

Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

Report on CNMI Agencies' Implementation of Audit Recommendations

December 28, 2015



Michael Pai, Public Auditor

Executive Summary

Report on CNMI Agencies' Implementation of Audit Recommendations, As of December 2015 Report No. TR-15-02, December 28, 2015

Background

The Office of the Public Auditor (OPA) maintains an audit recommendations tracking system to monitor the implementation and resolution of audit recommendations. On a semi-annual basis, OPA issues its *Report on CNMI Agencies' Implementation of Audit Recommendations* (Audit Recommendation Tracking Report) which presents the audited agencies' compliance with 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 is to 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.

The Coordinating Group has not met since 2000. However, OPA has been issuing follow-up letters, email messages, and/or contacting agencies with outstanding recommendations to request for information on corrective actions taken to implement OPA's audit recommendations. When requested, OPA staff meets with agency officials to discuss and clarify actions required to address OPA's audit recommendations. This report incorporates agency responses to OPA's follow-up emails or documents obtained by OPA on or before December 15, 2015. In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals are not disclosed in OPA's Audit Recommendation Tracking Report.

Classification of OPA Audit Recommendations

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which OPA is satisfied that the client has taken corrective action to meet the intent of the recommendation or OPA has withdrawn from it.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

Status of OPA Audit Recommendations

OPA will no longer include recommendations that exceed OPA's seven-year retention policy. Therefore, the total number of audit recommendations tracked in 2015, have significantly dropped.

OPA tracked 24 audit recommendations during calendar year 2015. Of the 24 audit recommendations, six were resolved and 18 remained unresolved.

The table below presents the status of OPA's audit recommendations as of December 2015.

Status of Audit Recommendations	2015
Total Recommendations Tracked	24
Less: Resolved Recommendation(s)	(6)
Unresolved Recommendations, End of Year	18

Independent Auditor's Recommendations

OPA also includes in its Audit Recommendation Tracking Report 140 recommendations from 12 recent audit reports issued by private CPA firms.



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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December 28, 2015

Interagency Audit Coordinating Advisory Group
Saipan, MP 96950

Re: Report on CNMI Agencies' Implementation of Audit Recommendations

Dear Interagency Audit Coordinating Advisory Group:

Enclosed is a copy of the report on CNMI agencies' implementation of audit recommendations included in audit reports issued by the Office of the Public Auditor (OPA) as of December 2015. OPA will no longer include audit recommendations that exceed OPA's seven-year retention policy. Therefore, the total number of audit recommendations tracked, have significantly decreased. OPA tracked 24 audit recommendations during calendar year 2015.

We have also included in this report recommendations issued by private Certified Public Accounting (CPA) firms. OPA is not responsible for tracking the implementation of these recommendations; however, they are included in the audit recommendations tracking report for information purposes. There were 140 recommendations from 12 recent audit reports issued by private CPA firms.

OPA sent follow-up emails and/or called government agencies with outstanding audit recommendations as of December 2015. This report incorporates agency responses to follow-up emails/letters received or documents obtained by OPA on or before December 15, 2015.

In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals in the audits are not disclosed in this report.

Sincerely,

for Michael Pai, CPA
Public Auditor

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Introduction

Background

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 is to 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. The Auditing Act also required the Office of the Public Auditor (OPA) to report semiannually to the legislature on the audited agencies' compliance with OPA's recommendation.

The Coordinating Group has not met since 2000. However, OPA has been issuing follow-up letters semi-annually to agencies with outstanding recommendations to request information on actions taken to address its recommendations. OPA also calls and sends email messages to encourage agencies to respond to the follow-up letters. When requested, OPA staff meets with agency officials to discuss and clarify the actions required to address OPA's recommendations.

This report incorporates agency responses to follow-up letters/emails that OPA received or documents obtained by OPA on or before December 15, 2015. In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals in the audits are not disclosed in this report.

Audit Recommendations Tracking System

OPA maintains an audit recommendations tracking system to monitor implementation and resolution of OPA audit recommendations. Recommendations issued by Independent Auditors are also included in the tracking system for information purposes.

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

Independent Auditors Recommendations - We have also included in this report recommendations issued by private Certified Public Accountant (CPA) firms. OPA is not responsible for tracking the implementation of these recommendations; however, they are included in the audit tracking report for information purposes.

Status of Audit Recommendations

OPA will no longer include audit recommendations that exceed OPA's seven-year retention policy. Therefore, the total number of audit recommendations tracked, have significantly dropped.

Audit recommendations tracked as of December 2015 totaled 24. Of the 24 audit recommendations, six were resolved and 18 remained unresolved.

The following table represents a comparative schedule of the status of all our audit recommendations for calendar years 2013, 2014, and 2015.

Status of Audit Recommendations	2013	2014	2015
Total Recommendations Tracked for the Year	33	40	24
Less: Resolved Recommendations	(1)	(1)	(6)
Unresolved Recommendations, End of Year	32	39	18

Independent Auditor's Report

The OPA is not responsible for tracking the implementation of recommendations issued by private CPA firms; however, they are included in our audit tracking report for information purposes. OPA has included in the tracking report 140 recommendations from 12 recent audit reports released by private CPA firms. To view the Independent Auditor's Report, please visit our website at www.opacnmi.com.

Independent Auditor's Report on Internal Control	No. of Finding¹	Material Weakness²	Question Cost³
Commonwealth Development Authority	0	0	0
Commonwealth HealthCare Corporation	45	33	653,621
Commonwealth of the Northern Mariana Islands	53	36	3,754,204
Commonwealth Ports Authority	2	0	0
Commonwealth Ports Authority, Passenger Facility Charge	5	5	0
Commonwealth Utilities Corporation	10	1	0
Department of Public Lands	3	3	0
Marianas Public Land Trust	0	0	0
Marianas Visitors Authority	0	0	0
Northern Mariana Housing Corporation	11	10	64,692
Northern Marianas College	3	0	76,575
Public School System	8	0	76,584

OPA would like to recognize the Commonwealth Development Authority (CDA), Marianas Public Land Trust (MPLT), and the Marianas Visitors Authority (MVA) for having no reportable audit finding in their Annual Financial and Compliance audit report for fiscal year ended September 30, 2014. This is a noteworthy accomplishment for CDA, MPLT, and MVA. OPA appreciates the dedication and hard work carried out by these agencies in improving its operation and eliminating the repetition of prior year audit findings.

¹ *Audit Findings* generally occur when an auditor identifies weaknesses in an organization's procedures or noncompliance with certain requirements.

² A *Material Weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement or noncompliance with requirements will not be prevented, or detected and corrected, on a timely basis.

³ A *Question Cost* is an expenditure that is questioned by the auditor and is the result of an audit finding related to federal programs.



Executive Branch Offices and Departments

Department of Finance

Department of Lands and Natural Resources

Department of Public Safety

Department of Finance

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

Recommendation A1 : *Original:* DOF, Division of Customs Service should provide training for Customs inspectors and officers regarding the changes in and the proper application of P.L. 17-64.

Agency to Act : Department of Finance, Division of Customs Service

Status : Resolved

Agency Response : In his 8/29/14 response, the Director of Customs Service informed OPA that Customs conducted training for all Customs officers, new and permanent employees in July 2013. On August 25, 2014, the 3rd cycle Customs Basic Training began which included all laws affecting the Division of Customs Service.

In a letter dated December 14, 2015, OPA was informed that the Division of Customs Service has taken corrective actions to ensure the assessment and collection of excise taxes imposed on soft drinks, as newly defined under P.L. 17-64. The Division of Customs Service provided training to current and new employees to ensure compliance with P.L. 17-64.

OPA's Response : OPA considers this recommendation resolved. In a meeting held on December 18, 2015, the Director of Customs Service stated that training sessions have been conducted to bring the staff up to date with P.L. 17-64. The Director is keeping current with any pending legislation that affects the Division.

Recommendation A2 : *Original:* DOF, Division of Customs Service should:

- Consult with the Department of Commerce to determine the necessity of the broad range of import classifications with the goal of reducing the number of classifications. While abundant statistical data can be an import by-product if the assessment process, it should not detract from the main goal of the Division.
- Provide follow-up training to staff regarding the Harmonized Tariff Schedule (HTS) codes and the assigned tax rates and in other areas to enhance and improve the Customs operations.
- Perform supervisory review of tax assessments for errors or inconsistencies.

Agency to Act : Department of Finance, Division of Customs Service

Status : Resolved

Agency Response : In his 8/29/14 response, the Director of Customs Service informed OPA that the Division has taken corrective actions to address Recommendation A2 (bullet point #3). Customs Service has assigned two additional personnel to the Compliance

section to focus on accounts receivables and to conduct a post-audit on all excise tax assessments.

In a letter dated December 14, 2015, OPA was informed that staff has been given a refresher course on the HTS codes and assigned rates to ensure accurate assessment and collection of taxes.

OPA's Response : OPA considers these recommendations resolved. The Division of Customs Service conducted classroom training and continues to provide on-the-job training to staff on the application of the HTS codes. In our meeting with the Director and staff on December 18, 2015, OPA was informed that a post audit section was created within the Compliance section with the primary function of reviewing tax assessments for errors and inconsistencies. At this time, one employee has been assigned until additional funding is available.

Recommendation A3 : *Original:* DOF, Division of Customs Service 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.

Further, OPA's review of existing Laws indicated no formal procedures or time tables were given to the Division to ultimately resale these held items in order to collect past due amounts. OPA recommends that the Division seek a legal opinion on this matter to determine if a change in the law is required or if such; can be incorporated through revised regulations.

Agency to Act : Department of Finance, Division of Customs Service

Status : Unresolved

Agency Response : In his 8/29/14 response, the Director of Customs Service informed OPA that the Division has taken corrective actions to address this recommendation. The Division will not release cargos to an importer/business with outstanding accounts and an installment payment plan shall be the approved by the Director.

In a letter dated December 14, 2015, OPA was informed that the CNMI Tax System is now designed to flag the Customs officer twice at the time of assessment to indicate that the importer's account is delinquent. The Division is working towards having the system automatically lock the account until the balance is paid, the importer has signed a payment plan, or is cleared by the manager, the Compliance section, or the Director.

OPA's Response : OPA considers this recommendation unresolved. OPA reviewed the aging report provided by the Compliance section and it appears that there are many importers that continue to have outstanding balances and are not listed as having a payment plan. OPA would like to see continued improvement in the collection process.

Recommendation A4 : *Original:* DOF, Division of Customs Service should require consolidators to provide additional information prior to the release of the cargo to the consolidator's warehouse. Such documentation should include but not limited to invoices provided by the individual consignees with a detailed description, quantity, and value of the

goods being imported. Consolidated shipments should not be released until all invoices have been presented to and assessed by the Division.

Agency to Act : Department of Finance, Division of Customs Service

Status : Resolved

Agency Response : *OPA Response:* The Director of Customs Service did not address this recommendation in his August 29, 2014 response.

In a letter dated December 14, 2015, OPA was informed that consolidators and other agents are required to submit the appropriate documentation, including vendor invoices covering all merchandise arriving on one carrier and consigned to a consignee. Taxes are estimated and are adjusted when the proper documents are submitted within 30 days from the arrival date.

OPA's Response : OPA considers this recommendation resolved. In a meeting held on December 18, 2015, the Director informed OPA that the Division conducted a total of four inventories in the past year of a consolidator's warehouse. In addition, the Division performs a random inspection of merchandise cleared from a consolidator. In addition, OPA reviewed a sample of documents recently submitted by a consolidator and found them to be adequate.

Recommendation A5 : *Original:* DOF, Division of Customs Service prioritizes inspections on importers based on certain criteria's, however OPA recommends that a method of random inspections be developed which would include all major importers over the course of each year. It is very difficult to determine if a particular importer is high risk or not, without some form of inspection to determine compliance.

Agency to Act : Department of Finance, Division of Customs Service

Status : Unresolved

Agency Response : In his 8/29/14 response, the Director of Customs Service informed OPA that it has implemented a procedure that is used by Customs globally and that random inspection is being practiced on passenger clearance.

In a letter dated December 14, 2015, the Division disagrees with OPA's finding.

OPA Response : OPA considers this recommendation unresolved. In a meeting held with the Director, the Director stated that the Division prioritizes inspection of cargo that come from a high-risk port of origin or where the Division suspects illegal activity. OPA would like to see the Division develop procedures on the random selection of cargo, aside from selecting cargo that are considered high risk.

Recommendation B1 : *Original:* OPA recommends that the requirement to collect the tax on bonded goods at the time of withdrawal be clearly stated in the Division's policies and procedures manual.

Agency to Act : Department of Finance, Division of Customs Service

Status : Resolved

Agency Response : *OPA Response:* The Director of Customs did not address this recommendation in his August 29, 2014 response. However, prior to the issuance of the final report, the Division of Customs Service had taken corrective action to address this finding. OPA considers this recommendation resolved.

Recommendation B2 : *Original:* OPA recommends that written procedures be developed to immediately pursue importers with outstanding receivable balances that are greater than 30 days past due. OPA also recommends that receivables greater than 90 days be forwarded to the Division of Revenue and Taxation, Collection Branch in accordance with §70-10.1-150 of the Customs Service Regulations.

Agency to Act : Department of Finance, Division of Customs Service

Status : Unresolved

Agency Response : In his 8/29/14 response, the Director of Customs Service informed OPA that it is in the process of amending §70-10.1-150 of its regulations to enable the Division to collect its own receivables that are greater than 90 days.

In a letter dated December 14, 2015, written procedures were not mentioned. However, during a site visit on December 18, 2015, OPA learned that a comprehensive policy and procedures manual has been drafted and will be forwarded to the Director for review and approval.

OPA Response : OPA considers this recommendation unresolved until written procedures to address delinquent importers are adopted. In a meeting held on December 18, 2015, the Director stated that he would like the regulations amended to authorize the Division to collect on delinquent accounts of more than 90 days.

Department of Lands and Natural Resources

Report No. AR-15-03 issued October 5, 2015
Audit of the Outer Cove Marina for Calendar Year 2014

Recommendation 1 : *Original:* DLNR should enforce the Outer Cove Marina Regulations (Regulations) by conducting the following:

- (a) Apply the appropriate berthing slip fees when billing its tenants. Management should also consistently review and monitor the assessment, billing, and collection of berthing slip fees.
- (b) Assess and collect security deposits from all its tenants. DLNR should work with the Department of Finance to ensure that security deposits are accounted for separately and not commingled with berthing fee revenues.
- (c) Assess and collect the proper delinquency fees. Management should consistently review and monitor the assessment, billing, and collection of penalty fees.
- (d) Revisit the Regulation requirement pertaining to passenger departure fees and adopt a final decision. If the intention of DLNR is to suspend or not collect passenger departure fees, DLNR should amend the Regulations to reflect this change.

Agency to Act : Department of Lands and Natural Resources

Status : Unresolved

Agency Response : On 4/30/15, the DLNR Secretary provided OPA a copy of a letter addressed to OCM tenants informing them that DLNR will begin implementing the Regulations effective June 1, 2015.

In his 9/14/15 response, the DLNR Secretary stated that the department will enforce the Regulations by applying the appropriate fees when billing its tenants and a quarterly report submission will be required of the Marina Officer. He further stated that majority of the tenants have already paid their security deposit fee. In addition, DLNR has submitted a proposed amendment pertaining to the passenger departure fee to the Office of the Attorney General for review for the purpose of reducing the current fee of \$4.00 to 50 cents.

Recommendation 2 : *Original:* DLNR should seek the assistance of the OAG for legal advice and take appropriate action that will ultimately lead to impoundment or removal of vessels if a lease is not approved and the appropriate payments have not been made.

Agency to Act : Department of Lands and Natural Resources

Status : Unresolved

Agency Response : On 9/14/15, the DLNR Secretary stated that DLNR will address the situation with the Marina Officer and the OAG.

Recommendation 3 : *Original:* The Secretary or his/her designee should review the berthing application and required documents prior to the Secretary's approval of the berthing. OPA also recommends that DLNR require its tenant to provide current documentation on an annual basis or at the renewal of a lease.

Agency to Act : Department of Lands and Natural Resources

Status : Unresolved

Agency Response : On 9/14/15, the DLNR Secretary stated that DLNR will address the situation with the Marina Officer and will work on protocols to ensure that this issue is addressed.

Recommendation 4 : DLNR must enforce its own Regulations, standard marine regulations and conduct the operations of OCM in a safe, professional, and business-like manner, more specifically:

(a) The OCM should be fenced off from the general area with access gates for passengers and operators. DLNR needs a presence at the dock during all hours of operation to ensure and enforce compliance with the Regulations;

(b) DLNR should find the necessary funds to provide, at the very least, basic amenities for users of the marina; and

(c) Find necessary funds to maintain standard operational features to protect the passengers and vessel operators.

Agency to Act : Department of Lands and Natural Resources

Status : Unresolved

Agency Response : On 9/14/15, the DLNR Secretary stated that DLNR will (a) station the Marina Officer at the OCM daily for four hours to ensure presence and visibility among its tenants, procure garbage disposal services, signage, and waterway markers. He further stated that a restroom will be provided when funds become available.

Recommendation 5 : *Original:* Prior to making formal audit recommendations, generally accepted government auditing standards stresses that a cost/ benefit analysis be conducted. OPA is not, at this time, equipped to conduct engineering studies and calculations to determine the needed renovations to provide an adequate level of safety. Prior to any expenditure of funds an engineering study should be conducted to determine needed repairs and the costs associated with such repairs. Only at that time can management make informed decisions.

However, DLNR needs to immediately affect policies and controls, which will enhance the operational safety of the dock. This will require day-to-day oversight of the dock itself. Further, any cost/benefit analysis should also consider that the OCM is the only facility that currently supports the majority of Saipan's marine tourism activities. If the facility closes or fails, the cost in related tourism revenues will be substantial.

Essentially, DLNR is faced with no easy solutions. Based upon the engineering study either (1) repairs must be performed, (2) the OCM closed, (3) a new facility is built, or (4) the OCM is transferred to a public or private entity, which has the expertise and capital to effectively operate the marina.

- Agency to Act** : Department of Lands and Natural Resources
- Status** : Unresolved
- Agency Response** : On 9/14/15, the DLNR Secretary stated that DLNR will discuss this issue with the Administration and will work to address all findings with possible remedies.
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Department of Public Safety

Report No. AR-15-01 issued March 11, 2015
Audit of the Department of Public Safety, Evidence Preservation,
Accountability and Control Section
For Calendar Years 2010 through July 2014

Recommendation 1 : *Original:* DPS management needs to ensure that the ongoing improvements to the Evidence Facility continue and that funding sources are sufficient and dedicated to achieve this goal.

Agency to Act : Department of Public Safety

Status : Unresolved

Agency Response : *OPA Response:* OPA did not receive a response from DPS regarding this matter.

Recommendation 2 : *Original:* DPS management should distribute any updated SOP's to the Evidence Section for guidance and control. This will ensure that the Evidence Section is fully informed of its responsibilities, and understands the consequences of not effectively safeguarding and accounting for evidence.

Agency to Act : Department of Public Safety

Status : Resolved

Agency Response : In his letter response to OPA's draft audit report dated 3/2/15, the DPS Commissioner informed OPA that he concurs with this finding and recommendation. OPA noted that during the course of the audit, DPS distributed the updated SOP's to its staff. This recommendation is now considered "Resolved".

Recommendation 4 : *Original:* DPS management needs to provide a separate facility for the evidence technicians, removing their access to the Evidence Section.

Agency to Act : Department of Public Safety

Status : Resolved

Agency Response : In his letter response to OPA's draft audit report dated 3/2/15, the DPS Commissioner informed OPA that the crime scene technicians have been relocated and no longer have access to the evidence room. Based on the DPS Commissioner's response and OPA's observation, this recommendation is now considered "Resolved".

Recommendation 6 : *Original:* The Evidence Custodian must continuously update the inventory as conducted by OPA. Firearms not seized as evidence should be stored in the DPS Armory.

Agency to Act : Department of Public Safety

Status : Unresolved

Agency Response : In his letter response to OPA’s draft audit report dated 3/2/15, the DPS Commissioner informed OPA that the DPS has moved to a digital system to track the ownership of property held in the evidence room. The enhanced tracking system and improved organization of the evidence will reduce the likelihood that the present situation will not repeat itself in the future. Further, DPS is in the process of drafting and adopting regulations, which will allow for regular auditing, inventorying, and the disposal of firearms in DPS’ custody. DPS also recognizes and agrees that its facility cannot be used for the indefinite storage of firearms or any other property.

Recommendation 7 : *Original:* Specific written policies must be developed regarding the immediate submission of evidence to the Custodian, and all patrol persons, investigators and forensic technicians must be trained on the timely submission of evidence to the Evidence Facility.

Agency to Act : Department of Public Safety

Status : Unresolved

Agency Response : In his letter response to OPA’s draft audit report dated 3/2/15, the DPS Commissioner informed OPA that it had recently published a procedure manual for use by all police officers employed by DPS. The procedure manual requires the submission of evidence to the Evidence Facility as quickly as possible, but always before the end of the officer’s shift. DPS is currently working to secure evidence lockers to be used for temporary evidence storage when the Evidence Facility is not accessible.

Recommendation 8 : *Original:* DPS and the Office of the Attorney General must develop adequate procedures to address the disposal of outdated or irrelevant items retained as evidence.

Agency to Act : Department of Public Safety

Status : Unresolved

Agency Response : In his letter response to OPA’s draft audit report dated 3/2/15, the DPS Commissioner informed OPA that the department has drafted regulations, which will allow for the timely disposal of all evidence and property retained by the Evidence Facility. DPS anticipates the promulgation of its new evidence room regulations within the next ninety days or by June 2015.

Report No. AR-15-02 issued June 18, 2015
Audit of the Department of Public Safety’s
Confidential Informant Fund
Covering the period of February 2014 through April 2015

Recommendation 1 : *Original:* The DPS should update and implement its existing SOPs to ensure that DPS fully complies with the Office of Justice Program, Office of the Chief Financial

Officer Financial Guide (Guide). DPS should establish and maintain the completeness of each informant file to ensure that all informants are registered with DPS, and their files are secured to prevent loss and unauthorized access.

- Agency to Act** : Department of Public Safety
- Status** : Unresolved
- Agency Response** : In his letter response to OPA’s draft audit report dated 6/15/15, the DPS Commissioner informed OPA that he concurs with the findings and recommendations in its entirety. Accordingly, he will continue to work with the Commonwealth Bureau of Investigations (CBI) regarding the proper and secure registration of confidential informants. The DPS is also committed to reviewing, updating, implementing, distributing, and ensuring compliance with its SOPs.
-

Recommendation 2 : *Original:* The DPS should update and implement its existing SOPs to ensure that the CBI Commander is the exclusive authorizing official for fund requests as required by the Guide. Should the CBI Commander designate an employee to authorize fund requests, DPS should get the approval of the grantor agency, if necessary.

- Agency to Act** : Department of Public Safety
- Status** : Unresolved
- Agency Response** : In his letter response to OPA’s draft audit report dated 6/15/15, the DPS Commissioner informed OPA that he concurs with the findings and recommendations in its entirety. Accordingly, DPS is committed to reviewing, updating, implementing, distributing, and ensuring compliance with its SOPs.
-

Recommendation 3 : *Original:* The DPS should update and implement its existing SOPs to comply with the Guide by requiring that:

- Informants payee receipt forms contain fields for all the required information; and
- Officers or case agents provide all the required information when preparing informant payee receipts.

- Agency to Act** : Department of Public Safety
- Status** : Unresolved
- Agency Response** : In his letter response to OPA’s draft audit report dated 6/15/15, the DPS Commissioner informed OPA that he concurs with the findings and recommendations in its entirety. Accordingly, DPS is committed to reviewing, updating, implementing, distributing, and ensuring compliance with its SOPs.
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Recommendation 4 : *Original:* The DPS should update and implement its existing SOPs to include the Guide requirement of expending CI Funds in the same category indicated on the CFAs. Funds should not be used for another category without first returning them and repeating the authorization and advance process based on the new purpose.

- Agency to Act** : Department of Public Safety

Status : Unresolved

Agency Response : In his letter response to OPA’s draft audit report dated 6/15/15, the DPS Commissioner informed OPA that he concurs with the findings and recommendations in its entirety. Accordingly, DPS is committed to reviewing, updating, implementing, distributing, and ensuring compliance with its SOPs.

Recommendation 5 : *Original:* The DPS should update and implement its existing SOPs to require the Custodian to document the time and date on the CFAs and CFVs so that timely liquidation of fund advances are accurately monitored and achieved within the 48-hour limit according to the Guide. In addition, OPA recommends that the CBI Commander be notified if any advances remain outstanding for more than 48 hours.

Agency to Act : Department of Public Safety

Status : Unresolved

Agency Response : In his letter response to OPA’s draft audit report dated 6/15/15, the DPS Commissioner informed OPA that he concurs with the findings and recommendations in its entirety. Accordingly, DPS is committed to reviewing, updating, implementing, distributing, and ensuring compliance with its SOPs.

Recommendation 6 : *Original:* The DPS should update and implement its existing SOPs to comply with the Guide, requiring the CBI Commander to prepare quarterly reconciliation reports on the CI Fund. Quarterly reconciliation reports should include the assumed name of each informant and to what extent each informant contributed to the investigation. The report shall be filed and made available for review.

Agency to Act : Department of Public Safety

Status : Unresolved

Agency Response : In his letter response to OPA’s draft audit report dated 6/15/15, the DPS Commissioner informed OPA that he concurs with the findings and recommendations in its entirety. Accordingly, DPS is committed to reviewing, updating, implementing, distributing, and ensuring compliance with its SOPs.

Appendix A – Acronyms Used

CDA	Commonwealth Development Authority
CBI	Commonwealth Bureau of Investigation
CFA	Confidential Fund Advance
CFV	Confidential Fund Voucher
CI Fund	Confidential Informant Fund
CPA	Certified Public Accountant
CPA	Commonwealth Ports Authority
CNMI	Commonwealth of the Northern Mariana Islands
CUSTOMS	Division of Customs Service
DLNR	Department of Land & Natural Resources
DOF	Department of Finance
GUIDE	Housing Assistance Payments
HTS	Harmonized Tariff Schedule
MPLT	Marianas Public Land Trust
MVA	Marianas Visitors Authority
OAG	Office of the Attorney General
OCM	Outer Cove Marina
P.L.	Public Law
SOP	Standard Operating Procedures

