

**DEPARTMENT OF PUBLIC LANDS  
(A GOVERNMENTAL FUND OF THE COMMONWEALTH OF  
THE NORTHERN MARIANA ISLANDS)**

**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL AND ON COMPLIANCE**

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**YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

**DEPARTMENT OF PUBLIC LANDS  
(A GOVERNMENTAL FUND OF THE COMMONWEALTH OF THE NORTHERN  
MARIANA ISLANDS)**

Years ended September 30, 2022 and 2021

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**BURGER · COMER & ASSOCIATES**  
**CERTIFIED PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITOR'S 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*

Mr. Sixto K. Igisomar  
Secretary  
Department of Public Lands

We have audited, in accordance with the 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 governmental activities of Department of Public Lands (DPL), as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements and statement of revenues, expenditures, and changes in fund balances, which collectively comprise DPL's basic financial statements and have issued our report thereon dated June 27, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered DPL'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 DPL's internal control. Accordingly, we do not express an opinion on the effectiveness of DPL's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-002 that we consider to be material weaknesses.

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## **Report on Internal Control over Financial Reporting**

As part of obtaining reasonable assurance about whether DPL'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-002.

## **DPL's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the DPL's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. DPL's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 audit performed 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.

*Bruce Comer & Associates*

Saipan, MP  
June 27, 2025

## DEPARTMENT OF PUBLIC LANDS

### Schedule of Findings and Responses Years Ended September 30, 2022 and 2021

#### Local Noncompliance and General Ledger System

##### Finding No. 2022-001

Criteria: An effective system of internal control over financial reporting includes maintenance of a separate general ledger system that records transactions and timely generates reliable and relevant financial information. Public Law 15-02 required the establishment of the DPL Operations Fund which shall be maintained by the CNMI Department of Finance (DOF) and required, 1) all revenues received by DPL be deposited in the DPL Operations Fund, and 2) all operational expenses of DPL be paid from the DPL Operations Fund.

Condition: DPL has not maintained a separate general ledger system since fiscal year 2007. Specifically:

1. Revenues received by DPL are not deposited into the DPL Operations Fund and operating expenses are not being paid from the DPL Operations Fund; and
2. A general ledger for DPL transactions is maintained by DOF, which is not reconciled or monitored by DOF or DPL;

Cause: Compliance with Public Law 15-02 is not enforced. Monitoring and timely reconciliation of transactions with DOF is not performed. DPL did not implement available system controls over the financial reporting process and monitoring control procedures are not established to determine the accuracy and completeness of disbursements processed at DOF.

Effect: DPL is in noncompliance with Public Law 15-02. DPL is unable to produce reliable and relevant financial information.

Recommendation: We recommend DPL comply with Public Law 15-02 and monitor and reconcile transactions with DOF in a timely manner, establish monitoring control procedures over disbursements, perform periodic reconciliations with DOF to verify the accuracy and completeness of disbursements processed and reconcile account balances maintained in the DOF general ledger.

Prior Year Status: The lack of compliance with Public Law 15-02, the lack of reliable and relevant financial information and the inability to timely detect errors and inaccuracies was reported as a finding in the audits of DPL for fiscal years 2010 through 2021.

## DEPARTMENT OF PUBLIC LANDS

### Schedule of Findings and Responses, continued Years Ended September 30, 2022 and 2021

#### Finding No. 2022-001, continued

#### Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Sixto K. Igisomar, DPL Secretary

#### **Corrective Action:**

**Response 1:** The CNMI Department of Finance established the DPL Operation Fund accounts which is being maintained in accordance with PL15-02. On February 1, 2024, DPL transferred its funds to the bank accounts under DOF's "CNMI Treasury, DPL Operation Fund". DPL obligations are paid from the Operation Fund and collections of revenues are deposited to this account as required by Public Law 15-02.

**Response 2:** Effective October 1, 2021 which is the fiscal year 2022, the "JDE" system was upgraded to a new accounting software the (ERP Munis). With this new system, DOF has granted DPL adequate access to DPL's general ledger to review, analyze and reconcile all financial transactions and process journal entries in order to produce effective and timely financial statements.

## DEPARTMENT OF PUBLIC LANDS

### Schedule of Findings and Responses, continued Years Ended September 30, 2022 and 2021

#### Revenue/Receipts

#### Finding No. 2022-002

Criteria: Management is responsible to enforce policies for leasing public lands. Long-term lease contracts and temporary permits require that the lessee, not later than thirty (30) days after the end of each calendar year of the lease or permit, submit financial statements and a schedule of gross receipts indicating sources and deductions. The deadline of submission can be extended to forty-five (45), ninety (90), or one hundred-eighty (180) days after the end of each calendar year of the lease or permit, if requested by customer and approved by DPL. Some leases and permits require that the financial statements be audited by certified public accountants.

Condition: Tests of one hundred thirty-two cash receipts for long-term lease contracts and temporary permits noted the following:

1. Audited financial statements were not provided for thirty receipts related to contracts and permits requiring such documents.
2. For thirty-two receipts, financial statements were not provided within the time period specified after the end of the calendar year.
3. For seven receipts, extension of lease agreement was not provided to substantiate the amount paid by customers.
4. For thirty-three receipts, appraisal reports were not provided within the time period specified after the end of the lease term which are a lease requirement for rental determination.
5. Appraisal reports were not provided for two receipts related to contracts requiring such documents.
6. For sixteen receipts, quarrying extraction reports were not provided within the specified time period.

Cause: The cause of the above condition is the lack of monitoring procedures to determine which contracts and/or permits require audited financial statements or financial statements and appraisals.

Effect: The effect of the above condition is the potential underpayment of lease revenues.

Recommendation: We recommend that management update lease contracts and permits and enforce lease provisions.

Prior Year Status: Monitoring procedures for contracts and/or permits that require financial statements or audited financial statements was reported as a finding in the audits of DPL for fiscal years 2010 through 2021.

## DEPARTMENT OF PUBLIC LANDS

### Schedule of Findings and Responses, continued Years Ended September 30, 2022 and 2021

#### Finding No. 2022-002, continued

#### Auditee Response and Corrective Action Plan:

**Name of Contact Person:** Sixto K. Igisomar, DPL Secretary

#### **Corrective Action:**

**Response 1-6:** The monitoring procedures involve periodic reviews and collaboration between DPL's Compliance and Finance Divisions and notifying lessees by phone, letter notices to submit their audited/unaudited financial statements; however, some lessees submitted late due to the impact of the COVID-19 pandemic making the process slow as with the CNMI Government.

DPL ensures that rental fees collected are based on the rate stipulated on the agreement either advance annually or quarterly and keeps a running spreadsheet ledger of rent receivables.

Although some of the lessees were late in submission of their appraisal reports, the increase of the rental fees is retroactive to of the appraisal due dates with additional accrued interest of one percent (1%) or one-and-one half percent (1.5%) per month compounded monthly until paid.

The Compliance Division has procedures in place to proactively monitor and notify lessees that are due for appraisals in order to avoid the loss of revenue.



## **DEPARTMENT OF PUBLIC LANDS**

### **Unresolved Prior Year Comments Years Ended September 30, 2022 and 2021**

The status of unresolved prior year findings is discussed in the Schedule of Findings and Responses section of this report.