



# Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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July 3, 2019

Interagency Audit Coordinating Advisory Group:  
The Honorable Victor B. Hocog, Senate President  
The Honorable Blas Jonathan T. Attao, Speaker of the House of Representatives  
The Honorable Edwin K. Propst, Minority Leader for the House of Representatives  
Mr. David Atalig, Secretary of Finance  
Ms. Virginia C. Villagomez, Special Assistant for the Office of Management and Budget  
Saipan, MP 96950

Dear Interagency Audit Coordinating Advisory Group:

## Report on CNMI Agencies' Implementation of Audit Recommendations

Enclosed is a copy of the status report on CNMI agencies' implementation of audit recommendations reported in audit reports issued by the Office of the Public Auditor (OPA) as of June 2019. OPA tracked 25 audit recommendations as of June 2019.

OPA sent follow-up emails and called government agencies with unresolved audit recommendations as of June 2019. Based upon our review, three audit recommendations were resolved. This report incorporates agency responses to our follow-up emails and responses based on requested documents obtained by OPA on or before June 30, 2019.

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

Sincerely,

Michael Pai, CPA  
Public Auditor

Enclosures  
MP/db/gt/jm

Cc: Honorable Ralph DLG. Torres, Governor  
David Blake, OPA  
Geraldine Tenorio, OPA  
Jolene Muna, OPA  
Ashley Kost, OPA

# Executive Summary

## Report on CNMI Agencies' Implementation of Audit Recommendations,

As of June 2019

Report No. 19-05, July 3, 2019

### 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*, commonly referred to as the Audit Recommendations Tracking System (ARTS) 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.

Since 2000, OPA has not received any request for consultation from the Coordinating Group. 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 June 30<sup>th</sup>, 2019. In accordance with statutory restrictions in the Auditing and Ethics Acts, 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 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 issued two new reports resulting in six additional recommendations since the publication of the December 2018 Report on CNMI Agencies' Implementation of Audit Recommendations. OPA tracked a total of **25** audit recommendations as of June 2019. Of the **25** audit recommendations, **three** were resolved.

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

Agency	Report No.	Unresolved as of Dec. 2018	Resolved	Unresolved as of June 2019
Department of Public Land	19-02	N/A	0	3
CNMI Public School System	19-01	N/A	0	3
Department of Public Land	AR-18-01	5	2	3
Commonwealth Utilities Corporation	AR-17-02	1	0	1
Commonwealth Healthcare Corporation	AR-17-01	6	1	5
Department of Lands and Natural Resources	AR-15-03	4	0	4
Department of Public Safety	AR-15-01	1	0	1
Department of Finance, Division of Customs	AR-14-01	2	0	2
<b>Total</b>		<b>19</b>	<b>3</b>	<b>22</b>

STATUS OF AUDIT RECOMMENDATIONS

**CNMI Public School System (PSS)**

**Audit Survey Results Management Letter**

Report No. 19-01, Issued February 12, 2019

(Link to Audit Report: <http://www.opacnmi.com/resources/files/reports/audit/OPA%20Report%20No.%2019-01.pdf>)

3 unresolved, 0 Resolved

Findings	Recommendations	Current Status	Agency Response
<p>1. Procurement contract files did not contain required documentation.</p>	<p>PSS maintain a contract file content checklist in each contract file to ensure that the required documents exist within the file.</p>	<p>Unresolved</p>	<p><b>PSS' Response:</b> PSS provided OPA a copy of its adopted contract file content checklist in March 2019. In response to the results of our follow-up review below, the PSS Procurement Officer agreed with our recommendation to include a checklist for each RFP file.</p> <p><b>OPA's response:</b> OPA conducted a review of several professional services contract files and corresponding RFP files on May 28, 2019 and found no significant findings related to missing documentation supporting contracts procured under competitive sealed proposals/RFP. OPA would like to commend PSS on its efforts.</p> <p>Given that the current contract file content checklist does not require staff to confirm the existence of required documents within the RFP file, OPA recommended that PSS also maintain a checklist in each corresponding RFP file.</p> <p>OPA will conduct another follow-up review to confirm PSS' implementation of the RFP file checklist and its effectiveness on or before December 2019.</p>
	<p>PSS review all supporting documents for completeness of the required elements specified in the regulations to properly justify sole source procurement. All supporting documents should be maintained within the contract file.</p>	<p>Unresolved</p>	<p><b>PSS' Response:</b> After discussing the results of our follow-up review below, the PSS Procurement Officer communicated to relevant PSS Officials the results of our review and reiterated PSS' policy of required documentation that should accompany sole source procurement requests. The PSS Procurement Officer also informed requesting offices that procurement requests lacking any required documentation will be denied until requests have satisfied procurement requirements, regulations, and standard operating procedures.</p> <p><b>OPA Response:</b> OPA conducted a review of several sole source professional services contract files on May 28, 2019 and commends PSS for improvements that were made. However, OPA noted that one contract file did not contain adequate documentation for consideration given to alternative sources. OPA will conduct another follow-up review on or before December 2019.</p>
<p>2. Personnel folders did not contain required documentation.</p>	<p>The HR Office perform periodic assessment of personnel folders for completeness of the required documents in order to comply with personnel regulations and policies.</p>	<p>Unresolved</p>	<p><b>PSS Response:</b> After discussing the results of our follow-up review below, the PSS HR Director informed OPA that PSS will also maintain access log sheets in addition to the already existing personnel folder checklist. The access log sheets will require HR staff to record the date and purpose of their access to each personnel folder and identify any documents that have been removed.</p>

STATUS OF AUDIT RECOMMENDATIONS

			<p><b>OPA Response:</b> OPA conducted a review of several personnel folders on May 30, 2019 and found that some still lacked required documentation. OPA reiterates its recommendation to monitor the effectiveness of its procedures. OPA will conduct another follow-up review on or before December 2019.</p>
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**Department of Public Land (DPL)**

<p><b>Audit of the Management of Land Leases and Temporary Permits</b>                  Report No. AR-18-01, Issued July 17, 2018                  (Link to Audit Report: <a href="http://www.opacnmi.com/resources/files/reports/audit/AR-18-01%20DEPARTMENT%20OF%20PUBLIC%20LANDS.pdf">http://www.opacnmi.com/resources/files/reports/audit/AR-18-01%20DEPARTMENT%20OF%20PUBLIC%20LANDS.pdf</a>)</p>	<p><i>3 unresolved, 2 Resolved</i></p>
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Findings	Recommendations	Current Status	Agency Response
<p>1. DPL did not adopt an updated comprehensive land use plan required by law.</p>	<p>Adopt and implement a comprehensive land use plan as required by law.</p>	<p>Resolved</p>	<p><b>DPL’s Response:</b> DPL presented to and received an approval from the Public Lands Advisory Board for the Land Use Plan on March 29, 2019.</p> <p><b>OPA’s Response:</b> OPA commends DPL for the adoption and implementation of the Comprehensive Land Use Plan. As a result, OPA now considers this recommendation resolved.</p>
<p>2. DPL did not renew lease agreements and temporary permits in a timely manner.</p>	<p>Develop written guidelines that establish clear lines of responsibility and coordination among the divisions for the execution of timely lease and permit renewals. Furthermore, the Secretary or the designee should monitor these functions and hold employees accountable for their work.</p>	<p>Unresolved</p>	<p><b>DPL’s Response:</b> DPL stated that the Compliance Division, Real Estate Division, and Accounting Division have all been monitoring the master spreadsheet. In addition, DPL mentioned that they will have an improved status on this matter as a result of having a new acting Internal Auditor.</p> <p>Per DPL, the existing leases that expired are currently being processed and the collection of payment from existing leases continues with or without a renewal using the holdover clause.</p> <p><b>OPA’s Response:</b> OPA acknowledges DPL’s payment collection and monitoring efforts. However, OPA will keep this recommendation unresolved and conduct follow-up review on or before December 2019 to determine if SOPs have been fully implemented and progress towards timely renewals of lease and temporary occupancy authorization (TOA) renewals have improved.</p>
<p>3. DPL did not closely monitor compliance with lease agreements and permits.</p>	<p>Develop a tracking system to monitor the submission of required documents when due <del>and adopt policies and procedures to ensure lessee’s/permittee’s compliance with the terms and conditions of its agreement, applicable laws and regulations.</del></p>	<p>Unresolved</p>	<p><b>DPL’s Response:</b> DPL’s Compliance Division and Real Estate Division have been working with the Internal Auditor to resolve this recommendation. DPL currently issues inspection notices, performs inspections, works with clients to ensure that lessee/permittees are in compliance, and collects rent. If all methods to mitigate non-compliance are exhausted, DPL will terminate a lease/permit. DPL has filed civil claims in court for damages and has been awarded settlement fees and court orders requiring occupants to vacate public land.</p>

STATUS OF AUDIT RECOMMENDATIONS

**Audit of the Management of Land Leases and Temporary Permits**

3 unresolved, 2 Resolved

Report No. AR-18-01, Issued July 17, 2018

(Link to Audit Report: <http://www.opacmi.com/resources/files/reports/audit/AR-18-01%20DEPARTMENT%20OF%20PUBLIC%20LANDS.pdf>)

Findings	Recommendations	Current Status	Agency Response
			<p><b>OPA's Response:</b> OPA reviewed the master list provided by DPL and could not determine how it helps DPL track required documents and deadlines imposed by each lease agreement. OPA will keep this recommendation unresolved and will conduct follow-up review on or before December 2019 to determine improvements to the checklist and master list. The part stricken from the recommendation has been addressed by DPL.</p>
<p>4. DPL did not prepare billing records, accurately assess fees and keep reliable accounting records.</p>	<p>(a) Review and monitor all leases and permits to ensure that fees are properly assessed;  <del>(b) Develop and implement written policies and procedures governing the assessment and collection of rental payments;</del>                      (c) <del>Assist and provide adequate training for accounting staff;</del> and                      (d) Utilize a reliable accounting software to eliminate redundant tasks and process transactions efficiently.</p>	<p>Unresolved</p>	<p><b>DPL's Response:</b> In an attempt to resolve this recommendation, DPL issued a second RFP for Sage 50, as opposed to the 2018 RFP for Sage 100. As of May 9, 2019, no bids were submitted. DPL continues to provide its staff with trainings on accounting related matters. In addition, DPL currently prepares and issues billings, assess fees, and keeps reliable records.</p> <p><b>OPA's Response:</b> OPA commends DPL for continuously providing training to its staff. In addition, OPA acknowledges DPL's efforts in obtaining a reliable accounting software to eliminate redundant tasks and process transactions efficiently. OPA will conduct a follow-up review on or before December 2019 to determine if fees are being properly assessed and collected; therefore, this recommendation is considered unresolved. The part stricken from the recommendation has been addressed by DPL.</p>
<p>5. DPL did not effectively communicate with the Tinian and Rota District Offices.</p>	<p>(e) DPL should (1) consistently communicate and monitor the operation in Tinian and Rota to ensure that public land leases are being monitored for compliance; and (2) establish and implement written procedures that guide coordination between its offices and clearly delineate responsibility for maintaining adequate land lease records.</p>	<p>Resolved</p>	<p><b>DPL's Response:</b> DPL sent its Internal Auditor and Compliance Technician to Rota and Tinian to review all lease files. In addition, DPL revised and updated its SOP for Tinian to ensure consistency in work flow. DPL has also provided training for its Rota and Tinian staff at the Saipan office. Moreover, DPL has taken every step necessary to ensure that the line of communication between all offices remain open.</p> <p><b>OPA's Response:</b> OPA acknowledged receipt of the Tinian District Office's updated SOP which was approved on June 11, 2019. In addition, OPA recognizes DPL's efforts in streamlining communication with its district offices. This recommendation is now considered resolved.</p>

STATUS OF AUDIT RECOMMENDATIONS

**Department of Public Land (DPL)**

**Inspection of the Assessment and Collection of Fees for Lease No. L9104S**

*3 unresolved, 0 Resolved*

Report No. 19-02, Issued April 11, 2019

(Link to Inspection Report: [http://www.opacnmi.com/resources/files/reports/audit/OPA%20Report%20No\\_%2019-02.pdf](http://www.opacnmi.com/resources/files/reports/audit/OPA%20Report%20No_%2019-02.pdf))

Findings	Recommendations	Current Status	Agency Response
<p>2. Physical usage of adjacent parcels was not taken into account.</p>	<p>1. Properly determine the physical usage date of the adjacent parcel.</p>	<p>Unresolved</p>	<p><b>DPL's Response:</b> DPL had legal discussions between the Office of the Attorney General and the lessee's Attorney. DPL currently does not have an Assistant Attorney General (AAG) assigned which further impacts the process in getting the date resolved. DPL feels that the date the former AAG indicated and agreed to should suffice. The lessee's payment ledger was discussed and a draft statement has been prepared for concurrence by the temporarily assigned AAG. DPL also stated that a percentage of BGR is not a requirement of this specific lease.</p> <p><b>OPA's Response:</b> OPA acknowledges DPL's effort to reach a concurrence with the OAG. OPA will conduct a follow up on or before December 2019.</p>
	<p>2. Reach concurrence with the OAG as to this date.</p>	<p>Unresolved</p>	<p>See response to the recommendation above.</p>
	<p>3. Create a proper invoice for the Lessee to avoid loss of revenue.</p>	<p>Unresolved</p>	<p>See response to the recommendation above.</p>

**Commonwealth Utilities Corporation (CUC)**

**Audit of the Commonwealth Utilities Corporation’s Organizational Structure** *1 unresolved, 0 Resolved*  
 Report No. AR-17-02, Issued April 27, 2017  
 (Link to Audit Report: <http://opacnmi.com/resources/files/reports/audit/AR-17-02%20CUC%20Organizational%20Structure.pdf>)

Findings	Recommendations	Current Status	Agency Response
<p><b>1.</b> The Commonwealth Utilities Corporation (CUC) did not achieve its purpose to operate as an independent public agency with the legal and political independence to perform as a non-subsidized, autonomous corporation due to interferences by the legislature, various governors, and the boards of directors throughout the history of CUC.</p>	<p>CUC should collaborate with the Administration and the legislature to promptly and diligently consider a revised corporate form for CUC.</p> <p>Three proven models that could be considered to replace the current political structure of CUC are Cooperatives, Municipal Corporation, and Privatization.</p>	<p>Unresolved</p> <p><b>Note:</b> See comments below.</p>	<p>On May 9, 2018, CUC has informed OPA that they are diligently reviewing and discussing the alternatives to CUC’s organizational structure and the feasibility of operating within the CNMI.</p> <p><b>OPA’s response:</b> CUC has expressed its commitment to considering the alternatives to its organizational structure. However, the recommendation will remain open as it involves collaboration with the Administration and the Legislature.</p> <p>The unresolved recommendation will be addressed to both the Administration and the Legislature for future follow-up.</p>

*\* The audit report gained some traction with the Legislature’s introduction of Senate Bill 20-39 on May 8, 2017. The bill aims to “replace the Commonwealth Utilities Corporation with two independent autonomous public corporations to separately manage and control the power service and water service systems, and to create only one elected consolidated Commonwealth Utilities Board for the two public corporations, and for other purposes.”*

STATUS OF AUDIT RECOMMENDATIONS

**Commonwealth Healthcare Corporation (CHCC)**

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

*5 unresolved, 1 resolved*

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

(Link to Audit Report: <http://opacnmi.com/resources/files/reports/audit/AR-17-01%20CHCC%20Patient%20Revenue%20Cycle.pdf>)

	Findings	Recommendations	Current Status	Agency Response
1.	Failure to manage patient accounts receivable.	2. Collect upfront payments from all patients regardless of coverage, unless it is certain that the insurance or guarantor will pay the bill in full. If patients are unable to make payment, CHCC should discuss payment options with the patients and ensure that follow-up procedures are performed.	Unresolved	<p><b>CHCC's Response:</b> CHCC did not provide an updated response to this recommendation.</p> <p><b>OPA's Response:</b> OPA received a report reflecting outpatient discharges and related payments. A review of the report determined that upfront payments are not collected and there were no indications that payment plans were executed. As a result, OPA will keep this recommendation unresolved and will conduct a follow-up review on or before December 2019 to determine if improvements were made to CHCC's collection efforts.</p>
		4. Develop a plan of action that is effective and timely, and addresses the current backlog related to coding, billing, collection, and posting payments.	Unresolved	<p><b>CHCC's Response:</b> CHCC did not provide an updated response to this recommendation.</p> <p><b>OPA's Response:</b> This report did not include the backlog for years prior to FY2019 and an updated payment posting backlog.</p> <p>CHCC informed OPA via telephone communication on June 21, 2019 that all inpatient coding and billing for fiscal year 2019 is up to date but are still working on the outpatient visits. OPA will keep this recommendation unresolved and will conduct a follow-up review on or before December 2019.</p>
		5. Seek technical assistance that would result in the assessment of the current IT structure and the acquisition of a comprehensive accounting and billing system.	Unresolved	<p><b>CHCC's Response:</b> CHCC is actively considering the use of another hospital system within the third or fourth quarter of FY 2019.</p> <p>On June 21, 2019, CHCC informed OPA via telephone communication that CHCC is currently seeking information regarding a hospital system used in Oklahoma.</p> <p><b>OPA's Response:</b> OPA commends CHCC for its effort to seek a comprehensive accounting and billing system. However, this recommendation will remain unresolved until CHCC improves its accounting and billing system. OPA will conduct a follow-up review on or before December 2019.</p>

STATUS OF AUDIT RECOMMENDATIONS

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

5 unresolved, 1 resolved

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

(Link to Audit Report: <http://opacnmi.com/resources/files/reports/audit/AR-17-01%20CHCC%20Patient%20Revenue%20Cycle.pdf>)

	Findings	Recommendations	Current Status	Agency Response
		7. Provide staff with relevant documentation and training; and develop and implement policies and procedures effectively to review third party reimbursements.	Resolved	<p><b>CHCC's Response:</b> CHCC provided a copy of their Operating Policy No. 7047 regarding Third Party Payers and Reimbursement approved on May 2019.</p> <p><b>OPA's Response:</b> OPA commends CHCC for adopting an operating policy regarding the billing and collection from third party payers. OPA now considers this recommendation resolved.</p>
		8. Update contracts with insurance companies.	Unresolved	<p><b>CHCC's Response:</b> CHCC reiterated that contracts are not required and should not be a finding.</p> <p>On June 21, 2019, CHCC informed OPA via telephone communication that CHCC is currently working on putting a contract together with one private insurance provider and is still in negotiation with three private insurance providers.</p> <p><b>OPA's Response:</b> Although contracts are not required, it is best practice to have established and documented agreements between CHCC and insurance providers. According to the recently adopted operating policy, (1) CHCC contracts with various insurance carriers to provide services to enrolled patients and (2) grants contractual allowances as agreed upon between CHCC and the payer through a formalized contract. Having repeatedly referred to these contracts convinces OPA that negotiated contracts are imperative in the business relations with insurance companies. An audit finding does not have to be a requirement by law to be considered a finding. OPA commends CHCC for its efforts towards finalizing contracts with insurance companies but will keep this recommendation unresolved and will conduct a follow-up review on or before December 2019.</p>
2.	Noncompliance with procurement regulations in CHCC's use of an independent billing and collection firm and inadequate reconciliation of forwarded accounts.	9. Reconcile all billings created and payments received from the contractor. Any discrepancy should be resolved and the overall effect should be analyzed and documented.	Unresolved	<p><b>CHCC's Response:</b> After numerous attempts, CHCC believes that GMCA will not provide a full billing and payment report.</p> <p><b>OPA's Response:</b> OPA acknowledges CHCC's efforts to reconcile all billings created and payments received by the contractor. OPA inquired on CHCC's next step regarding the reconciliation process and is waiting for a response. As a result, OPA will keep this recommendation unresolved and another follow-up review will be conducted on or before December 2019.</p>

**Department of Lands and Natural Resources, Outer Cover Marina (DLNR)**

**Audit of the Outer Cove Marina for Calendar Year 2014**

*4 unresolved, 0 Resolved*

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
<p>1. DLNR did not properly assess and collect all required fees and fines.</p>	<p>DLNR should enforce the Outer Cove Marina Regulations (Regulations) by conducting the following:</p> <ul style="list-style-type: none"> <li>(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.</li> <li>(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.</li> <li>(c) Assess and collect the proper delinquency fees. Management should consistently review and monitor the assessment, billing, and collection of penalty fees.</li> <li>(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.</li> </ul>	<p>Unresolved</p>	<p><b>DLNR's Response:</b> DLNR did not provide an updated response to this recommendation.</p> <p><b>OPA's Response:</b> OPA will keep this recommendation unresolved and will conduct a follow-up review on or before December 2019.</p>

STATUS OF AUDIT RECOMMENDATIONS

**Audit of the Outer Cove Marina for Calendar Year 2014**

*4 unresolved, 0 Resolved*

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
<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><b>DLNR's Response:</b> DLNR did not provide an updated response to this recommendation.</p> <p><b>OPA's Response:</b> OPA will keep this recommendation unresolved and will conduct a follow-up review on or before December 2019.</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> <p>(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;</p> <p>(b) DLNR should find the necessary funds to provide, at the very least, basic amenities for users of the marina; and</p> <p>(c) Find necessary funds to maintain standard operational features to protect the passengers and vessel operators.</p>	<p>Unresolved</p>	<p><b>DLNR's Response:</b> DLNR did not provide an updated response to this recommendation.</p> <p><b>OPA's Response:</b> OPA will keep this recommendation unresolved and will conduct a follow-up review on or before December 2019.</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 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</p>	<p>Unresolved</p>	<p><b>DLNR's Response:</b> DLNR with the assistance of the Office of the Attorney General and the Department of Public Works, drafted a Request for Proposal (RFP) for an agreement to fund, design, construct, and manage a new Outer Cove Marina facility. The RFP ads were published 6 times on the Saipan Tribune newspaper from April 2019 to May 2019. In addition, DLNR previously published the RFP in 2018 for a one month period but did not receive any proposals on both occasions. DLNR has also reached out to the Office of Procurement &amp; Supply, the Office of Planning and Development, and the National Park Services to request for referrals/guidance.</p>

STATUS OF AUDIT RECOMMENDATIONS

**Audit of the Outer Cove Marina for Calendar Year 2014**

*4 unresolved, 0 Resolved*

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
	<p>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><b>OPA's Response:</b> OPA commends DLNR on their efforts on issuing an RFP for an agreement to fund, design, construct and manage the Outer Cover Marina. However, OPA is concerned as the Outer Cove Marina's condition poses a safety issue to those who continue to use the dock OPA will keep this recommendation unresolved and will conduct a follow-up review on or before December 2019.</p>

STATUS OF AUDIT RECOMMENDATIONS

**Department of Public Safety (DPS)**

<b>Audit of the Department of Public Safety, Evidence Preservation, Accountability and Control Section</b>			<i>1 unresolved, 0 Resolved</i>
Report No. AR-15-01, Issued March 11, 2015 (Link to Audit Report: <a href="http://opacnmi.com/resources/files/reports/audit/AU-DPS-1501.pdf">http://opacnmi.com/resources/files/reports/audit/AU-DPS-1501.pdf</a> )			
Findings	Recommendations	Current Status	Agency Previous Response
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	<p><b>DPS Response:</b> As of May 31, 2019, DPS is still awaiting confirmation from the Public Assistance (PA) Program as to when improvements will be made to the Evidence Facility. DPS has received plans from the PA office regarding the improvements that will be made to the facility but no official start date or copies of RFPs or contracts have been submitted to DPS.</p> <p><b>OPA Response:</b> OPA will keep this recommendation open and will conduct a follow-up on or before December 2019.</p>

**Department of Finance, Division of Customs (DOF, Customs)**

<b>Audit of the Division of Customs Service on Assessment and Collection of Excise Taxes for Calendar Year 2013</b>			<i>2 unresolved, 0 Resolved</i>
Report No. AR-14-01, Issued September 29, 2014 (Link to Audit Report: <a href="http://opacnmi.com/resources/files/reports/audit/Customs_AR1401.pdf">http://opacnmi.com/resources/files/reports/audit/Customs_AR1401.pdf</a> )			
Findings	Recommendations	Current Status	Agency Response
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><del>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.</del></p>	Unresolved	<p><b>Customs' Response:</b> Release of cargo is done on a case by case basis depending on the circumstances surrounding the consignee's ability to pay, or method of payment such as check payments forwarded from consignee offices outside the CNMI.</p> <p>Taxpayers with outstanding arrears who are unable to make payment in full may request for an installment payment plan. The taxpayer will meet with the Director and an officer from compliance to explain their circumstances. If the Director sees that taxpayer is unable to make full payment but is willing to enter into a payment plan, he may approve it. Majority of the time, the Director will require 50% down payment and the balance must be paid in the shortest possible term. Any cargo arriving while the installment plan is active must be paid upfront prior to release of future cargo.</p> <p><b>OPA's response:</b> OPA reviewed several clearance documents on 05/29/19 and found that Customs continues to release cargo to consignees with outstanding excise taxes without adequate documentation justifying the release and documented authorization from the Director. OPA commends Customs for its</p>

STATUS OF AUDIT RECOMMENDATIONS

			<p>efforts towards ensuring uninterrupted trade within the Commonwealth. However, OPA believes such efforts should be consistent with established regulations. OPA reiterates its recommendation for Customs to comply with the regulations and to document its justifications and approvals for releasing of cargo.</p> <p>OPA considers this recommendation unresolved and will conduct another follow-up review on or before December 2019.</p>
<p><b>B2.</b> Failure to collect on overdue balances.</p>	<p>OPA recommends that written procedures be developed to immediately pursue importers with outstanding receivable balances that are greater than 30 days past due. <del>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.</del></p>	<p>Unresolved</p>	<p><b>Customs' Response:</b> Customs, with the help of the assistant attorney general, is still working on finalizing the processes related to referrals for legal proceedings.</p> <p><b>OPA's response:</b> OPA received a copy of Customs' adopted standard operating procedures manual in December 2018 and commends Customs for its efforts.</p> <p>OPA conducted site visits at the Compliance Branch in May 2019 and noted that the Compliance Branch has not begun forwarding billing documents to the Office of the Attorney General for legal proceedings. OPA considers this recommendation unresolved until billing and collection procedures are fully implemented. OPA will conduct another follow-up review on or before December 2019.</p>

*\*OPA Comment recommendation A3: OPA determined that the part stricken above is no longer applicable due the current practice that cargo, uncleared due to nonpayment of taxes, will remain in the custody of the terminal operator, operator of carrier, or shipping company. According to Customs Service Regulations, Customs may allow the terminal operator, operator of carrier, or shipping company to sell the items, but require the seller to pay the excise taxes assessed on the selling price of the items.*

*\*OPA Comment recommendation B2: OPA determined that the part stricken above is no longer applicable due to an amendment in Customs Service Regulation. Customs Service Regulation § 70-10.1-150 states that after 90 days, any and all unpaid taxes will be considered delinquent and sent to Customs Compliance for collections.*