



# Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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February 16, 2023

Interagency Audit Coordinating Advisory Group:  
The Honorable Edith E. Deleon Guerrero, Senate President  
The Honorable Edmund S. Villagomez, Speaker of the House of Representatives  
The Honorable Patrick H. San Nicolas, Minority Leader for the House of Representatives  
Ms. Tracy Norita, Acting Secretary of Finance  
Ms. Virginia Villagomez, Acting Special Assistant for the Office of Management and Budget  
Saipan, MP 96950

## Report on CNMI Agencies' Implementation of Audit Recommendations

Dear Interagency Audit Coordinating Advisory Group:

Enclosed is a copy of the status report on CNMI agencies' implementation of recommendations reported in audit and inspection reports issued by the Office of the Public Auditor (OPA) as of December 31, 2022. OPA tracked 48 audit and inspection recommendations, which includes 15 additional recommendations.

OPA's procedures include sending follow-up emails and contacting government agencies. This report incorporates agency responses obtained by OPA as of our cutoff date of January 6, 2023.

In accordance with statutory restrictions in the Auditing Act, the names of individuals in the audits are not disclosed in this report. All OPA audit and inspection reports can be found on OPA's website at [www.opacnmi.com](http://www.opacnmi.com).

Sincerely,

Dora Deleon Guerrero, CPA  
Temporary Public Auditor

Cc: Honorable Arnold I. Palacios, Governor  
Honorable David M. Apatang, Lt. Governor

**Executive Summary**  
**Report on CNMI Agencies' Implementation of Audit Recommendations**  
**As of December 31, 2022**  
**Report No. 23-01, February 16, 2023**

**Background**

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

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

OPA has not received any request for consultation from the Coordinating Group since 2000. However, OPA continues to issue follow-up letters, email messages, and/or contact agencies with outstanding recommendations to request for information on corrective actions taken to implement OPA's audit and inspection recommendations. This report incorporates agency responses obtained by OPA on or before January 6, 2023. In accordance with statutory restrictions in the Auditing Act, the names of individuals are not disclosed in OPA's ARTS report.

**Classification of OPA Audit Recommendations**

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

**Status of OPA Audit Recommendations**

OPA tracked a total of 48 audit and inspection recommendations as of December 31, 2022, which includes 15 new recommendations issued to the Department of Finance (DOF). OPA requested agencies to provide statuses on the corrective actions they have taken to resolve each recommendation. Five official responses were received by OPA. Based on the responses and the results of conducting follow-up procedures at DOF-Customs and Biosecurity and the Commonwealth Healthcare Corporation (CHCC), OPA has determined that three recommendations were resolved. The table below presents the total number of unresolved audit and inspection recommendations as of December 31, 2022.

<b>Audit and Inspection Reports</b>	<b>Report No.</b>	<b>Report Date</b>	<b>Response Received</b>	<b>Unresolved</b>
DOF – Audit of Government Vehicles	22-02	8/2/2022	<b>No</b>	8
DOF – Audit of Cash on Tinian and Rota	21-06	12/28/2021	<b>No</b>	7
DLNR – Audit of the DLNR Outer Cove Marina Facility	21-04	11/10/2021	<b>Yes</b>	2
CHCC – Audit of the CNMI Medical Referral Services Office	21-03	9/23/2021	<b>Yes</b>	5
DOF – Audit of the DRT Hotel Occupancy Tax	20-07	9/2/2020	<b>No</b>	9
DOF – Audit of the CNMI Government Travel Policy	20-06	8/18/2020	<b>Yes</b>	2
DOF – Audit of Government Vehicles	20-03	2/26/2020	<b>No</b>	2
DOF – Audit of CNMI Government Fuel Contract	20-02	1/28/2020	<b>No</b>	5
CEC – Inspection of Ballot Accountability	19-04	6/18/2019	<b>No</b>	3
CHCC – Audit of Patient Revenue Cycle	17-01	3/16/2017	<b>Yes</b>	1
DOF – Audit of Excise Taxes	14-01	9/29/2014	<b>Yes</b>	1
<b>Total</b>				<b>45</b>

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**Department of Finance – Government Vehicles**

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**Report No. 22-02, Issued August 2, 2022**  
**Department of Finance, Division of Procurement Services**  
**Audit of Government Vehicles**

**Recommendation 1:** Department of Finance’s (DOF) Division of Procurement Services (PS) establish policies and procedures to ensure all supporting documents for all purchases are complete, properly filed, monitored, and maintained.

Corrective Action: 07/26/22 – DOF-PS is currently in the process of scanning all supporting documents for electronic filing for all purchases that were made pre-Munis. Supporting documents for purchases made in the Munis system are available online. This will ensure these documents are readily available when needed and also assist in ease of access.

12/31/22 – No response.

Agency Proposed  
Completion Date: No Response

Status: Unresolved

OPA Note: DOF-PS did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 2:** DOF-PS properly store documents in an orderly and efficient manner to ensure all supporting documents are easily accessible and readily available.

Corrective Action: 07/26/22 – DOF-PS is currently in the process of scanning all supporting documents for electronic filing for all purchases that were made pre-Munis. Supporting documents for purchases made in the Munis system are available online. This will ensure these documents are readily available when needed and also assist in ease of access.

12/31/22 – No response.

Agency Proposed  
Completion Date: No Response

Status: Unresolved

OPA Note: DOF-PS did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 3:** DOF-PS ensure the requirements of the DOF-PS Procurement Regulations § 70-30.3-315(b) are strictly adhered to before any vehicle is purchased or leased.

Corrective Action: 7/26/22 – DOF-PS will review justification requirements as stated in NMIAC § 70-30.3-315(b) to ensure compliance. DOF-PS will review for completeness before proceeding with the purchase and/or lease of any government vehicle.

12/31/22 – No response.

Agency Proposed  
Completion Date: No Response

## STATUS OF AUDIT RECOMMENDATIONS

Status: Unresolved

OPA Note: DOF-PS did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 4:** DOF-PS review all submitted Lease or Purchase of Vehicle(s) Procurement Justification Forms for completeness and ensure that they are properly filed and maintained.

Corrective Action: 7/26/22 – DOF-PS will review justification requirements as stated in NMIAC § 70-30.3-315(b) to ensure compliance. DOF-PS will review for completeness before proceeding with the purchase and/or lease of any government vehicle.

12/31/22 – No response.

Agency Proposed  
Completion Date: No Response

Status: Unresolved

OPA Note: DOF-PS did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 5:** DOF-PS educate government agencies on DOF-PS' current procurement regulations and the CNMI Property Management Policies and Procedures Manual to ensure all government vehicles are properly accounted for.

Corrective Action: 7/26/22 – DOF-PS is working to reconcile government vehicle inventory requested in 2020. Currently 18 vehicles are outstanding. DOF-PS' Property Management Branch is in the process of communicating with the responsible agencies to resolve the issue.

12/31/22 – No response.

Agency Proposed  
Completion Date: No Response

Status: Unresolved

OPA Note: DOF-PS did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 6:** DOF-PS conduct annual inventory of government vehicles and maintain detailed property records in accordance with the CNMI Property Management Policies and Procedures Manual and as recommended in OPA's previous audit report (Report No. 20-03) issued on February 26, 2020.

Corrective Action: 7/26/22 – DOF-PS is working to reconcile government vehicle inventory requested in 2020. Currently 18 vehicles are outstanding. DOF-PS' Property Management Branch is in the process of communicating with the responsible agencies to resolve the issue.

12/31/22 – No response.

Agency Proposed  
Completion Date: No Response

Status: Unresolved

OPA Note: DOF-PS did not provide a status update on its corrective action as of December 31, 2022.  
Report No. 23-01

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**Recommendation 7:** DOF-PS work with the Office of the Secretary of Finance to define the classification of lease and rental vehicles and determine if rental vehicles are allowable for government operations.

Corrective Action: 7/26/22 – DOF-PS will bring the matter up with the Secretary of Finance to review the rules and regulations pertaining to vehicle rentals used for government operations and whether there are any instances when rentals may be permissible.

12/31/22 – No response.

Agency Proposed  
Completion Date: No Response

Status: Unresolved

OPA Note: DOF-PS did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 8:** The Office of the Secretary of Finance perform an analysis on the appropriateness of the number of government vehicles currently issued to CNMI agencies and if additional vehicles are warranted based on the scope of the assignments of the agencies, regardless of the availability of non-local funding sources.

Corrective Action: 7/26/22 – DOF-PS will meet with the Secretary of Finance to discuss this issue and formulate a plan to address the matter.

12/31/22 – No response.

Agency Proposed  
Completion Date: No Response

Status: Unresolved

OPA Note: DOF-PS did not provide a status update on its corrective action as of December 31, 2022.

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**Department of Finance – Cash on Tinian and Rota**

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**Report No. 21-06, Issued December 28, 2021**

**Department of Finance**

**Audit of Cash on Tinian and Rota**

**Recommendation 1:** Collection points within the same building be consolidated to provide a central collection point for efficiency and better use of resources.

Corrective Action: DOF has noted the recommendations provided and will work to further enhance our internal process through the following action items (recommendations).

12/31/22 – No response.

Agency Proposed Completion Date: No Response

Status: Unresolved

OPA Note: DOF did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 2:** Petty cash funds be monitored, replenished in a timely manner, transactions properly documented, reviews and logs, if applicable, are properly filled out.

Corrective Action: DOF has noted the recommendations provided and will work to further enhance our internal process through the following action items (recommendations).

12/31/22 – No response.

Agency Proposed Completion Date: No Response

Status: Unresolved

OPA Note: DOF did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 3:** All collection points remit funds to DOF-Division of Treasury on a daily basis.

Corrective Action: DOF has noted the recommendations provided and will work to further enhance our internal process through the following action items (recommendations).

12/31/22 – No response.

Agency Proposed Completion Date: No Response

Status: Unresolved

OPA Note: DOF did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 4:** A minimum change fund be established and accounted for at all locations.

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Corrective Action: DOF has noted the recommendations provided and will work to further enhance our internal process through the following action items (recommendations).

12/31/22 – No response.

Agency Proposed  
Completion Date: No Response

Status: Unresolved

OPA Note: DOF did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 5:** Daily collection reports and/or daily cash reports be prepared for locations utilizing manual receipts and evidenced as reviewed and approved by a supervisor on a daily basis.

Corrective Action: DOF has noted the recommendations provided and will work to further enhance our internal process through the following action items (recommendations).

12/31/22 – No response.

Agency Proposed  
Completion Date: No Response

Status: Unresolved

OPA Note: DOF did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 6:** Validated deposit slips be attached to collection reports and evidenced as reviewed by a supervisor or manager after the actual deposit was made.

Corrective Action: DOF has noted the recommendations provided and will work to further enhance our internal process through the following action items (recommendations).

12/31/22 – No response.

Agency Proposed  
Completion Date: No Response

Status: Unresolved

OPA Note: DOF did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 7:** Educate employees on OPA's purview to prevent delay in performing audit, review, or survey procedures.

Corrective Action: DOF has noted the recommendations provided and will work to further enhance our internal process through the following action items (recommendations).

12/31/22 – No response.

Agency Proposed  
Completion Date: No Response

## STATUS OF AUDIT RECOMMENDATIONS

Status: Unresolved

OPA Note: DOF did not provide a status update on its corrective action as of December 31, 2022.



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**Department of Lands and Natural Resources - Outer Cove Marina Facility**

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

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

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

6/08/22 – To establish an executable plan for the restoration of the OCM, DLNR needs to acquire funding to build a breakwater:

- To design and build a breakwater for the outer cove marina, funds are needed to hire an A&E firm and a construction company through a bidding process;
- The breakwater aims to provide cover from pending storms that will bring threats to ongoing construction/repair projects. The breakwater is greatly needed to provide long-term protection to the facility long after completion;
- It will lengthen its use for 30 years or more with minimal requirements for repairs or damages that usually occur when a storm reaches land;
- The breakwater will turn the OCM into a sheltering venue for vessels that seek refuge from future disastrous weather; and
- A docking facility will not last and cannot operate successfully without an existing breakwater.

12/07/22 – DLNR restated their need for funding to build a breakwater, as discussed in their response on 6/08/2022.

Agency Proposed  
Completion Date: Unknown

Status: Unresolved

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

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

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

6/08/22 – DLNR continues to request funding. On November 24, 2021, DLNR sent a letter to the Department of Finance asking for \$5,000,000.00 to initiate the bidding process for an A&E firm and a construction company to build a breakwater for OCM. Finance agrees to assist, but

## STATUS OF AUDIT RECOMMENDATIONS

a funding source has yet to be identified. In the past, DLNR has also approached CIP for funding with no success.

It is with hope also that once funds are available, it will include making plans for the following:

- The removal of collapsed walkways and other unsafe structures;
- The installation of a security fence around the dock to increase safety and prevent unauthorized berthing/usage; and
- Adding surveillance cameras and solar-powered lamps throughout OCM to help deter vandalism or abuse of the facility in the future.

12/07/22 – To resolve the issue with recommendation No. 2, recommendation No. 1 will need to be addressed appropriately. The central government is not able to furnish the funds requested in its November 24, 2021 letter to the Department of Finance for \$5,000,000.00 for Fiscal Year 2022. We hope that the change in administration will allow the Department of Finance to stay committed to helping DLNR identify a source of funding in FY 2023 to tackle the following tasks:

- The removal of collapsed walkways and other unsafe structures;
- The installation of a security fence around the dock to increase safety and prevent unauthorized berthing/usage; and
- Adding surveillance cameras and solar-powered lamps throughout OCM to help deter vandalism or abuse of the facility in the future.

Agency Proposed  
Completion Date:

Unknown

Status:

Unresolved

OPA Note:

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

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**Commonwealth Healthcare Corporation – CNMI Medical Referral Services Office**

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

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

Corrective Action: 09/03/21 – Commonwealth Healthcare Corporation’s (CHCC) initial response to audit report – As stated in the OPA Report, “absent an enabling legislation, statutorily authorized regulations or adopted standard operating procedures, MRSO is left without proper guidance to ensure efficient operations”. Unfortunately, although the Attorney General believes that CHCC should be administering the Medical Referral, CHCC is unable to address this finding on organizational structure as the repeal of subsection (v) of 3 CMC § 2824 by Public Law (PL) 19-78 took away CHCC’s specific authority to adopt regulations when off-island care is necessary and appropriate. Legislation needs to be passed to cure this organizational structure finding.

12/31/21 – No response.

6/15/22 – CHCC met with the stakeholders and established proper internal controls by moving the accounting section under the direction of the CHCC Chief Financial Officer and ensuring the adherence to Chapter 75-50 of the Medical Referral regulations and compliance with Generally Accepted Accounting Principles.

12/20/22 – CHCC provided OPA with a Memorandum regarding Medical Referral Services (MRS) organization structure and a copy of the MRS organizational chart.

Agency Proposed  
 Completion Date: No response

Status: Unresolved

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

On 11/11/21, OPA requested CHCC to provide a status update on the actions they have taken to address the recommendation, and communicated the provision contained in section 709(e) of PL 22-08. CHCC did not provide a response to OPA’s December 2021 ARTS follow-up.

On 12/12/2022, OPA requested CHCC to provide Standard Operational procedures (SOP) pertaining to the MRSO accounting section that was moved under the direction of the CHCC CFO; however, CHCC provided OPA with a Memorandum regarding Medical Referral Services (MRS) organization structure and a copy of the MRS organizational chart. Based on the information provided by CHCC on 12/20/2022, OPA will follow up on CHCC’s progress towards addressing the recommendation in the next reporting period.

## STATUS OF AUDIT RECOMMENDATIONS

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

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

12/31/21 – No response.

06/15/22 – Collaborated with stakeholders, whose contracts are for payment of medical claims, provider services, and for logistic support and accommodations that are provided for the patients in Guam, Hawaii, and the Los Angeles/San Diego areas. Some contracts were renegotiated with new terms but also ensured proper utilization of blocked rooms and transportation services. Some contracts were terminated as they were found to be duplicative and not necessary for the program.

12/20/22 – CHCC provided OPA with an agreement and policies for two transportation vendors. In addition, CHCC noted that contracts with two hotel vendors are currently routing for review and signature. Currently, the hotel vendors are charging CHCC on a monthly basis to avoid disruption of patient care.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: On 11/11/21, OPA requested CHCC to provide a status update on the actions they have taken to address the recommendation, and communicated the provision contained in section 709(e) of PL 22-08 (See OPA Note under Recommendation 1). CHCC did not provide a response to OPA’s December 2021 ARTS follow-up.

Based on the information provided by CHCC on 12/20/22, OPA will follow up on CHCC’s progress towards addressing the recommendation in the next reporting period.

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

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

12/31/21 – No response.

06/15/22 – The vendor billings and payments are now processed within the CHCC accounting operations. Like the billings and payment for other hospital vendors, MRSO billings, payments, and reconciliation must adhere to the same policies and procedures.

12/20/22 – CHCC provided OPA with a Memorandum pertaining to the Medical Referral Service’s (MRS) organization structure and a copy of the MRS organizational chart.

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Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: On 11/11/21, OPA requested CHCC to provide a status update on the actions they have taken to address the recommendation, and communicated the provision contained in section 709(e) of PL 22-08 (See OPA Note under Recommendation 1). CHCC did not provide a response to OPA's December 2021 ARTS follow-up.

On 12/12/2022, OPA requested CHCC to provide Standard Operational Procedures (SOP) pertaining to the MRSO accounting section that was moved under the direction of the CHCC CFO; however, CHCC provided OPA with a Memorandum regarding Medical Referral Services (MRS) organization structure and a copy of the MRS organizational chart. Based on the information provided by CHCC on 12/20/22, OPA will follow up on CHCC's progress towards addressing the recommendation in the next reporting period.

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

Corrective Action: 09/03/21 – CHCC initial response to audit report – CHCC is unable to address this finding on lack of legal basis to execute promissory notes as the repeal of subsection (v) of 3 CMC § 2824 by PL 19-78 took away CHCC's specific authority to adopt regulations when off-island care is necessary and appropriate. Furthermore, CHCC is not a party to these existing promissory notes.

12/31/21 – No response.

06/15/22 – CHCC is not a party to the promissory notes, and we feel that HB 22-77, when it becomes law, will provide us the next course of action for these notes to be collected by the CHCC or the CNMI.

12/20/22 – HB 22-77 is still pending in the Senate as of 7/13/2022.

Agency Proposed Completion Date: Completed

Status: Resolved

OPA Note: On 11/11/21, OPA requested CHCC to provide a status update on the actions they have taken to address the recommendation, and communicated the provision contained in section 709(e) of PL 22-08 (See OPA Note under Recommendation 1). CHCC did not provide a response to OPA's December 2021 ARTS follow-up.

OPA notes that HB 22-77 passed the Senate on 12/28/2022 and officially became Public Law 22-33 on 1/31/2023. Given that Public Law 22-33 authorized the CNMI government to write off promissory notes executed between MRSO and patients or their personal representatives, OPA determines that this recommendation is no longer applicable and is therefore resolved.

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**Recommendation 5:** Implement standard operating procedures to ensure fair and equitable assessment of patient and escort eligibility in compliance with the applicable requirements established in MRSO's laws and internal policies.

## STATUS OF AUDIT RECOMMENDATIONS

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

12/31/21 – No response.

06/15/22 – The escort eligibility is already provided for in the established MRSO’s regulations (Chapter 75-50): § 75-50-320, Subsection (b) "Patient Escorts: Family or Friend Escorts". Standard Operating Procedures are developed and are being reviewed by all stakeholders to ensure compliance to the regulations.

12/20/22 – The CHCC Medical Referral Program developed a “Heath System Network Program Patient Family or Other Designated Escort” operating policy. The policy outlines the established guidelines of both medical and non-medical escorts that provide support to medical referral patients. The operating policy defines the process and requirements for designation of a referral escort and includes documentation outlining an agreement of responsibility by both patient and escort. Additionally, policy includes a “Medical Referral Appointment of Healthcare Representatives Form” that appropriately designates a healthcare representative in the event the medical referral patient is unable or incapable to communicate and/or make independent healthcare decisions. The operating policy is in progress of final review and implementation as of 12/19/22.

**Agency Proposed Completion Date:** No response

**Status:** Unresolved

**OPA Note:** On 11/11/21, OPA requested CHCC to provide a status update on the actions they have taken to address the recommendation, and communicated the provision contained in section 709(e) of PL 22-08 (See OPA Note under Recommendation 1). CHCC did not provide a response to OPA’s December 2021 ARTS follow-up.

On 12/20/22, CHCC informed OPA on the status of the “Heath System Network Program Patient Family or Other Designated Escort” operating policy. Due to the recent development of the operating policy, OPA will follow up on CHCC’s progress towards addressing the recommendation in the next reporting period.

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

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

12/31/21 – No response.

06/15/22 – Selection for the travel agency requires the adherence to the same CHCC standard operating procedures for recruitment, repatriation, and staff training/meeting travels, which requires the selected will provide the lowest-priced available economy fare.

12/20/22 – CHCC provided OPA with a Memorandum pertaining to staff medical escorts for medical referral patients.

**Agency Proposed Completion Date:** No response

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Status: Unresolved

OPA Note: On 11/11/21, OPA requested CHCC to provide a status update on the actions they have taken to address the recommendation, and communicated the provision contained in section 709(e) of PL 22-08 (See OPA Note under Recommendation 1). CHCC did not provide a response to OPA's December 2021 ARTS follow-up.

On 12/20/2022, CHCC provided a copy of CHCC's Memorandum: CEO-M22-081, pertaining to "Staff medical escorts for medical referral patients". The Memorandum does not address the recommendation. Based on the information provided by CHCC on 12/20/22, OPA will follow up on CHCC's progress towards addressing the recommendation in the next reporting period.

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

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

12/31/21 – No response.

06/15/22 – CHCC is transitioning to limiting the use of imprest funds that currently require the availability of checks in all three offices of the MRSO. We have initiated the use of debit cards for payment of subsistence allowances and all unused cards are safeguarded in a locked safe and require activation only by three (3) authorized CHCC finance officials. Standard operating procedures are being developed for this new process. Eventually, CHCC intends to remove all the handling and disbursement of checks from each office and instead safeguard them in the CHCC's locked safe.

12/20/22 – CHCC provided OPA with CHCC's Directive No. CFO-D22-001, pertaining to the Use of Paysign Debit Card for Subsistence.

Agency Proposed  
Completion Date: Completed

Status: Resolved

OPA Note: On 11/11/21, OPA requested CHCC to provide a status update on the actions they have taken to address the recommendation, and communicated the provision contained in section 709(e) of PL 22-08 (See OPA Note under Recommendation 1). CHCC did not provide a response to OPA's December 2021 ARTS follow-up.

On 12/20/22, OPA received a Directive from CHCC dated 5/1/22 stating that effective the week ending June 3, 2022, CHCC Health System Network Program (HSNP) will begin utilizing the Debit Card program that was acquired by the CNMI Department of Finance for payment of subsistence allowance. OPA met with CHC staff on 1/4/2023 to conduct testing procedures for the implementation of CHCC's Directive No. CFO-D22-001. Given that CHCC no longer issues checks for subsistence allowance, OPA determines that this recommendation is no longer applicable and is therefore resolved.

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**Department of Finance – Hotel Occupancy Tax**

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

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

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

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

06/30/21 – No response.

12/31/21 – No response.

06/30/22 – No response.

12/31/22 – No response.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 2:** Adopt a procedures manual for auditing HOT.

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

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

06/30/21 – No response.

12/31/21 – No response.

06/30/22 – No response.

12/31/22 – No response.



## STATUS OF AUDIT RECOMMENDATIONS

Agency Proposed  
Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2022.

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

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

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

06/30/21 – No response.

12/31/21 – No response.

06/30/22 – No response.

12/31/22 – No response.

Agency Proposed  
Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2022.

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

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

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

06/30/21 – No response.

12/31/21 – No response.

06/30/22 – No response.

12/31/22 – No response.

## STATUS OF AUDIT RECOMMENDATIONS

Agency Proposed  
Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2022.

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

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

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

06/30/21 – No response.

12/31/21 – No response.

06/30/22 – No response.

12/31/22 – No response.

Agency Proposed  
Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2022.

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

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

## STATUS OF AUDIT RECOMMENDATIONS

to receive a license. Because our tax structure is built on voluntary timely reporting business revenues, penalties and interest on a tax balance, and other collections actions, are usually effective deterrent of late filing. DRT is also aware of the lack of taxpayer education and knowledge on tax preparation and could be the cause of improper reporting. Thus, DRT will also be developing guidance for proper HOT reporting to be issued with new or renewed business licenses for relevant tax activities.

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

06/30/21 – No response.

12/31/21 – No response.

06/30/22 – No response.

12/31/22 – No response.

Agency Proposed  
Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2022.

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

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

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

06/30/21 – No response.

12/31/21 – No response.

06/30/22 – No response.

12/31/22 – No response.

Agency Proposed  
Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2022.

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## STATUS OF AUDIT RECOMMENDATIONS

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

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

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

06/30/21 – No response.

12/31/21 – No response.

06/30/22 – No response.

12/31/22 – No response.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2022.

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

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

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

06/30/21 – No response.

12/31/21 – No response.

06/30/22 – No response.

12/31/22 – No response.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: DRT did not provide a status update on its corrective action as of December 31, 2022.

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**Department of Finance – CNMI Government Travel Policy**

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

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

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

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

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

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

06/30/22 – No response.

12/31/22 – No response.

**Agency Proposed Completion Date:** No Response

**Status:** Unresolved

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

DOF did not provide a status update on its corrective action as of December 31, 2022.

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

**Corrective Action:** 11/16/21 – Response from the Office of the Senate President – Senate Bill 22-65 was referred to the Senate Committee on Judiciary, Government, Law, and Federal Relations on October 12, 2021. The Committee requested for public comment on Senate Bill 22-65 on October 28,

## STATUS OF AUDIT RECOMMENDATIONS

2021. Senate Rule 7 Section 8 requires the Committee to submit its report no later than December 11, 2021.

06/07/22 – Senate Bill 22-65 was passed by the Senate and was transmitted to the house. The Speaker referred the bill to the House JGO Committee on February 22, 2022. The House Status Table indicates the JGO Committee deadline to take action is April 23, 2022. However, Senate Bill 22-65 is still pending action from the JGO committee as of today.

12/06/22 – The proposed legislation, SB No. 22-65, is still pending action by the House.

Agency Proposed  
Completion Date:

Ongoing

Status:

Unresolved

OPA Note:

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

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**Department of Finance – Government Vehicles**

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

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

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

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

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

06/30/21 – No response.

12/31/21 – No response.

06/29/22 – Review and reconcile inventory records on the JDE system: DOF-P&S is currently working on the Governor’s Directive No-2020-006 dated 04/27/20 Fixed Asset Inventory Resolution. In accordance with this project, DOF-P&S has distributed master inventory lists to all agencies for the purpose of conducting an inhouse physical inventory. Upon completion of the inhouse physical inventory, Procurement and Supply shall review and reconcile all findings. This has been completed for 21 agencies and we are awaiting responses from those who have not submitted their inventory report.

Conduct annual physical inventory: The Procurement and Supply Property Management Policies and Procedures were amended, and the following instructions were given: “We will conduct inventories differently, persons accountable for property will actually perform the annual physical inventory of property under their control based upon printouts furnished by P&S” (attached for reference), DOF-P&S has furnished inventory lists for all CNMI government agencies in accordance with the Governor’s directive No-2020-006 Fixed Asset Inventory Resolution. It is the responsibility of each agency to complete the inhouse physical inventory and submit their findings to P&S for the purpose of reconciliation.

## STATUS OF AUDIT RECOMMENDATIONS

Perform random audits to validate the integrity of the property control process: DOF-P&S is conducting random audits in accordance with the Governor's directive No2020-006 Fixed Asset Inventory Resolution. P&S has reconciled all completed inhouse physical inventory findings and has prepared random audits for each agency to test the accuracy of their results. This is inline with OPA's request to conduct random audits validating the integrity of the property control process.

Concerning Government Vehicles specifically: Currently, 85% of the government vehicle listed in JDE inventory pulled during the original requested year of 2020 have been accounted for. 15% of Government Vehicles are outstanding and we have attached the list of items in question for your reference. P&S will continue to follow up with these agencies concerning these vehicles.

Provide adequate training to staff to ensure that staff are knowledgeable of the laws, regulations, and policies and procedures as it relates to their duties and responsibilities: All P&S staff have been provided a copy of the Procurement and Supply Property Management Policies and Procedures Handbook. P&S staff are trained to follow these policies and procedures while performing their duties and to reference the handbook or seek assistance from peers and/or staff in more senior positions should they have any questions. This is reinforced daily by supervisors.

12/31/22 – No response.

Agency Proposed  
Completion Date:

No response

Status:

Unresolved

OPA Note:

DOF-PS did not provide a status update on its corrective action as of December 31, 2022.

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### Recommendation 2:

DOF-P&S should:

- (a) Monitor or enforce agencies' compliance with laws and regulations pertaining to government vehicles;
- (b) Hold agencies accountable for properties in their control; and
- (c) Make a determination whether "factory tint" is allowable under 1 CMC § 7406(e). This may include obtaining clarification from the Office of the Attorney General or the Legislature.

Corrective Action:

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

06/30/20 – No response.

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



## STATUS OF AUDIT RECOMMENDATIONS

06/30/21 – No response.

12/31/21 – No response.

06/29/22 – Monitor or enforce agencies' compliance with laws and regulations pertaining to government vehicles: DOF-P&S continues to follow laws and regulations regarding government vehicle purchases and operation. Vehicles will continue to be received, tagged, and distributed per Procurement and Supply Property Management policies. All vehicle information is recorded and assigned a specific tag number. Additionally, tag numbers are spray painted on the outside of the vehicle for identification purposes.

Hold agencies accountable for properties in their control: DOF-P&S plans to conduct random vehicle inventory audits for each department which includes conducting a physical inventory and/or vehicle inspection when necessary. P&S possesses all records of government vehicles operated by the government and will use this information when conducting physical inventory of these assets. This process will be used to ensure property control standards are upheld.

Make a determination whether “factory tint” is allowable under 1 CMC § 7406(e). This may include obtaining certification from the Office of the Attorney General or the Legislature: This recommendation is under further review. P&S will contact the Legislature and/or the Office of the Attorney General to inquire about the status of factory tint on vehicles purchased for the CNMI Government.

12/31/22 – No response.

Agency Proposed  
Completion Date:

No response

Status:

Unresolved

OPA Note:

DOF-PS did not provide a status update on its corrective action as of December 31, 2022.

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**Department of Finance – CNMI Government Fuel Contract**

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

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

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

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

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

06/30/21 – No response.

12/31/21 – No response.

06/29/22 – DOF-PS is currently working on an SOP for the proper handling of all fuel cards and will implement it as soon as it is completed. This SOP will include instructions on how employees can request, obtain, use, and return fuel cards as well as contain policies they must abide by in order to ensure that such privileges are used for the function of DOF-PS only.

12/31/22 – No response.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: DOF-PS did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 2:** Maintain a listing of all fuel cards.

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

## STATUS OF AUDIT RECOMMENDATIONS

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

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

06/30/21 – No response.

12/31/21 – No response.

06/29/22 – DOF-PS has a listing of all active and inactive fuel cards containing the card numbers, agency or departments, issue dates, expiration dates, and license plate numbers of the vehicles. The list is in use and is currently being updated.

12/31/22 – No response.

Agency Proposed  
Completion Date:

No response

Status:

Unresolved

OPA Note:

DOF-PS did not provide a status update on its corrective action as of December 31, 2022.

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### **Recommendation 3:**

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

Corrective Action:

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

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

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

06/30/21 – No response.

12/31/21 – No response.

06/29/22 – Memorandum SFM2020-136 was issued as a notice to all department & activity heads on June 29, 2020 from the Secretary of Finance as a request to surrender and prohibit the use of government corporate cards. PS is currently in the process of replacing all corporate cards with fleet cards.

12/31/22 – No response.

## STATUS OF AUDIT RECOMMENDATIONS

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: DOF-PS did not provide a status update on its corrective action as of December 31, 2022.

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

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

06/30/20 – No response.

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

06/30/21 – No response.

12/31/21 – No response.

06/29/22 – Evaluate the Contractor's compliance with the Fuel Contract

The contractor is aware of the Fuel Contract Agreement and must abide by the terms and conditions set forth in the Contract. The memorandum issued on June 29, 2020 also instructs department heads and agencies that fleet cards cannot be issued directly from the contractor without the approval of the Acting Director of Procurement Services. Since the Memorandum was issued, no violations of the contract have been found on behalf of the contractor.

Adequately review billings

Moving forward, PS will put more concentration on its review for any infractions on fuel billings by the Purchasing Section.

Monitor the effectiveness of controls

The monitoring of effectiveness of controls will be practiced after all recommendations have been implemented and the SOP has been finalized and put into place.

Properly tag and label government gas containers

Moving forward, P&S shall ensure that gas containers purchased by the government be assigned a tag number. P&S will pull inventory information to find the gas containers currently in use and assign tag numbers to each item for tracking purposes.

## STATUS OF AUDIT RECOMMENDATIONS

12/31/22 – No response.

Agency Proposed  
Completion Date:

No response

Status:

Unresolved

OPA Note:

DOF-PS did not provide a status update on its corrective action as of December 31, 2022.

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**Recommendation 5:**

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

Corrective Action:

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

06/30/20 – No response.

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

06/30/21 – No response.

12/31/21 – No response.

06/29/22 – PS will communicate provisions of the fuel contract once the SOP is finalized and approved for distribution.

12/31/22 – No response.

Agency Proposed  
Completion Date:

No response

Status:

Unresolved

OPA Note:

DOF-PS did not provide a status update on its corrective action as of December 31, 2022.

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**Commonwealth Election Commission – Ballot Accountability**

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

**Commonwealth Election Commission**

**Inspection of the CEC Ballot Accountability for the 2018 General Election**

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

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

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

06/30/21 – No response.

12/31/21 – No response.

06/30/22 – No response.

12/31/22 – No response.

**Agency Proposed Completion Date:** No response

**Status:** Unresolved

**OPA Note:** CEC did not provide a status update on its corrective action as of December 31, 2022.

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

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

06/30/21 – No response.

12/31/21 – No response.

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06/30/22 – No response.

12/31/22 - No response.

Agency Proposed  
Completion Date:

No response

Status:

Unresolved

OPA Note:

CEC did not provide a status update on its corrective action as of December 31, 2022.

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### **Recommendation 3:**

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

Corrective Action:

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

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

06/30/21 – No response.

12/31/21 – No response.

06/30/22 – No response.

12/31/22 – No response.

Agency Proposed  
Completion Date:

No response

Status:

Unresolved

OPA Note:

CEC did not provide a status update on its corrective action as of December 31, 2022.

**Commonwealth Healthcare Corporation – Patient Revenue Cycle Management**

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

**Commonwealth Healthcare Corporation**

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

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

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

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

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

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

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

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



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

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

06/08/22 – As with any new major system implementation, issues will arise. Unfortunately, with RCM Cloud/Carevue, there are more issues than anticipated. Since CHCC went live with the new system, weekly calls with the software vendor have been ongoing to address these issues that continue to cause delays in our backlog related to coding, billing, collection, and payment posting. CHCC presents these issues to the vendor while we wait for Medsphere to resolve them, which can take up to 6 months.

Therefore, CHCC would like to request that the CNMI OPA revisit these findings by December 2023 as long as these issues are resolved timely to allow us to catch up with our backlog.

CHCC continues to request to change the period subject to audit. CHCC believes that measuring our performance based on our ability to close out bills and post payments for services prior to 2017 does not provide any benefits to CHCC as those billings would have been beyond the threshold on what is collectible and posting payment backlogs will just reclassify a significant amount of third-party receivable to our uninsured and underinsured members of the community.

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

12/20/22 – As stated in our last response, CHCC requested that OPA revisit these findings by December 2023. Although backlogs are unfortunately typical with health providers due to the complexity of coding and billing requirements, the attached document displays our efforts in billing and collection throughout the years. In 2022, the decrease in payment from some payers is mainly due to patients qualifying for Medicaid PE, but overall, CHCC has improved in its revenue cycle management process. Refer to CHCC RCM Exhibit A.

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

Agency Proposed  
Completion Date:

CHCC requested that OPA audit CHCC's ability to manage accounts receivable based on this new system by December 31, 2023.

Status:

Unresolved

OPA Note:

As mandated, OPA will continue to follow up on CHCC's progress towards addressing the recommendation in the next reporting period.

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**Department of Finance – Excise Taxes**

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

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

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

05/25/22 – In reference to OPA report No. 14-01, OPA Note second paragraph: The Bureau of Regulatory Enforcement informed customs port managers to enforce the guidelines set in NMIAC § 70-10.1-145 Payment of Taxes; Release of Goods. We remind the ports that it is our policy to hold any cargoes belonging to importers with outstanding balances.

We notified the ports that Customs “Authorization to Release Cargo Form” is to be used to document authorized release of cargo. In the authorization to release cargo form, officers must state the reason for the release, such as: Taxpayer has pending appeal/claims (adjustments/offset due to overpayment/underpayment or other justifiable circumstances); Payment plan; Off-island checks; and Other reasons.

12/06/22 – The corrective actions mentioned on May 25, 2022 still applies.

Agency Proposed  
 Completion Date: Completed

Status: Resolved

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

On 01/20/22 and 01/21/22, OPA reviewed supporting documentation for releases of cargo to 8 approved low risk importers. OPA noted a total of 11 instances of cargo being released to 4 low risk importers who failed to pay prior excise taxes within the 30-day grace period. Additionally, the files for 2 approved low risk importers did not contain documentation for tax clearance from the Division of Revenue and Taxation for a two-year period as required by regulations to qualify as low risk importers. According to Customs’ response to the noted discrepancies, Customs reminded staff of its policy to hold any shipment for importers with

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outstanding balances. Customs' Authorization to Release Cargo form will be used to document authorized releases of cargo to importers who have filed an appeal, are pending Customs' adjustments/offsets of their outstanding balances for overpayments, or other justifiable circumstances. Customs also informed OPA that applications for low risk importer status will not be approved until required documents are provided. Due to the level of risk associated with the finding, OPA considers this recommendation unresolved.

OPA conducted testing procedures on 12/19/22 and 12/20/22. Of the 15 random samples selected for testing, five (5) were not qualifying low risk importers, one (1) of which was under the Commonwealth Economic Development Authority's Qualifying Certificate (QC) Program. OPA confirmed that these five (5) samples were required to pay outstanding balances prior to the release of cargo. The remaining 10 samples were approved low risk importers with outstanding balances that had approved authorization/clearance forms on file. Therefore, OPA considers this recommendation resolved.

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

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

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

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

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

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

05/25/22 – Customs is awaiting lien & levy form and SOPs from the Attorney General's Office.

12/6/22 – The corrective actions mentioned on November 22, 2021 and May 25, 2022 is pending as of December 31, 2022.

Agency Proposed  
Completion Date: Ongoing

Status: Unresolved

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

Based on DOF-Customs and Biosecurity's response on 12/6/22, OPA will follow up on their progress towards addressing the recommendation in the next reporting period.