

Executive Summary

Report No. TR-16-02, January 25, 2017

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 reports on 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.

This report incorporates agency responses to OPA's follow-up emails or documents obtained by OPA on or before January 5, 2017. 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. 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

The table below presents the status of OPA's audit recommendations as of December 2016.

Status of Audit Recommendations	June 2016	December 2016
Total Recommendations Tracked	18	17
Less: Resolved Recommendation(s)	(1)	(0)
Unresolved Recommendation(s)	17	17

STATUS OF AUDIT RECOMMENDATIONS AS OF DECEMBER 31, 2016

Department of Finance, Division of Customs

Audit of the Division of Customs Service on Assessment and Collection of Excise Taxes for Calendar Year 2013 Report No. AR-14-01, Issued September 29, 2014 (Link to Audit Report: http://opacnmi.com/resources/files/reports/audit/Customs_AR1401.pdf)				
	Findings	Recommendations	Current Status	Agency Response Update
A3.	Failure to hold cargo of delinquent taxpayers.	<p>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.</p> <p>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.</p>	Unresolved	No update received.
A5.	Lack of random inspection procedures.	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	Unresolved	No update received.

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	is high risk or not, without some form of inspection to determine compliance.		
B2. Failure to collect on overdue balances.	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.	Unresolved	No update received.

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Department of Lands and Natural Resources, Outer Cover Marina

Audit of the Outer Cove Marina for Calendar Year 2014 Report No. AR-15-03, Issued October 5, 2015 (Link to Audit Report: http://www.opacnmi.com/resources/files/reports/audit/AR-15-03%20DLNR-OCM.pdf)			
Findings	Recommendations	Current Status	Agency Response Update
I. DLNR did not properly assess and collect all required fees and fines.	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.	Unresolved	In a follow-up telephone interview held on January 5, 2017, DLNR informed OPA that there are currently working on a corrective action plan to resolve this recommendation. DLNR is still seeking advisement from OAG regarding the collection of arrearages and penalty fees from OCM tenants with delinquent accounts.

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<p>2. Lack of enforcement activity made it easy for illegally berthed vessels to park.</p>	<p>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.</p>	<p>Unresolved</p>	<p>In a follow-up telephone interview held on January 5, 2017, DLNR informed OPA that there are currently working on a corrective action plan to resolve this recommendation.</p> <p>DLNR is still seeking advisement from OAG regarding the collection of arrearages and penalty fees from OCM tenants with delinquent accounts.</p>
<p>4. OCM lacks adequate security, basic amenities and signage.</p>	<p>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:</p> <ul style="list-style-type: none"> (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. 	<p>Unresolved</p>	<p>DLNR is in the process of finalizing a Request for Proposal (RFP) for a multi-year contract to redevelop, maintain and operate marina facility concession to interested parties. The RFP is currently being reviewed by Department of Public Works, Technical Services Division as recommended by the Department of Finance, Division of Procurement and Supply.</p>
<p>5. OCM's overall structure is unsafe.</p>	<p>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</p>	<p>Unresolved</p>	<p>DLNR is in the process of finalizing a Request for Proposal (RFP) for a multi-year contract to redevelop, maintain and operate marina facility concession to interested parties. The RFP is currently being reviewed by</p>

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	<p>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.</p> <p>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.</p> <p>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.</p>	<p>Department of Public Works, Technical Services Division as recommended by the Department of Finance, Division of Procurement and Supply.</p>
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STATUS OF AUDIT RECOMMENDATIONS AS OF DECEMBER 31, 2016

Department of Public Safety

Audit of the Department of Public Safety, Evidence Preservation, Accountability and Control Section for Calendar Years 2010 through July 2014 Report No. AR-15-01, Issued March 11, 2015 (Link to Audit Report: http://opacnmi.com/resources/files/reports/audit/AU-DPS-1501.pdf)				
	Findings	Recommendations	Current Status	Agency Response Update
1.	The physical security of the facility is inadequate.	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.	Unresolved	Repair and renovation project for the Evidence Facility is anticipated to begin on or about January 2017.
6.	Firearms seized and weapons submitted for safekeeping are inadequately documented, and in some cases records are non-existent.	The Evidence Custodian must continuously update the inventory as conducted by OPA. Firearms not seized as evidence should be stored in the DPS Armory.	Unresolved	A tracking system has been created for the purpose of tracking and registering firearms. It is currently in its final stage prior to full implementation.
7.	Evidence is not submitted in a timely manner.	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.	Unresolved	DPS provided OPA with a copy of the Standard Operating Procedure for the Property Evidence Control Unit. However, the document provided bears no signature to indicate that the SOP has been approved and fully adopted.
8.	The Evidence Section has failed to dispose of outdated items or irrelevant items retained as evidence.	DPS and the Office of the Attorney General must develop adequate procedures to address the disposal of outdated or irrelevant items retained as evidence.	Unresolved	DPS provided OPA with a copy of the Standard Operating Procedure for the Property Evidence Control Unit. However, the document provided bears no signature to indicate that the SOP has been approved and fully adopted.

STATUS OF AUDIT RECOMMENDATIONS AS OF DECEMBER 31, 2016

Audit of the Department of Public Safety's Confidential Informant Fund Covering the period of February 2014 through April 2015

Report No. AR-15-02, Issued June 18, 2015

(Link to Audit Report: http://www.opacnmi.com/resources/files/reports/audit/DPS_ConfidentialInformantFund_AR-15-02.pdf)

	Findings	Recommendations	Current Status	Agency Response Update
1.	Funds were used to pay unregistered informants and informant files are incomplete.	The DPS should update and implement its existing Standard Operating Procedures (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.	Unresolved	Updates to the existing Standard Operating Procedure for Confidential Informant Fund has been drafted to conform with federal guidelines and is currently at its final stage of review.
2.	Authorization for fund advances did not originate from the CBI Commander.	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.	Unresolved	Updates to the existing Standard Operating Procedure for Confidential Informant Fund has been drafted to conform with federal guidelines and is currently at its final stage of review.
3.	Informant payee receipts did not conform to the Guide requirements.	<p>The DPS should update and implement its existing SOPs to comply with the Guide by requiring that:</p> <ul style="list-style-type: none"> • Informants payee receipt forms contain fields for all the required information; and 	Unresolved	Updates to the existing Standard Operating Procedure for Confidential Informant Fund has been drafted to conform with federal guidelines and is currently at its final stage of review.

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	<ul style="list-style-type: none"> Officers or case agents provide all the required information when preparing informant payee receipts. 		
4. Funds were not always expended in the same category as advanced.	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.	Unresolved	Updates to the existing Standard Operating Procedure for Confidential Informant Fund has been drafted to conform with federal guidelines and is currently at its final stage of review.
5. Funds were not always returned or liquidated with 48 hours.	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.	Unresolved	Updates to the existing Standard Operating Procedure for Confidential Informant Fund has been drafted to conform with federal guidelines and is currently at its final stage of review.
6. Quarterly reconciliation reports are not being prepared.	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.	Unresolved	Updates to the existing Standard Operating Procedure for Confidential Informant Fund has been drafted to conform with federal guidelines and is currently at its final stage of review.