	Name of Contact Person: Maribel Lose, CCDF Administrator and Roselle Teregeyo, CCDF Accountant  Corrective Action: There is no requirement by the Administration for Children and Families (ACF) to report program income on the ACF 696 for the CCDF Program. There is no category on this report to indicate the amount of program income earned. The 696 report is the only report required by ACF to report CCDF expenditures. The SF-425 report is primarily handled by DOF. The CCDF Office will work with DOF to ensure that this report is timely submitted.	\$ -	\$ -
2014-045	93.575	Special Tests and Provisions	\$ -	Open	Vivian Sablan, Chief DYS Administrator	Name of Contact Person: Maribel Lose, CCDF Administrator and Roselle Teregeyo, CCDF Accountant  Corrective Action: The CCDF Program will establish policies and procedures to ensure that requirements of the Transparency Act of 2006 are addresses.  Proposed Completion Date: Ongoing	\$ -	\$ -
2014-046	93.778	Activities Allowed or Unallowed	\$ 327,131	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 327,131	\$ -
2014-047	93.778	Allowable Costs/Cost Principles	\$ 15,757	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 15,757	\$ -
2014-048	93.778	Eligibility	\$ 105,299	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 105,299	\$ -
2014-049	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2014-050	93.778	Special Tests and Provisions	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2014-051	11.419	Allowable Costs/Cost Principles	\$ -	Corrective action taken.	Frances Castro, Director, DCRM Frank M. Rabauliman, Administrator, BECQ	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response:  Corrective Action: Now that the recipients of USDOC 11.419 are aware of this criteria, semi-annual certifications will be established starting June, 2015 and thereafter on a semi-annual basis to certify that time charged is for federal related activities only. Employees and supervisors will sign-off on the semi-annual certifications for work on a single Federal program. These signed documents will be kept in each employee's personnel file.	\$ -	\$ -
2014-051	11.482	Allowable Costs/Cost Principles	\$ -	Corrective action taken.	Frances Castro, Director, DCRM Frank M. Rabauliman, Administrator, BECQ	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response: Corrective Action: Now that the recipients of USDOC 11.482 are aware of this criteria, semi-annual certifications will be established starting June, 2015 and thereafter on a semi-annual basis to certify that time charged is for federal related activities only. Employees and supervisors will sign-off on the semi-annual certifications for work on a single Federal program. These signed documents will be kept in each	\$ -	\$ -
2014-051	20.205	Allowable Costs/Cost Principles	\$ -	Open	Frances Castro, Director, DCRM Frank M. Rabauliman, Administrator, BECQ	Name of Contact Person: James A. Ada, Secretary of Public Works, Anthony Camacho, Acting Director of Technical Services Division and GERALYN C. DELA CRUZ, Highway Administrator  Corrective Action: The CNMI Department of Public Works (DPW) began implementing the requirement to submit activity timesheets per pay period effective September 2014. These timesheets reflect hours worked solely for the federal aid program administered by the Federal Highway Administration. DPW will continue to implement this system and ensure that all employees performing work under the said program	\$ -	\$ -
2014-051	66.600	Allowable Costs/Cost Principles	\$ -	Open	Frances Castro, Director, DCRM Frank M. Rabauliman, Administrator, BECQ	Name of Contact Person: Gloria S. Castro, Administrative Service Manager, BECQ  Corrective Action: As of 2014, all BECQ employees began signing bi-weekly timesheets to evidence hours worked on federal grant activities. This year, BECQ will comply with 2 CFR Part 225 and will certify employee time worked solely on federal programs on a semi-annual basis to satisfy the requirement of OMB A-87.	\$ -	\$ -
2014-051	93.778	Allowable Costs/Cost Principles	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -



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Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2014-052	10.551	Equipment and Real Property Management	\$ -	Open	Walter Macaranas, NAP Administrator	Name of Contact Person: Walter Macaranas, NAP Administrator  Corrective Action: The physical inventory for FY 2013 was completed on March 19, 2014. The reconciliation performed by P&S for FY 2013 was completed on October 3, 2014. The physical inventory for FY 2014 was completed on September 26, 2014. The reconciliation performed by P&S for FY 2014 was completed on May 7, 2015. NAP will complete the FY 2015 physical inventory by September 30, 2015. At such time, we will request P&S to perform reconciliation of the FY 2015 physical inventory. For each succeeding fiscal year, NAP will perform physical inventories by the closing of each fiscal year period	\$ -	\$ -
2014-052	11.419	Equipment and Real Property Management	0	Warranting no further action		<del>Name of Contact Person: Janice Castro, Director, DCRM, BECQ and Herman Sablan, Director, P&amp;S</del> Repeated: 2016-16 Email from grantor stipulating findings for 2014 are closed. Grantor is responding to 2015 & 2016 findings	0	0
2014-052	15.875	Equipment and Real Property Management	\$ -	Open	Walter Macaranas, NAP Administrator	The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records.	\$ -	\$ -
2014-052	20.205	Equipment and Real Property Management	\$ -	Open	Walter Macaranas, NAP Administrator	Name of Contact Person: James A. Ada, Secretary of Public Works, Anthony Camacho, Acting Director of Technical Services Division and Geralyn C. Dela Cruz, Highway Administrator  Corrective Action: DPW keeps its internal inventory of equipment and property. DPW will send a formal request to P&S to perform a physical inventory of equipment and property. DPW will further ensure that its internal inventory contains the necessary required information (i.e. serial number, source of property, title, etc.)  Proposed Completion Date: Ongoing	\$ -	\$ -
2014-052	66.600	Equipment and Real Property Management	\$ -	Open	Walter Macaranas, NAP Administrator	Name of Contact Person: Gloria S. Castro, Administrative Service Manager, BECQ  Corrective Action: In accordance with the CNMI Property Management Policies and Procedures, P&S is required to conduct an annual inventory of property held by a designated official who has administrative control over the use of personal property within his area of jurisdiction. Further, P&S shall perform random audits of property held by each accountable person to validate the integrity of the property control process. BECQ has completed the preliminary In-House Physical Inventory Report and it was submitted to P&S on 05/12/15.	\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2014-052	93.575	Equipment and Real Property Management	\$ -	Open	Walter Macaranas, NAP Administrator	Name of Contact Person: Maribel Lose, CCDF Administrator and Vince Rabauliman, CCDF Administrative Manager  Corrective Action: The CCDF Office will review its current policies and procedures on property management and will amend them to include random visual "spot checks" throughout the year for all properties and equipment purchased under the Program. It will conduct a review annually of the complete listing of all properties to ensure that the listing is updated.	\$ -	\$ -
			\$ 1,843,764				\$ 448,187	\$ 1,395,577
FY2013								
2013-014	-	Schedule of Expenditures of Federal Awards	\$ -	Corrective Action Taken	Larrisa Larson, Secretary of Finance	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2018.	\$ -	\$ -
2013-016	10.551	Reporting	\$ 18,524.00	Open	Walter Macaranas, NAP Administrator	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.  Proposed Completion Date: Ongoing.	\$ -	\$ 18,524
2013-017	10.551	Special Tests and Provisions	\$ -	Corrective Action Taken		Name of Contact Person: Elizabeth P. Oluochel, NAP Retail & Redemption Officer  Corrective Action: NAP Retail & Redemption Unit complied FY 13 compliance visits on May 22, 2014. FY 2014 compliance visits were completed on December 5, 2014.	\$ -	\$ -
2013-018	10.551	Special Tests and Provisions	\$ 235,234.00	Corrective Action Taken - Awaiting determination letter	Merced C. Muna, Supervisor, NAP Benefit Issuance & Claims Accountability (BICA) Unit	Actions and steps for claim notices to be sent out to NAP clients had been lessened and decreased to be able to meet the length of time for the notice to be mailed out. Benefit Issuance and Claim Accountability (BICA) Unit is currently operating with four (4) staffs. These staffs are more than enough to encounter the procedure of sending notices out on time to clients without any delays.	\$ -	\$ 235,234
2013-024	15.875	Reporting	\$ -	Open	Anthony Benavente, Secretary of DLNR	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.  Proposed Completion Date: Ongoing.	\$ -	\$ -
2013-030	81.041	Allowable Costs/Cost Principles	\$ 58,450.00	Open	Vincent Attao, Program Manager	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: We agree with this finding and will develop policies and procedures to address issues in the conditions. Proposed Completion Date: Ongoing.	\$ -	\$ 58,450



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Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2013-033	81.128	Allowable Costs/Cost Principles	\$ 93,904.00	Open	Larrisa Larson, Secretary of Finance	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows: FY13- 2.86% and 15.26% respectively FY14- 2.86% and 15.26% respectively FY15 proposed rates- 4.61% and 13.47% respectively For FY16 the proposed rates are 5.90% and 10.65% respectively  ARRA Rates- Not provided  CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.  Proposed Completion Date: Ongoing	\$ -	\$ 93,904
2013-034	81.128	Procurement and Suspension and Debarment	\$ 109,270.00	Open	Larrisa Larson, Secretary of Finance	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action, Condition 1 & 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 109,270
2013-036	93.778	Activities Allowed or Unallowed	\$ 4,299.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 4,299	\$ -
2013-037	93.778	Allowable Costs/Cost Principles	\$ 4,692.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 4,692	\$ -
2013-038	93.778	Eligibility	\$ 12,825.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 12,825	\$ -
2013-040	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -



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Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2013-041	15.875	Allowable Costs/Cost Principles	\$ -	Partial corrective action taken.	Anthony Benavente, Secretary of DLNR	Name of Contact Person: Virginia Villagomez, Office of Management & Budget  Corrective Action: A standard Personnel Activity Reporting (PAR) Guidance is being developed in collaboration with the Office of Grants Management to be used government-wide as a internal control on personnel compensation.  Proposed Completion Date: USDOJ 15.875: Ongoing. USDOE 93.778: Ongoing. USEPA 66.600: No further action required per US E.P.A determination letter.	\$ -	\$ -
2013-042	10.557, 15.875, 66.600	Equipment and Real Property Management	\$ -	Partial corrective action taken.	Rosemary Camacho, Federal Program Coordinator IV	Corrective Action: US DOI 15.875: The CNMI Office of Management & Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement & Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.  USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.  USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement & Supply.  Proposed Completion Dates:	\$ -	\$ -
2013-043	15.615	Procurement and Suspension and Debarment	\$ 236,402.00	Open	Anthony Benavente, Secretary of DLNR	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action, Condition 1 & 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 236,402



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Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2013-043	15.875	Procurement and Suspension and Debarment	\$ 197,190.00	Open	Anthony Benavente, Secretary of DLNR	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action, Condition 1 & 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 197,190	
2013-043	93.217	Procurement and Suspension and Debarment	\$ 28,344.00	Open	Anthony Benavente, Secretary of DLNR	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action, Condition 1 & 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 28,344	
2013-043	93.243	Procurement and Suspension and Debarment	\$ 30,219.00	Open	Anthony Benavente, Secretary of DLNR	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action, Condition 1 & 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 30,219	



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2013-043	93.889	Procurement and Suspension and Debarment	\$ 10,077.00	Open	Anthony Benavente, Secretary of DLNR	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action, Condition 1 & 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 10,077
2013-043	97.073	Procurement and Suspension and Debarment	\$ 17,947.00	Open	Anthony Benavente, Secretary of DLNR	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action, Condition 1 & 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 17,947
			\$ 1,057,377				\$ 21,816	\$ 1,035,561
<b>FY2012</b>								
2012-23	10.557	Eligibility	\$ -	Corrective Action Taken		Name of Contact Person: Ruth Sablan, WIC Clinic Manager Corrective Action: Since this finding we have implemented our new MIS system HANDS (Health and Nutrition Delivery System), October 1, 2015. Part of the implementation process included training on doing Certification and Eligibility in this new system. All Clinic staff were trained, attached is our training log. The certifier and income verifier now document this by having the participant/Authorized Representative sign the signature type "Rights and Obligations" on the signature pad in HANDS. We have updated Chapter 2 Certification since approval due to a better understanding of HANDS since its implementation. We will be turning in the draft for approval shortly. We will also have a series of refresher trainings on Certification and Eligibility (in our policies and procedures and HANDS) during our monthly afternoon Clinic Professional Development or Scoops Sessions	\$ -	\$ -
2012-24	10.557	Procurement and Suspension and Debarment	\$ 15,742.00	Partial Corrective Action Taken	Chellah	OIA Determination Letter	\$ -	\$ 15,742
2012-33	20.205	Procurement and Suspension and Debarment	\$ 106,050.00	Corrective Action Taken		Based on USDOT determination letter dated September 9, 2013, the USDOT required that DPW issue amendments/change orders to all active projects to add provision regarding federal access to records. DPW has initiated no cost change orders of active projects to include Article 7 in the contract agreement for all	\$ -	\$ 106,050





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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-36	84.394/84.397	Period of Availability of Federal Funds	\$ 1,344,754.00	Open	Jacqueline Che, Federal Awards Director	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: The process has been streamlined and training has occurred for all new and existing personnel. Significant steps have been taken to reduce the turnaround time from receipt of request for payment, drawdown and resulting payment of vendor(s). DOF will ensure that all obligations for the grant period are liquidated within the ninety day period after the fiscal year ends. Policies and procedures are being developed to address obligation and liquidation within the grant period.	\$ -	\$ 1,344,754
2012-37	84.394/84.397	Reporting	\$ -	Open	Jacqueline Che, Federal Awards Director	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.  Proposed Completion Date: Ongoing.	\$ -	\$ -
2012-38	84.394/84.397	Subrecipient Monitoring	\$ -	Corrective Action Taken. See corrective action plan to Finding No. 2013-025.		Name of Contact Person: Virginia Villagomez, CIP Administrator & James R Stump, CIP Contracting Officer  Corrective Action: We agree with this finding and the Office of Capital Improvement will comply with the recommendations made by the auditor. To comply with the subrecipient monitoring requirements, the Office of Capital Improvement has developed draft subrecipient monitoring procedures including a checklist and an agreement to be implemented for all program pass-through grants that are affected by this requirement. The subrecipient agreement was sent to NMC, CPA, CUC, CHCC through the Office of the Governor. The Office of the Capital Improvement will conduct monitoring pursuant to the	\$ -	\$ -
2012-39	93.778	Allowable Costs/Cost Principles	\$ 13,837.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 13,837	\$ -
2012-40	93.778	Eligibility	\$ 51.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 51	\$ -
2012-41	93.778	Matching, Level of Effort, Earmarking	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2012-42	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2012-44	15.875	Equipment and Real Property Management	\$ -	Open	Anthony Benavente, Secretary of DLNR	The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records.	\$ -	\$ -
2012-44	20.205	Equipment and Real Property Management	\$ -	Open	Anthony Benavente, Secretary of DLNR	Corrective Action: US DOI 20.205: The CNMI Office of Management & Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement & Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.  Proposed Completion Dates: Ongoing	\$ -	\$ -



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS**

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-44	10.551	Equipment and Real Property Management	\$ -	Corrective Action Taken: Completed 04/11/18 Awaiting determination letter		CNMI NAP currently have a full-time employee who foresee the Physical Inventory of all Equipment, which includes Federal and Local requirements of the physical inventory equipment from serial or federal award identification number, source of the property, who holds the title, percentage of federal participation in the cost of the property and use and condition of the property. Furthermore, a FY2016 NAP Inventory Listing was reconciled against Procurement and Supply Inventory Listing. NAP has made a requirement and recommended by the Auditor to do Inventory on all equipment twice a year to ensure that properties are accounted for and in compliance with state laws and procedures.	\$ -	\$ -
2012-44	10.557	Equipment and Real Property Management	\$ -	Open	Walter Macaranas, NAP Administrator	Corrective Action: USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement & Supply. T  Proposed Completion Dates:	\$ -	\$ -
2012-45	15.605	Allowable Costs/Cost Principles	\$ 21,873.00	Open	Rosemary Camacho, Federal Program Coordinator IV	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows: FY13- 2.86% and 15.26% respectively FY14- 2.86% and 15.26% respectively FY15 proposed rates- 4.61% and 13.47% respectively For FY16 the proposed rates are 5.90% and 10.65% respectively  ARRA Rates- Not provided  CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.  Proposed Completion Date: Ongoing	\$ -	\$ 21,873



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Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-45	15.611	Allowable Costs/Cost Principles	\$ 13,674.00	Open	Rosemary Camacho, Federal Program Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 13,674
2012-45	17.235	Allowable Costs/Cost Principles	\$ 10,970.00	Open	Rosemary Camacho, Federal Program Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 10,970
2012-45	17.258	Allowable Costs/Cost Principles	\$ 42,805.00	Open	Rosemary Camacho, Federal Program Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 42,805



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-45	17.259	Allowable Costs/Cost Principles	\$ 17,057.00	Open	Rosemary Camacho, Federal Progm Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 17,057
2012-45	17.260	Allowable Costs/Cost Principles	\$ 10,626.00	Open	Rosemary Camacho, Federal Progm Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 10,626
2012-45	66.600	Allowable Costs/Cost Principles	\$ 136,784.00	Open	Rosemary Camacho, Federal Progm Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 136,784



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-45	93.217	Allowable Costs/Cost Principles	\$ 14,635.00	Open	Rosemary Camacho, Federal Progm Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 14,635
2012-45	93.243	Allowable Costs/Cost Principles	\$ 33,964.00	Open	Rosemary Camacho, Federal Progm Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 33,964



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-45	93.283	Allowable Costs/Cost Principles	\$ 21,206.00	Open	Rosemary Camacho, Federal Progrm Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 21,206
2012-45	93.507	Allowable Costs/Cost Principles	\$ 11,280.00	Open	Rosemary Camacho, Federal Progrm Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 11,280
2012-45	93.569	Allowable Costs/Cost Principles	\$ 26,592.00	Corrective Action Taken	Rosemary Camacho, Federal Progrm Coordinator IV	USDHHS ACT letter dated 08/02/17 reinstating funds.	\$ 26,592	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-45	93.575	Allowable Costs/Cost Principles	\$ 66,163.00	Open	Rosemary Camacho, Federal Program Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 66,163
2012-45	93.889	Allowable Costs/Cost Principles	\$ 31,648.00	Open	Rosemary Camacho, Federal Program Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 31,648



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-45	93.940	Allowable Costs/Cost Principles	\$ 15,526.00	Open	Rosemary Camacho, Federal Progm Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:            FY13- 2.86% and 15.26% respectively            FY14- 2.86% and 15.26% respectively            FY15 proposed rates- 4.61% and 13.47% respectively            For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 15,526
2012-45	93.959	Allowable Costs/Cost Principles	\$ 10,775.00	Open	Rosemary Camacho, Federal Progm Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:            FY13- 2.86% and 15.26% respectively            FY14- 2.86% and 15.26% respectively            FY15 proposed rates- 4.61% and 13.47% respectively            For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 10,775





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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-45	97.073	Allowable Costs/Cost Principles	\$ 120,437.00	Open	Rosemary Camacho, Federal Program Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 120,437
2012-45	97.074	Allowable Costs/Cost Principles	\$ 36,994.00	Open	Rosemary Camacho, Federal Program Coordinator IV	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 36,994
2012-47	93.912	Allowable Costs/Cost Principles	\$ -	Open	Vincent Camacho, Program Manager	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: Policies and procedures will be developed to ensure that disbursements are supported with proper and relevant documentation.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ -



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CNMI - Prepared Schedule									
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2012-48	97.074	Procurement and Suspension and Debarment	\$ 289,143.00	Open	Naomi Ada, Grant Manager	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 289,143	
2012-48	97.044	Procurement and Suspension and Debarment	\$ 328,524.00	Open	Naomi Ada, Grant Manager	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 328,524	
2012-48	93.912	Procurement and Suspension and Debarment	\$ 32,259.00	Open	Naomi Ada, Grant Manager	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 32,259	



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-48	81.128	Procurement and Suspension and Debarment	\$ 764,024.00	Open	Naomi Ada, Grant Manager	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 764,024
2012-48	20.600	Procurement and Suspension and Debarment	\$ 25,921.00	Open	Naomi Ada, Grant Manager	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 25,921
2012-48	15.875	Procurement and Suspension and Debarment	\$ 285,788.00	Open	Naomi Ada, Grant Manager	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 285,788
			<b>\$ 3,849,102</b>				<b>\$ 40,480</b>	<b>\$ 3,808,622</b>
<b>FY2011</b>								
2011-23	10.551	Allowable Costs/Cost Principles	\$ 20,894.00	Corrective Action Taken	Larrisa Larson, Secretary of Finance	Name of Contact Persons: Larrisa Larson, Secretary of Finance and Bernadita Palacios, Director of Finance & Accounting  Corrective Action: DOF will comply with all grant or contract terms and conditions. Management will review all submissions closely and ensure compliance. Proposed Completion Date: Ongoing	\$ -	\$ 20,894



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CNMI - Prepared Schedule									
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2011-24	10.551	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	Name of Contact Person: Larrisa Larson, Secretary of Finance Corrective Action: The Department of Finance's general policy on Federal grant payments is to drawdown funds on a reimbursement basis or as close to the actual disbursement as possible. DOF has established specific procedures for processing all invoices/transactions of the Central Government. When invoices are submitted to the Division of Finance and Accounting, all invoices are entered into the system by staff of the Accounts Payable Section. Every two weeks, staff of the Federal Section prepare a fund status report and all invoices that have been vouchered for payment will appear on that report. Upon completion of that report, the report is provided to the Supervisor of that section and she reviews the report for accuracy and compliance with federal grants. The Federal Grants Supervisor, the Treasurer and the Secretary of Finance share the responsibility of doing drawdowns. Each of these individuals holds a supervisory/managerial position and the supervisory review and approval are performed by these individuals. Additionally, DOF is developing a Cash Management Plan to document	\$ -	\$ -	\$ -
2011-25	10.551	Period of Availability of Federal Funds	\$ 12,621.00	Corrective Action Taken	Larrisa Larson, DOF Secretary	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: The process has been streamlined and training has occurred for all new and existing personnel. Significant steps have been taken to reduce the turnaround time from receipt of request for payment, drawdown and resulting payment of vendor(s). DOF will ensure that all obligations for the grant period are liquidated within the ninety day period after the fiscal year ends. Policies and procedures are being developed to address obligation and liquidation within the grant period. <del>Proposed Completion Date: Ongoing</del>	\$ -	\$ -	\$ 12,621
2011-26	10.551	Procurement and Suspension and Debarment	\$ 2,405.00	Corrective Action Taken - Awaiting determination letter		An unintended delay in the announcement of Invitation to Bid (ITB) caused the delay in obtaining a successor for NAP's fiscal year 2012 printing agent. During such process, the fiscal year 2011, contractor services' contract expired on 09/30/11. Extending the fiscal year 2011 printing agent's contract for an additional two months was in the best interest of NAP. The printing of NAP coupons could not be disrupted or no benefits could be issued to eligible households. A change order was requested and approved. No bidding was required during the change order process: therefore, the condition of a fiscal year 2012 printing agent was executed in December 2012.  With the unintended delay in the announcement of the ITB, NAP declares to adequately plan and implement future ITB's so that	\$ -	\$ -	\$ 2,405
2011-27	10.551	Special Tests and Provisions	\$ -	Corrective Action Taken		Name of Contact Person: Elizabeth P. Oluochel, NAP Retail & Redemption Officer  Corrective Action: NAP Retail & Redemption Unit complied FY 13 compliance visits on May 22, 2014. FY 2014 compliance visits were completed on December 5, 2014.  Proposed Completion Date: N/A	\$ -	\$ -	\$ -



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS**

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2011-28	10.557	Eligibility	\$ 687.00	Corrective Action Taken		Name of Contact Person: Ruth Sablan, WIC Clinic Manager Corrective Action: Since this finding we have implemented our new MIS system HANDS (Health and Nutrition Delivery System), October 1, 2015. Part of the implementation process included training on doing Certification and Eligibility in this new system. All Clinic staff were trained, attached is our training log. The certifier and income verifier now document this by having the participant/Authorized Representative sign the signature type "Rights and Obligations" on the signature pad in HANDS. We have updated Chapter 2 Certification since approval due to a better understanding of HANDS since its implementation. We will be turning in the draft for approval shortly. We will also have a series of refresher trainings on Certification and Eligibility (in our policies and procedures and HANDS) during our monthly afternoon Clinic Professional Development or Scoops Sessions	\$ -	\$ 687
2011-29	15.875	Allowable Costs/Cost Principles	\$ -	Partial corrective action taken.	Anthony Benavente, Secretary of DLNR	Name of Contact Person: Virginia Villagomez, Office of Management & Budget  Corrective Action: A standard Personnel Activity Reporting (PAR) Guidance is being developed in collaboration with the Office of Grants Management to be used government-wide as a internal control on personnel compensation.  Proposed Completion Date: USDOI 15.875: Ongoing. USDOE 93.778: Ongoing. USEPA 66.600: No further action required per US E.P.A determination letter. USDOE 81.041: No further action required per USDOE determination letter. USDOE 81.128: No further action required per USDOE determination letter.	\$ -	\$ -
2011-31	15.875	Subrecipient Monitoring	\$ -	Open	Anthony Benavente, Secretary of DLNR	1. A subrecipient agreement has been drafted for all component units receiving sub-awards. Upon execution of the agreement, monitoring requirements will be implemented.	\$ -	\$ -
2011-32	20.205	Procurement and Suspension and Debarment	\$ -	Corrective Action Taken		USDOT Determination Letter	\$ -	\$ -
2011-34	81.041	Activities Allowed or Unallowed	\$ 13,005.00	Corrective Action Taken: Awaiting determination letter	Larrisa Larson, Secretary of Finance	CNMI-DOF has updated policies and procedures to be in compliance with federal grants: When invoices are submitted to the Division of Finance and Accounting, all invoices are entered into the system by staff of the Accounts Payable Section. Every two weeks, staff of the Federal Section prepare a fund status report and all invoices that have been vouchered for payment will appear on that report. Upon completion of that report, the report is provided to the Supervisor of that section and she reviews the report for accuracy and compliance with federal grants. The Federal Grants Supervisor, the Treasurer and the Secretary of Finance share the responsibility of doing drawdowns. Each of these individuals holds a supervisory/managerial position and the supervisory review and approval are performed by these individuals.	\$ -	\$ 13,005



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2011-35	84.394/84.397	Matching, Level of Effort, Earmarking	\$ -	Corrective Action Taken		Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: Negotiations are ongoing to address the questions related to the required level of effort. A request for waiver has been submitted and the CNMI is awaiting results. We will continue to work with the grantor on this matter.  Proposed Completion Date: Ongoing.	\$ -	\$ -
2011-36	84.394/84.397	Reporting	\$ -	Open	Jacqueline Che, Federal Awards Director	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.  Proposed Completion Date: Ongoing.	\$ -	\$ -
2011-37	84.394/84.398	Subrecipient Monitoring	\$ -	Open	Jacqueline Che, Federal Awards Director	Name of Contact Persons: Larrisa Larson, Secretary of Finance and Bernadita Palacios, Director of Finance & Accounting  Corrective Action: We agree with this finding and will develop policies and procedures to address the issue of noncompliance. Proposed Completion Date: Ongoing.	\$ -	\$ -
2011-38	84.410	Subrecipient Monitoring	\$ -	Open	Jacqueline Che, Federal Awards Director	Name of Contact Persons: Larrisa Larson, Secretary of Finance and Bernadita Palacios, Director of Finance & Accounting  Corrective Action: We agree with this finding and will develop policies and procedures to address the issue of noncompliance. Proposed Completion Date: Ongoing.	\$ -	\$ -
2011-39	93.778	Activities Allowed or Unallowed	\$ 304,554.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 304,554	\$ -
2011-40	93.778	Eligibility	\$ 2,756.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 2,756	\$ -
2011-41	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2011-43	10.551	Equipment and Real Property Management	\$ -	Partial corrective action taken.	Walter Macaranas, NAP Administrator	<p>Corrective Action: US DOI 15.875: The CNMI Office of Management &amp; Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement &amp; Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement &amp; Supply.</p>	\$ -	\$ -
2011-43	10.557	Equipment and Real Property Management	\$ -	Partial corrective action taken.	Walter Macaranas, NAP Administrator	<p>Corrective Action: US DOI 15.875: The CNMI Office of Management &amp; Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement &amp; Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement &amp; Supply.</p>	\$ -	\$ -
2011-43	15.875	Equipment and Real Property Management	\$ -	Open	Walter Macaranas, NAP Administrator	The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records.	\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2011-43	20.205	Equipment and Real Property Management	\$ -	Partial corrective action taken.	Walter Macaranas, NAP Administrator	<p>Corrective Action:</p> <p>US DOI 15.875: The CNMI Office of Management &amp; Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement &amp; Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement &amp; Supply.</p>	\$ -	\$ -
2011-43	81.041	Equipment and Real Property Management	\$ -	Partial corrective action taken.	Walter Macaranas, NAP Administrator	<p>Corrective Action:</p> <p>US DOI 15.875: The CNMI Office of Management &amp; Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement &amp; Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings.</p>	\$ -	\$ -
2011-44	All Major Prgms	Procurement and Suspension and Debarment	\$ -	Open	Francisco Aguon, Director, Procurement & Supply	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action:</p> <p>The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p>	\$ -	\$ -





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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS**

CNMI - Prepared Schedule									
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2011-47	97.074	Procurement and Suspension and Debarment	\$ 282,567.00	Open	Naomi Ada, Grant Manager	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 282,567	
2011-47		Procurement and Suspension and Debarment	\$ 78,418.00	Open	Naomi Ada, Grant Manager	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 78,418	
2011-47	45.310	Procurement and Suspension and Debarment	\$ 8,327.00	Open	Naomi Ada, Grant Manager	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 8,327	
2011-47	97.073	Procurement and Suspension and Debarment	\$ 500,065.00	Open	Naomi Ada, Grant Manager	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 500,065	



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule									
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2011-47		Procurement and Suspension and Debarment	\$ 254,459.00	Open	Naomi Ada, Grant Manager	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 254,459	
2011-47	15.875	Procurement and Suspension and Debarment	\$ 796,865.00	Open	Naomi Ada, Grant Manager	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ 796,865	
			\$ 2,277,623				\$ 307,310	\$ 1,970,313	
<b>FY2010</b>									
2010-21	11.YA132309CN0062	Allowable Costs/Cost Principles	\$ -	Corrective Action Taken			\$ -	\$ -	
2010-22	11.YA132309CN0062	Cash Management	\$ -	Corrective Action Taken			\$ -	\$ -	
2010-23	11.YA132309CN0062	Procurement and Suspension and Debarment	\$ -	Open	0	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ -	
2010-24	11.YA132309CN0062	Reporting	\$ -	Open	0	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.  Proposed Completion Date: Ongoing.	\$ -	\$ -	



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2010-25	15.875	Cash Management	\$ -	Corrective Action Taken		The Office of the Attorney General has assisted the CIP office in creating the CNMI CMIAA policy, which includes 1) programs covered by the agreement, 2) the method of funding to be used 3) the method used to calculate interest, and 4) procedures for determining check clearing patterns. The CNMIAA policy will now be included in the annual CIP staff training as well as contractual agreements with	\$ -	\$ -
2010-26	15.875	Equipment and Real Property Management	\$ -	Open	Anthony Benavente, Secretary of DLNR	The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records.	\$ -	\$ -
2010-28	15.875	Period of Availability of Federal Funds	\$ -	Corrective Action Taken.		The CIP Office has implemented policies and procedures to track expenses and reports to ensure expenditure within grant period.	\$ -	\$ -
2010-30	15.875	Procurement and Suspension and Debarment	\$ -	Corrective Action Taken		Name of Contact Person: Helen C. Sablan, Medicaid Administrator Corrective Action: We agree with this finding and will develop policies and procedures to address issues in the conditions.  Proposed Completion Date: On-going.	\$ -	\$ -
2010-32	15.875	Subrecipient Monitoring	\$ -	Open	Anthony Benavente, Secretary of DLNR	1. A subrecipient agreement has been drafted for all component units receiving sub-awards. Upon execution of the agreement, monitoring requirements will be implemented.	\$ -	\$ -
2010-34	20.205	Equipment and Real Property Management	\$ -	Partial corrective action taken.	Maegan Agulto, Finance Coordinator	Corrective Action: The CNMI Office of Management & Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement & Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.  Proposed Completion Dates: Ongoing.	\$ -	\$ -
2010-35	20.205	Procurement and Suspension and Debarment	\$ -	Open	Maegan Agulto, Finance Coordinator	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ -
2010-38	81.041	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	CNMI-DOF has hired staff to ensure timely filings of Treasury-State Agreements (TSA). Additionally, CNMI-DOF has developed and implemented a cash management handbook to effectuate policies and procedures that are in compliance with TSA.	\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2010-39	81.041	Equipment and Real Property Management	\$ -	Partial corrective action taken.	Larrisa Larson, Secretary of Finance	<p>Corrective Action: The CNMI Office of Management &amp; Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement &amp; Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.</p> <p>Proposed Completion Dates: Ongoing.</p>	\$ -	\$ -
2010-40	81.041	Procurement and Suspension and Debarment	\$ 712,076.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p>	\$ -	\$ 712,076
2010-41	81.041	Reporting	\$ -	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.</p> <p>Proposed Completion Date: Ongoing.</p>	\$ -	\$ -
2010-42	84.394/84.397	Activities Allowed or Unallowed	\$ 655,988.00	Corrective Action Taken: Awaiting determination letter	Larrisa Larson, Secretary of Finance	<p>CNMI-DOF has updated policies and procedures to be in compliance with federal grants: When invoices are submitted to the Division of Finance and Accounting, all invoices are entered into the system by staff of the Accounts Payable Section. Every two weeks, staff of the Federal Section prepare a fund status report and all invoices that have been vouchered for payment will appear on that report. Upon completion of that report, the report is provided to the Supervisor of that section and she reviews the report for accuracy and compliance with federal grants. The Federal Grants Supervisor, the Treasurer and the Secretary of Finance share the responsibility of doing drawdowns. Each of these individuals holds a supervisory/managerial position and the supervisory review and approval are performed by these individuals.</p>	\$ -	\$ 655,988



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CNMI - Prepared Schedule									
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2010-43	84.394/84.397	Eligibility	\$ 564,558.00	Corrective Action Taken		Name of Contact Person: Ronald Sablan, Medical Referral Services Manager  Corrective Action: We disagree with the auditor's findings. Our office was not aware of the requested eligibility folders at the time of the FY 2010 Single Audit. Since the inception of our program, the CNMI Medical Algorithm was established to enable employees to comply with the Medical Referral Services Rules and Regulations. The Algorithm details specific procedures that must be taken in order for a patient to receive program benefits. Procedures include the receipt of a referral package and letter from the Referring Physician, information processing, Medical Referral Committee (MRC) review and approval, Medical Treatment Authorization requirement, and monitoring of patient care and treatment. A copy of the Algorithm is provided to the	\$ -	\$ 564,558	
2010-44	84.394/84.398	Subrecipient Monitoring	\$ -	Open	Jacqueline Che, Federal Awards Director	Name of Contact Persons: Larrisa Larson, Secretary of Finance and Bernadita Palacios, Director of Finance & Accounting  Corrective Action: We agree with this finding and will develop policies and procedures to address the issue of noncompliance. Proposed Completion Date: Ongoing.	\$ -	\$ -	
2010-45	93.778	Allowable Costs/Cost Principles	\$ 2,750.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 2,750	\$ -	
2010-46	93.778	Cash Management	\$ 16,960.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 16,960	\$ -	
2010-47	93.778	Eligibility	\$ 14,952.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 14,952	\$ -	
2010-48	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -	
2010-50	All Major Programs	Procurement and Suspension and Debarment	\$ -	Open	Francisco Aguon, Director, Procurement & Supply	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action, Condition 1 & 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ -	
2010-52	93.767	Period of Availability of Federal Funds	\$ 221,679.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	OIA MGT Determination Letter; see letter from Linda Gee (CMS/CMCS)	\$ 221,679	\$ -	
			\$ 2,188,963				\$ 256,341	\$ 1,932,622	
<b>FY2009</b>									
2009-20	10.551	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	CNMI-DOF has hired staff to ensure timely filings of Treasury-State Agreements (TSA). Additionally, CNMI-DOF has developed and implemented a cash management handbook to effectuate policies and procedures that are in compliance with TSA.	\$ -	\$ -	



**Office of the Secretary  
Department of Finance**

P.O. Box 5234 CHR, Saipan MP 96950

TEL: (670) 664-1100 FAX: (670) 664-1115



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS**

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2009-21	10.551	Equipment and Real Property Management	\$ -	Corrective Action Taken: Completed 04/11/18 Awaiting determination letter		<p>CNMI NAP currently have a full-time employee who foresee the Physical Inventory of all Equipment. Attached Exhibit B indicated all Federal and Local requirements of the physical inventory equipment from serial or federal award identification number, source of the property, who holds the title, percentage of federal participation in the cost of the property and use and condition of the property. Furthermore, a FY2016 NAP Inventory Listing was reconciled against Procurement and Supply Inventory Listing. NAP has made a requirement and recommended by the Auditor to do Inventory on all equipment twice a year to ensure that properties are accounted for and in compliance with state laws and procedures.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the <del>Division of Procurement &amp; Supply</del>.</p>	\$ -	\$ -
2009-22	10.551	Procurement and Suspension and Debarment	\$ -	Corrective Action Taken: Completed 04/11/18 Awaiting determination letter		<p>CNMI NAP currently have a full-time employee who foresee the Physical Inventory of all Equipment. Attached Exhibit B indicated all Federal and Local requirements of the physical inventory equipment from serial or federal award identification number, source of the property, who holds the title, percentage of federal participation in the cost of the property and use and condition of the property. Furthermore, a FY2016 NAP Inventory Listing was reconciled against Procurement and Supply Inventory Listing. NAP has made a requirement and recommended by the Auditor to do Inventory on all equipment twice a year to ensure that properties are accounted for and in compliance with state laws and procedures.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the</p>	\$ -	\$ -
2009-23	10.551	Special Tests and Provisions	\$ -	Corrective Action Taken		<p>Name of Contact Person: Elizabeth P. Olouachel, NAP Retail &amp; Redemption Officer</p> <p>Corrective Action: NAP Retail &amp; Redemption Unit complied FY 13 compliance visits on May 22, 2014. FY 2014 compliance visits were completed on December 5, 2014.</p>	\$ -	\$ -



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2009-31	15.875	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	The Office of the Attorney General has assisted the CIP office in creating the CNMI CMIAA policy, which includes 1) programs covered by the agreement, 2) the method of funding to be used 3) the method used to calculate interest, and 4) procedures for determining check clearing patterns. The CNMIAA policy will now be included in the annual CIP staff training as well as contractual agreements with	\$ -	\$ -
2009-32	15.875	Equipment and Real Property Management	\$ -	Open	Anthony Benavente, Secretary of DLNR	The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records.	\$ -	\$ -
2009-34	15.875	Period of Availability of Federal Funds	\$ -	Corrective action taken.	0	The CIP Office has implemented policies and procedures to track expenses and reports to ensure expenditure within grant period.	\$ -	\$ -
2009-40	15.875	Procurement and Suspension and Debarment	\$ -	Open	Anthony Benavente, Secretary of DLNR	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action, Condition 1 & 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	\$ -
2009-42	15.875	Subrecipient Monitoring	\$ -	Open	Anthony Benavente, Secretary of DLNR	1. A subrecipient agreement has been drafted for all component units receiving sub-awards. Upon execution of the agreement, monitoring requirements will be implemented.  2. In collaboration with Graduate School USA, our office has developed standard tools to be used for monitoring activities.	\$ -	\$ -



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Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward	
2009-44	66.600	Equipment and Real Property Management	\$ -	Open	Richard Salas, Director, Coastal Resource Mgt	<p>Name of Contact Person: Gloria S. Castro, Bureau of Environmental and Coastal Quality (BECQ) Administrative Service Manager Corrective Action: Of the four items that could not be located by the auditor, BECQ found two of the items: a swivel chair (MP 18036 CM) and an LCD monitor (ITEM 46607).</p> <p>In accordance with applicable equipment and real property management requirements, BECQ has developed a control system to adequately safeguard property to prevent loss, damage or theft through the implementation of the inventory bar coding database system. This system allows for tracking of inventory by its location, serial number or bar code number.</p> <p>Only two items were not located by the auditor: a two and a half year old hand-held radio (MP24152CM) with an original value of \$124 and a nine-year old battery backup (ITEM-33492). As we have stated in the past, USEPA has indicated that 40 CFR § 31.32(d) is inapplicable to BECQ, which is considered to be "the State", as defined in 40 CFR § 31.3. Pursuant to 40 CFR § 31.32(b), 40 CFR § 31.32(d) clearly applies only to non-State grantees.</p> <p>EPA guidelines for procurement developed for the CNMI confirm that "when procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds". The applicable CNMI standards are found in the Property Management Policies and Procedures Manual dated January 8, 2003 and distributed by the CNMI Department of Finance.</p>	\$ -	\$ -	
2009-46	66.600	Reporting	\$ -	Open	Richard Salas, Director, Coastal Resource Mgt	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.</p> <p>Proposed Completion Date: Ongoing.</p>	\$ -	\$ -	
2009-47	93.778	Allowable Costs/Cost Principles	\$ 2,043.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 2,043	\$ -	
2009-48	93.778	Eligibility	\$ 9,433.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 9,433	\$ -	
2009-50	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -	
2009-51	93.778	Special Tests and Provisions	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -	
2009-52	All Major Programs	Allowable Costs/Cost Principles	\$ -	Partial corrective action taken.	Francisco Aguon, Director, Procurement & Supply	<p>Name of Contact Person: Virginia Villagomez, Office of Management &amp; Budget</p> <p>Corrective Action: A standard Personnel Activity Reporting (PAR) Guidance is being developed in collaboration with the Office of Grants Management to be used government-wide as an internal control on personnel compensation.</p> <p>Proposed Completion Date:            USDO1 15.875: Ongoing.            USDOE 93.778: Ongoing.            USEPA 66.600: No further action required per US E.P.A determination letter.</p>	\$ -	\$ -	
2009-55	93.767	Period of Availability of Federal Funds	\$ 560,880.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See letter from Linda Gee (CMS/CMCS)	\$ 560,880	\$ -	





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			\$ 572,356.00				\$ 572,356	\$ -	
<b>FY2008</b>									
2008-18	10.557	Allowable Costs/Cost Principles	\$ 49,997.00	Corrective Action Taken		Corrective Action: In a letter from USDA-FNS dated May 21, 2010, FNS had made a determination on this audit finding and had required CNMI WIC to provide FNS written procedures and actions that CNMI has taken in order to be in compliance with the notification requirement. In response, a copy of the CNMI WIC Program State Plan Policy & Procedure for notification requirement was submitted to FNS on 06/21/2010. The CNMI WIC office is awaiting final determination from the grantor to resolve of this audit finding and questioned cost.	\$ -	\$ 49,997	
2008-22	66.600	Allowable Costs/Cost Principles	\$ 19,501.00	Open	Richard Salas, Director, Coastal Resource Mgt	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: The Department of Finance's general policy on Federal grant payments is to drawdown funds on a reimbursement basis or as close to the actual disbursement as possible. DOF has established specific procedures for processing all invoices/transactions of the Central Government. When invoices are submitted to the Division of Finance and Accounting, all invoices are entered into the system by staff of the Accounts Payable Section. Every two weeks, staff of the Federal Section prepare a fund status report and all invoices that have been vouchered for payment will appear on that report. Upon completion of that report, the report is provided to the Supervisor of that section and she reviews the report for accuracy and compliance with federal grants. The Federal Grants Supervisor, the Treasurer and the Secretary of Finance share the responsibility of doing drawdowns. Each of these individuals holds a supervisory/managerial position and the supervisory review and approval are performed by these	\$ -	\$ 19,501	
2008-24	93.778	Allowable Costs/Cost Principles	\$ 31,089.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 31,089	\$ -	
2008-25	93.778	Activities Allowed or Unallowed	\$ 106,541.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 106,541	\$ -	
2008-27	10.557	Eligibility	\$ 3,667.00	Open	Walter Macaranas, NAP Administrator	Name of Contact Person: Ruth Sablan, WIC Clinic Manager Corrective Action: Since this finding we have implemented our new MIS system HANDS (Health and Nutrition Delivery System), October 1, 2015. Part of the implementation process included training on doing Certification and Eligibility in this new system. All Clinic staff were trained, attached is our training log. The certifier and income verifier now document this by having the participant/Authorized Representative sign the signature type "Rights and Obligations" on the signature pad in HANDS. We have updated Chapter 2 Certification since approval due to a better understanding of HANDS since its implementation. We will be turning in the draft for approval shortly. We will also have a series of refresher trainings on Certification and Eligibility (in our policies and procedures and HANDS) during our	\$ -	\$ 3,667	
2008-28	93.778	Eligibility	\$ 61,307.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 61,307	\$ -	
2008-40	10.551	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	CNMI-DOF has hired staff to ensure timely filings of Treasury-State Agreements (TSA). Additionally, CNMI-DOF has developed and implemented a cash management handbook to effectuate policies and procedures that are in compliance with TSA.	\$ -	\$ -	



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2008-41	10.557	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	CNMI-DOF has hired staff to ensure timely filings of Treasury-State Agreements (TSA). Additionally, CNMI-DOF has developed and implemented a cash management handbook to effectuate policies and procedures that are in compliance with TSA.	\$ -	\$ -
2008-42	66.600	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	CNMI-DOF has hired staff to ensure timely filings of Treasury-State Agreements (TSA). Additionally, CNMI-DOF has developed and implemented a cash management handbook to effectuate policies and procedures that are in compliance with TSA.	\$ -	\$ -
2008-43	93.778	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2008-44	10.551	Equipment and Real Property Management	\$ -	Open	Walter Macararas, NAP Administrator	<p>Corrective Action:</p> <p>US DOI 15.875: The CNMI Office of Management &amp; Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement &amp; Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement &amp; Supply.</p>	\$ -	\$ -
2008-49	10.551	Procurement and Suspension and Debarment	\$ -	Corrective Action Taken: Completed 04/11/18 Awaiting determination letter		<p>CNMI NAP currently have a full-time employee who foresee the Physical Inventory of all Equipment. Attached Exhibit B indicated all Federal and Local requirements of the physical inventory equipment from serial or federal award identification number, source of the property, who holds the title, percentage of federal participation in the cost of the property and use and condition of the property. Furthermore, a FY2016 NAP Inventory Listing was reconciled against Procurement and Supply Inventory Listing. NAP has made a requirement and recommended by the Auditor to do inventory on all equipment twice a year to ensure that properties are accounted for and in compliance with state laws and procedures.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the</p>	\$ -	\$ -



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2008-50	15.875	Procurement and Suspension and Debarment	\$ -	Open	Anthony Benavente, Secretary of DLNR	Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action, Condition 1 & 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.	\$ -	-	\$ -
2008-51	10.557	Reporting	\$ -	Open	Walter Macaranas, NAP Administrator	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.  Proposed Completion Date: Ongoing.	\$ -	-	\$ -
2008-52	15.875	Reporting	\$ -	Open	Anthony Benavente, Secretary of DLNR	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.  Proposed Completion Date: Ongoing.	\$ -	-	\$ -
2008-53	66.600	Reporting	\$ -	Open	Richard Salas, Director, Coastal Resource Mgt	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.  Proposed Completion Date: Ongoing.	\$ -	-	\$ -
2008-54	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	-	\$ -
2008-57	93.778	Special Tests and Provisions	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	-	\$ -
			\$ 272,102				\$ 198,937		\$ 73,165