



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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September 16, 2024

Interagency Audit Coordinating Advisory Group:

The Honorable Edith E. Deleon Guerrero, Senate President

The Honorable Edmund S. Villagomez, Speaker of the House of Representatives

The Honorable Patrick H. San Nicolas, Minority Leader of the House of Representatives

Ms. Tracy B. Norita, Secretary of Finance

Ms. Virginia C. Villagomez, Special Assistant of the Office of Management and Budget
Saipan, MP 96950

Report on CNMI Agencies' Implementation of Audit & Inspection Recommendations

Dear Interagency Audit Coordinating Advisory Group:

Enclosed is a copy of the status report on CNMI agencies' implementation of recommendations reported in audit and inspection reports issued by the Office of the Public Auditor (OPA). OPA tracked a total of 41 audit and inspection recommendations as of June 30, 2024.

OPA's procedures include sending follow-up emails and contacting government agencies. This report incorporates agency responses obtained by OPA on or before June 30, 2024.

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

Sincerely,

Dora I. Deleon Guerrero, CPA
Temporary Public Auditor

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



REPORT NO. 24-02

**REPORT ON CNMI AGENCIES'
IMPLEMENTATION OF
AUDIT & INSPECTION
RECOMMENDATIONS**

As of June 30, 2024

Table of Contents

- Executive Summary1**
- Commonwealth Election Commission2**
 - Report No. 19-04: Inspection of the CEC Ballot Accountability for the 2018 General Election2
- Commonwealth Healthcare Corporation4**
 - Report No. 21-03: Audit of the CNMI Medical Referral Services Office4
 - Report No. 17-01: Audit of the CHCC Patient Revenue Cycle Management6
- Department of Finance7**
 - Report No. 23-02: Audit of Collections on Saipan7
 - Report No. 22-02: Audit of Government Vehicles8
 - Report No. 21-06: Audit of the Cash on Tinian and Rota 11
 - Report No. 20-07: Audit of the Division of Revenue and Taxation Hotel Occupancy Tax 14
 - Report No. 20-06: Audit of the CNMI Government Travel Policy 17
 - Report No. 20-03: Audit of Government Vehicles 19
 - Report No. 20-02: Audit of the CNMI Government Fuel Contract 21
- Department of Lands and Natural Resources23**
 - Report No. 21-04: Audit of the DLNR Outer Cove Marina Facility 23

Executive Summary

Report on CNMI Agencies’ Implementation of Audit & Inspection Recommendations

As of June 30, 2024

Report No. 24-02, September 16, 2024

Background

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

The provisions of 1 CMC § 2307 established the Interagency Audit Coordinating Advisory Group (Coordinating Group) consisting of the presiding officer and minority leader of each house of the Legislature, the Secretary of Finance, and the Special Assistant for Management and Budget. According to the law, the Coordinating Group shall review all audit reports of the Public Auditor, and the Public Auditor will discuss the manner in which audit recommendations can be implemented with the assistance of the members of the Coordinating Group. The Coordinating Group shall also recommend to the Governor and 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 continues to issue follow-up letters, email messages, and/or contact agencies with outstanding recommendations to request information on corrective actions taken to implement OPA’s audit and inspection recommendations. This report incorporates agency responses obtained by OPA on or before June 30, 2024. In accordance with statutory restrictions in the Auditing Act, the names of individuals are not disclosed in OPA’s ARTS report.

Classification of OPA Audit Recommendations

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

Status of OPA Audit Recommendations

As of June 30, 2024, OPA tracked a total of 41 audit and inspection recommendations. OPA requested agencies to provide updates on the corrective actions they have taken to resolve each recommendation. OPA received responses from all the auditees. Of the 41 recommendations, three were resolved. Refer to OPA Report No. 24-01 for prior agency responses. The table below presents the status of OPA’s audit and inspection recommendations.

Audit and Inspection Reports	Report No.	Report Date	Response Received	Unresolved
Commonwealth Election Commission (CEC):				
Inspection of the CEC Ballot Accountability for the 2018 General Election	19-04	06/18/2019	Yes	3
Commonwealth Healthcare Corporation (CHCC):				
CHCC – Audit of the CNMI Medical Referral Services Office	21-03	09/23/2021	Yes	3
CHCC – Audit of the CHCC Patient Revenue Cycle Management	17-01	03/16/2017	Yes	1
Department of Finance (DOF):				
Audit of Collections on Saipan	23-02	08/04/2023	Yes	1
Audit of Government Vehicles	22-02	08/02/2022	Yes	5
Audit of Cash on Tinian and Rota	21-06	12/28/2021	Yes	6
Audit of the Division of Revenue and Taxation Hotel Occupancy Tax	20-07	09/02/2020	Yes	9
Audit of the CNMI Government Travel Policy	20-06	08/18/2020	Yes	2
Audit of Government Vehicles	20-03	02/26/2020	Yes	2
Audit of CNMI Government Fuel Contract	20-02	01/28/2020	Yes	4
Department of Lands & Natural Resources (DLNR):				
Audit of the DLNR Outer Cove Marina Facility	21-04	11/10/2021	Yes	2
			Total:	38

Commonwealth Election Commission

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

Inspection of the CEC Ballot Accountability for the 2018 General Election

Finding 1: No accountability for the number of ballots received and available.

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

Corrective Action: CEC has developed a draft SOP pending review and approval by the Commonwealth Election Commissioners. This SOP should resolve the issues identified in Recommendations 1 and 2 regarding Ballot Accountability. Upon finalization, the completed SOP and the Poll Workers' Handbook will be instrumental during the Poll Workers' Training and Certification process and should address Recommendation 3.

Agency Proposed
Completion Date: No response

Status: Unresolved

OPA Note: CEC has not formally adopted a system for ballot accountability.

Finding 2: Lack of accountability of total ballots used and unused.

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

Corrective Action: See Corrective Action in *Recommendation 1*.

Agency Proposed
Completion Date: No response

Status: Unresolved

OPA Note: CEC has not formally adopted a system for ballot accountability.

STATUS OF AUDIT RECOMMENDATIONS

- Other Observation:** Potential non-compliance with the law:
- Absentee return envelopes were not properly labeled,
 - Absentee master list was not immediately updated,
 - Ballots cast by absentee applicants on election day were not treated as absentee votes, and
 - Handwritten names on the voter roster were not treated as provisional ballots.

Recommendation 3: Provide adequate training, including testing procedures, to ensure that election officials and poll workers properly carry out their duties and responsibilities.

Corrective Action: See Corrective Action in *Recommendation 1*.

Agency Proposed
Completion Date: No response

Status: Unresolved

Commonwealth Healthcare Corporation

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

Finding 1: MRSO’s organizational structure is unclear.

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

Corrective Action: CHCC provided OPA with a copy of an email correspondence of CHCC staff coordinating meetings with stakeholders regarding CHCC Hospital to Hospital (H2H) Emergency & Inpatient Transfer. In addition, CHCC had previously provided a copy of the updated Health Network Program Eligibility Application and Guidance Form for the overall process, as well as CHCC’s H2H Emergency & Inpatient Process Flow.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: CHCC was unable to confirm a date for OPA’s follow-up procedures.

Finding 2: MRSO lacks internal controls pertaining to its contracts and agreements.

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

Corrective Action: CHCC provided OPA with a copy of an email correspondence of CHCC staff coordinating meetings with stakeholders regarding CHCC Hospital to Hospital (H2H) Emergency & Inpatient Transfer. In addition, CHCC has previously provided a copy of the updated Health Network Program Eligibility Application and Guidance Form for the overall process, as well as CHCC’s H2H Emergency & Inpatient Process Flow. Additionally, based on the regulation § 140-80.1-215, Circumstances Permitting Other than Full and Open Competition, the procurement of rooms for patient and family escort accommodations falls under “Expedited purchasing” (§ 140-80.1- 235).

The CNMI Government has established agreements with vendors such as Sentry Hospitality Corp in Guam and Pagoda in Hawaii. When the HNP lacked the funding to support the blocked rooms in these agreements, the agreements were converted to a need-to-have basis. For accommodations in the continental United States (ConUS), CHCC conducts direct solicitations, reaching out to Extended Stay America and other hotel chains in Los Angeles and San Diego. These entities do not accept purchase orders. The vendors are considered pre-qualified based on the CEO’s review of their discounted rates and corporate account discounts.

Although no purchase order is encumbered in the Munis system for these accommodations, CHCC complies with the regulation stating, “No presumption of reasonableness shall be attached to the incurring of costs by a contractor.” CHCC still compares costs among pre-qualified vendors to ensure CHCC obtains the lowest cost available at the time of booking.

Agency Proposed Completion Date: No response

Status: Unresolved

STATUS OF AUDIT RECOMMENDATIONS

OPA Note: CHCC was unable to confirm a date for OPA's follow-up procedures.

Finding 5: Patients and/or escorts are sent on medical referral at high-cost unrestricted economy airfare rates.

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

Corrective Action: In March 2024, CHCC revised the Health Network Program's (HNP) process for airline booking in HNP Policy 3275, which was provided for OPA's review.

Agency Proposed

Completion Date: No response

Status: Unresolved

OPA Note: CHCC was unable to confirm a date for OPA's follow-up procedures.

Commonwealth Healthcare Corporation

Report No. 17-01, Issued March 16, 2017
Audit of the CHCC Patient Revenue Cycle Management

Finding 3: Billings are not timely.

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

Corrective Action: CHCC will develop a comprehensive SMART action plan, which stands for Specific, Measurable, Achievable, Relevant, and Time-bound. This SMART plan will ensure that objectives are well-defined, progress is measurable, and efforts are focused on achieving tangible results within a specific timeframe. While backlog may not be entirely eliminated, CHCC’s goal is to reduce it. CHCC requests that OPA revisit this finding in June 2025, by which time CHCC will have implemented improvements and will be able to provide a detailed update.

**Agency Proposed
Completion Date:** 06/2025

Status: Unresolved

Department of Finance

Report No. 23-02, Issued August 4, 2023
Audit of Collections on Saipan

Finding: The Department of Finance (DOF) lacks a Standard Operating Procedure to ensure daily collections are adequately accounted for at all DOF-sanctioned collection points.

Recommendation: DOF develops and implements a uniform Standard Operational Procedures (SOP) for accountability of collections at all DOF-sanctioned collection points and ensures strict adherence. The SOP should have adequate procedures to ensure that (1) reconciliation of daily collections is performed at the end of each business day; (2) collections are deposited timely; (3) collection duties are properly segregated; (4) internal controls are established to ensure that all unremitted collections to the Treasury and Manual Official Cash Receipts (MOCR) are properly secured; and (5) the need for change fund at all collection points are reassessed.

Corrective Action: The Division of CNMI Treasury (Treasury) has an existing draft Cash Collection SOP. Currently, the team is working to update/improve the SOP in order to effectively manage cash collection points and minimize the risk of errors, fraud, or loss of funds. The SOP will be updated to ensure that it clearly documents the following key processes/procedures:

1. Reconciliation/Audit of daily collections
2. Timely deposit of collections
3. Segregation of duties at collection points
4. Safekeeping of unremitted collection
5. Manual Official Cash Receipt (MOCR)
6. Change fund implementation
7. Training and Education

DOF-Treasury anticipates this Cash Collection SOP to be completed and adopted by October 1, 2024 (FY25).

Agency Proposed
Completion Date:

10/2024

Status:

Unresolved

Department of Finance

Report No. 22-02, Issued August 2, 2022

Division of Procurement Services

Audit of Government Vehicles

- Finding 1:** Documents were not provided for review or lacked sufficient information.
- Recommendation 1:** Department of Finance’s (DOF) Division of Procurement Services (PS) establishes policies and procedures to ensure all supporting documents for all purchases are complete, properly filed, monitored, and maintained.
- Corrective Action: DOF-PS is working in coordination with the Office of the Secretary of Finance (SOF) to better organize the Administrative Manual, inclusive of current regulations implemented by the agency. Given the plethora of information contained within the manual, compounded by the limited resources currently at DOF-PS’ disposal, the organization of the document has taken additional time. DOF-PS agrees with the finding and looks to provide progress on the next update coming December 2024.
- Agency Proposed Completion Date: 12/2024
- Status: Unresolved
- Recommendation 2:** DOF-PS properly stores documents in an orderly and efficient manner to ensure all supporting documents are easily accessible and readily available.
- Corrective Action: In May 2024, substantial completion was achieved on the renovation of the DOF-PS Office, located at the back of the Capitol Hill Post Office. With this renovation near completion, DOF-PS anticipated further coordination with the Department of Corrections Outreach Program to install racks within DOF-PS’ existing storage located adjacent to the building. These storage locations will allow staff easy access to files and ensure all documentation is properly accounted for. DOF-PS agrees with the finding and looks to provide progress on this matter by December 2024.
- Agency Proposed Completion Date: 12/2024
- Status: Unresolved
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- Finding 3:** Government vehicles were not accurately reflected on DOF-PS and government agency inventory listings.
- Recommendation 5:** DOF-PS educate government agencies on DOF-PS’ current procurement regulations and the CNMI Property Management Policies and Procedures Manual to ensure all government vehicles are properly accounted for.
- Corrective Action: On May 29 & 30, 2024, DOF-PS conducted its first-ever “Intro to Procurement Workshop” aimed at educating government agencies on the proper methods of Procurement. The half-day workshop was attended by over 200 participants, further highlighting the need to apprise all the importance relative to expending public funds.
- DOF-PS is proposing that this finding be closed and recognized as satisfied.
- Agency Proposed Completion Date: Completed

STATUS OF AUDIT RECOMMENDATIONS

Status: Resolved

OPA Note: OPA and key employees from government agencies attended DOF-PS' "Intro to Procurement Workshop" on May 30, 2024. During the workshop, DOF-PS covered procurement laws and regulations, including government vehicles and the CNMI Property Management Policies and Procedures Manual (Manual). The Manual is currently undergoing revision with a proposed effective date of December 31, 2024.

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

Corrective Action: DOF-PS has conducted several internal inspections to determine the completeness of vehicle files. These inspections have resulted in similar findings involving documentation from various government agencies. DOF-PS agrees with this finding remaining open and anticipates a more complete filing of government vehicle documents that will be reported in the December 2024 Update.

Agency Proposed
Completion Date:

12/2024

Status: Unresolved

Finding 4: Procurement regulations lack provisions for vehicle rentals.

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

Corrective Action: On January 2024, DOF-PS submitted to the Office of the Attorney General a Legal Services Request (LSR) seeking clarification on the definitions of leased and rental vehicles. Additionally, the office sought clarification on the allowance of rental vehicles for government operations. To date, DOF-PS is awaiting a response to this inquiry and will provide an update once received. To this end, DOF-PS agrees with the finding and requests that this item remain open until such time the requested information is received.

Agency Proposed
Completion Date:

No Response

Status: Unresolved

Other Observation: Government vehicle expenditures amounted to \$6,949,168.42 and \$3,702,296.77 in FY2021 and FY2020, respectively. An increase of \$3,246,871.65 (88%) during times of economic downturn is questionable in terms of fiscal responsibilities. Further, regardless of the funding source, an increase in the number of vehicles issued to CNMI agencies poses additional liabilities and obligations associated with fuel consumption and costs for repairs and maintenance.

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

STATUS OF AUDIT RECOMMENDATIONS

Corrective Action: DOF-PS, in coordination with the SOF, will await further information as it pertains to this recommendation. As the responsibility of this determination, in the view of DOF-PS, rests with the expenditure authority, it would be inappropriate for DOF to increase or minimize existing motor pools absent justifiable cause. This concern may potentially give rise to federal inquiries from grantor agencies who approve grant applications and have concerns about the progression of funded priorities within the Commonwealth.

Agency Proposed
Completion Date: No Response

Status: Unresolved

Department of Finance

Report No. 21-06, Issued December 28, 2021
Audit of Cash on Tinian and Rota

Finding 1: Collection points are established to receive payment for services provided. These agencies are physically located within the same building as the DOF- Division of Treasury collection point.

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

Auditee: DOF-Tinian

Corrective Action: There are no longer multiple collection points within the same building.

Agency Proposed

Completion Date: Completed

Status: Resolved

OPA Note: Based on OPA’s physical observation, a central collection point has been established by DOF-Tinian.

Finding 2: The use and replenishment of petty cash funds are not properly documented or reviewed by a supervisor in a timely manner. OPA noted an employee used her personal funds to cover a shortage in the petty cash fund. Documentation of the shortfall and subsequent reimbursement to the employee was not documented.

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

Auditee: Tinian Mayor’s Office (TMO) - Planning and Budget Division

Corrective Action: Following OPA’s recommendation for proper documentation, TMO has begun a manual ledger for better consistency and reporting instead of the Excel spreadsheet format to monitor the outgoing and incoming pouches and the petty cash funds when released. Employees who are issued petty cash funds to send or receive pouches must return receipts and airway bills for proper documentation. TMO has implemented this system to ensure accurate and detailed tracking of all petty cash expenses, and the TMO team has been diligently inputting and recording each receipt in a structured manner to maintain transparency and accountability.

Agency Proposed

Completion Date: No Response

Status: Unresolved

OPA Note: The corrective action does not address the recommendation pertaining to the timeliness of petty cash replenishment. A sample Petty Cash Log obtained was not properly filled out. In addition, transactions reported on the Petty Cash Log indicated a lack of segregation of duties for certain transactions.

STATUS OF AUDIT RECOMMENDATIONS

Finding 3: One collection point remits daily collections to DOF–Division of Treasury at the end of each month.

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

Auditee: DOF-Tinian

Corrective Action: Daily sales are being deposited to the Bank of Guam and monitored daily by the Treasury and the Revenue & Taxation Collection Section. However, the Department of Lands and Natural Resources (DLNR) collection point does not remit funds to DOF on a daily basis.

Agency Proposed
Completion Date: No Response

Status: Unresolved

OPA Note: During a site visit, the DLNR Resident Director informed OPA that DLNR currently does not remit sales daily to DOF. Based on follow up procedures performed, receipt dates did not agree with the date of the attached daily cash report for the DLNR collection point.

Finding 4: A total overage of \$0.59 from three collection points was noted during the cash count. The overages resulted from the lack of change funds to remit amounts due back to customers.

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

Auditee: DOF-Rota & Tinian

Corrective Action: *DOF-Tinian:* Customers are advised to bring the exact amount or use the merchant machine (pay by card). DOF-Tinian is proposing that this finding be closed and recognized as satisfied.

DOF-Rota: DOF-Rota will secure funding in FY24 and now FY25 for procurement of security storages, bonding, and funding for six (6) collection points change funds and petty cash through budget approval of Department, Municipality, or Legislative General Fund accounts.

Agency Proposed
Completion Date: No Response

Status: Unresolved

OPA Note: According to DOF-Tinian’s Resident Director, the corrective action noted above is not an official policy but has been the practice for the past ten years.

Finding 5: Daily collection reports are not prepared or maintained at a collection point utilizing manual receipts. For the same location, a supervisory review is not performed on the collections and deposits on a daily basis.

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

Auditee: Rota Mayor’s Office - Rota Municipal Treasury (RMO-RMT)

STATUS OF AUDIT RECOMMENDATIONS

Corrective Action: RMO-RMT issues manual receipts. An RMO-RMT staff prepares the Daily Collection Report, attaches the manual receipts, and submits them to the Treasurer for review and acknowledgment prior to making the deposit to RMO-RMT’s account at Bank of Guam. After the deposit is made, the deposit slip is attached to the Daily Collection Report. At the end of the month, an RMO-RMT staff member prepares a Monthly Collection Report and submits it to the Treasurer for review and acknowledgment. Further, all documentation is maintained for a period of five years.

Agency Proposed Completion Date: No Response

Status: Unresolved

OPA Note: Based on the untimely response of RMO-RMT, OPA will perform follow-up procedures in the next reporting period.

Finding 6: At one collection point, the validated deposit slips are filed separately from the collection reports. Further, the supervisory review of the deposit is only performed when the bank statements are received from the bank.

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

Auditee: RMO-RMT

Corrective Action: See Corrective Action in *Recommendation 5*.

Agency Proposed Completion Date: No Response

Status: Unresolved

OPA Note: See OPA Note in *Recommendation 5*.

Finding 7: During the cash count at one agency, the supporting documents for the day’s collection were not readily provided to OPA personnel. The agency staff requested for a written authorization and/or request be provided to the agency.

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

Auditee: DOF-Rota

Corrective Action: Department staff will schedule a mandated training session for all its employees in cycles on the OPA mandates and DOF-Rota’s internal SOP on what to do when OPA arrives for an audit and how to address operations during an active audit and/or interview, i.e., inform immediate Supervisor to assign another Inspector his/her current operational duties while OPA interview and/or audit is being conducted.

Agency Proposed Completion Date: No Response

Status: Unresolved

Department of Finance

Report No. 20-07, Issued September 2, 2020

Division of Revenue and Taxation

Audit of the Division of Revenue and Taxation Hotel Occupancy Tax

Finding 1: DRT has not adopted regulations specific to the Hotel Occupancy Tax.

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

Corrective Action: This continues to remain open; however, DOF-DRT disagrees, as this should be a nonissue, as DOF-DRT doesn’t see any risk associated with it. DOF-DRT is proposing that it be deemed closed/resolved. Let DOF-DRT know if this requires a meeting to be set for further discussions.

Agency Proposed Completion Date: No response

Status: Unresolved

OPA Note: There is no regulation specific to the HOT that clarifies whether the term “*accommodations*” refers only to a room charge or a room charge inclusive of any additional items or services attached.

Finding 2: DRT has not conducted tax audits of HOT and lacks audit procedures.

Recommendation 2: Adopt a procedures manual for auditing HOT.

Corrective Action: The Examinations SOP was provided for OPA’s review. DOF-DRT proposes closing/resolving this finding.

Agency Proposed Completion Date: No Response

Status: Unresolved

OPA Note: The Examinations SOP provided is in draft form and has not been officially adopted by DOF-DRT.

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

Corrective Action: A procedural manual is still in progress, and an update will be provided in the next OPA follow-up in December 2024.

Agency Proposed Completion Date: 12/2024

Status: Unresolved

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

Corrective Action: The automation feature will not be developed in the AS/400 tax system as DOF-DRT is transitioning into the Revenue Management Information System (RMIS) tax system.

STATUS OF AUDIT RECOMMENDATIONS

However, this feature will be included in the Examinations Module as a criterion for flagging audits. DOF-DRT can query the AS/400 data to manually flag HOT audits.

The Examination Module's estimated completion is November 2024. See Section 4.2 of the Examinations SOP provided for OPA's review.

Agency Proposed
Completion Date:

11/2024

Status:

Unresolved

OPA Note:

DOF-DRT provided a draft Examinations SOP, which has not been officially adopted.

Finding 3:

DRT does not have procedures in place to effectively detect underreported HOT:

- Does not proactively address non-filings of HOT
- Does not require the proper reporting of revenues in the BGRT form

Recommendation 5:

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

Corrective Action:

DOF-DRT will establish system-automated procedures to identify Forms OS-3300 non-filers and encourage their compliance through examination or penalty assessments.

The estimated date will be December 2024. The Compliance SOP was provided for a manual verification of HOT non-filers.

Agency Proposed
Completion Date:

12/2024

Status:

Unresolved

OPA Note:

DOF-DRT provided a draft Compliance Branch SOP, which has not been officially adopted.

Recommendation 6:

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

Corrective Action:

The Compliance SOP was provided. DOF-DRT proposes closing/resolving this finding.

Agency Proposed
Completion Date:

No Response.

Status:

Unresolved

OPA Note:

DOF-DRT provided a draft Compliance Branch SOP, which has not been officially adopted.

Recommendation 7:

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

Corrective Action:

An Announcement to Operators was provided for OPA's review. DOF-DRT proposes closing/resolving this finding.

Agency Proposed
Completion Date:

No Response.

Status:

Unresolved

STATUS OF AUDIT RECOMMENDATIONS

OPA Note: DOF-DRT provided a draft Announcement, which has not been publicized. In addition, DOF-DRT has not determined how the Announcement will address the recommendation.

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

Corrective Action: DOF-DRT will establish system-automated procedures to identify Forms OS-3300 non-filers and encourage their compliance through examination or penalty assessments. An update will be provided in the next OPA follow-up in December 2024.

Agency Proposed
Completion Date: 12/2024

Status: Unresolved

Finding 4: Efforts to detect unlicensed operators are limited in scope.

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

Corrective Action: The Enforcement SOP was provided for OPA's review. DOF-DRT is proposing that this finding be deemed closed/resolved.

Agency Proposed
Completion Date: No response

Status: Unresolved

OPA Note: DOF-DRT did not properly address the recommendation.

Department of Finance

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

Finding 1: A uniform travel policy does not exist.

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

Corrective Action: The updated travel regulations were provided to OPA. However, DOF will need to update the regulations to include the verbiage noted in the recommendations. This recommendation will stay open until the travel regulations are updated. An update will be provided in the next report (December 2024).

Agency Proposed Completion Date: 12/2024

Status: Unresolved

Other Observation: The Legislature passed Public Law (PL) 20-87 on February 5, 2019, authorizing the Northern Marianas Housing Corporation (NMHC) and the Commonwealth Development Authority (CDA) to establish through regulation, travel policies and procedures consistent with the United States Federal Travel Regulations. This conflicts with the implementation of a uniform travel policy as required by PL 15-86. This varied approach results in different total per diem calculations as well as car rental or ground transportation allowances throughout the CNMI Government.

To minimize confusion and inconsistencies throughout the CNMI Government and avoid legal disputes, it is necessary that the Legislature resolve any conflicts within the law over official government travel.

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

Corrective Action: The CNMI Senate President referred to her May 15, 2023, response, which stated the following:

Senate Bill (SB) 22-65 was introduced by the author, Senator Jude U. Hofschneider, on October 7, 2021. The bill was subsequently referred to the Senate Judicial and Governmental Law (JGL) and Federal Relations (FR) Standing Committee. The Senate JGL and FR Standing Committee provided its Standing Committee Report (SCR) No. 22-60 dated January 24, 2022, which the Senate adopted and passed SB 22-65 on February 03, 2022. On February 4, 2022, the Senate Clerk transmitted to the House SB 22-65 for their action. SB 22-65 was subsequently referred to the House Judicial and Governmental Operations (JGO) Standing Committee on February 22, 2022, with a deadline of April 23, 2022. The Senate’s review of this particular bill at the House resulted in no action taken/no Committee work and was filed on January 3, 2023. This bill has now been reintroduced as SB 23-39 and has been pre-filed as of May 5, 2023, authored by Senator Jude U. Hofschneider.

STATUS OF AUDIT RECOMMENDATIONS

In addition, a direct link to SB 23-39, which remains in the House JGO committee without any action since its referral from the Senate after passage on June 23, 2023, was provided. The Senate President noted numerous follow-ups with the Speaker's Office, with the latest follow-up to the House JGO Chairwoman on December 7, 2023.

Agency Proposed
Completion Date:

No Response

Status:

Unresolved

Department of Finance

Report No. 20-03, Issued February 26, 2020

Division of Procurement and Supply

Audit of Government Vehicles

Finding 1: The Department of Finance’s Division of Procurement and Supply (DOF-PS) does not maintain accurate vehicle records.

Recommendation 1: DOF-PS should:

- (a) Enforce its Property Management Policies and Procedures to ensure the accuracy and completeness of records, such as:
 - review and reconcile inventory records on the JDE System;
 - conduct annual physical inventory; and
 - perform random audits to validate the integrity of the property control process.
- (b) Provide adequate training to staff to ensure that staff are knowledgeable of the laws, regulations, policies, and procedures as they relate to their duties and responsibilities.

Corrective Action: The DOF-PS continues to implement and advise agencies of the requirements regarding government vehicles. Information was also communicated to agencies during its first “Intro to Procurement Workshop”, which was conducted on May 29 & 30, 2024.

In light of these developments and ongoing efforts, DOF-PS humbly requests that this finding be closed, and the disposition marked as “satisfied,” given the DOF-PS’ ongoing efforts.

**Agency Proposed
Completion Date:** 07/2024

Status: Unresolved

OPA Note: DOF-PS’ corrective action does not adequately address the recommendation.

STATUS OF AUDIT RECOMMENDATIONS

Finding 2:	Compliance with vehicle laws and regulations is not monitored or enforced.
Recommendation 2:	DOF-PS should: <ul style="list-style-type: none">(a) Monitor or enforce agencies' compliance with laws and regulations pertaining to government vehicles;(b) Hold agencies accountable for properties in their control; and(c) Make a determination whether "factory tint" is allowable under 1 CMC § 7406(e). This may include obtaining clarification from the Office of the Attorney General or the Legislature.
Corrective Action:	The initial update provided by DOF-PS identified this matter as being up for closure; however, in review and conduct of internal measures to validate concerns, it was determined that further guidance is necessary with several agencies to ensure that DOF-PS is properly monitoring and enforcing regulations pertaining to Government Vehicles. Likewise, DOF-PS continues to hold agencies accountable and will have the necessary paperwork in place to reflect these engagements by December 2024. DOF-PS agrees with the recommendation and requests for its continued opening, pending December 2024 updates.
Agency Proposed Completion Date:	12/2024
Status:	Unresolved

Department of Finance

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

- Finding 1:** DOF did not regulate the issuance, renewal, and cancellation of fuel cards.
- Recommendation 1:** Adopt, implement, and communicate standard operating policies and procedures (SOPs) for the issuance, renewal, and cancellation of fuel cards.
- Corrective Action: The DOF-PS agrees with this finding and will address this matter via updates in the December 2024 iteration.
- Agency Proposed Completion Date: 12/2024
- Status: Unresolved
- Recommendation 2:** Maintain a listing of all fuel cards.
- Corrective Action: DOF-PS has updated its current Vehicle Fleet Card Listings, to the extent of inputting this information unto Munis for continued tracking. Property Management has made significant progress in updating the container fuel card listings and is currently working with various agencies to ensure the accuracy of the information collected, in addition to reviews of current fuel containers associated with these agencies. As DOF-PS has yet to complete the container fuel card validation process internally, DOF-PS agrees with the finding and requests that this remains open until such time both vehicle and container card listings properly reflect the required criteria. An update will be provided in the next OPA follow-up in December 2024.
- Agency Proposed Completion Date: 12/2024
- Status: Unresolved
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- Finding 2:** DOF was unable to implement controls over corporate cards due to its inherent nature.
- Recommendation 3:** Replace all corporate cards with fleet cards until DOF develops and implements controls, including monitoring controls, over the government’s use of corporate cards.
- Corrective Action: DOF-PS has adopted policies involving the use of Corporate Cards. These policies have been shared with other government agencies, and encouragement has been given to increase internal capacity through this control. DOF-PS has also requested that agencies who have a justified reason for utilizing corporate cards adopt policies and procedures to ensure transparency and eliminate waste, fraud, and abuse of government funds.
- Agency Proposed Completion Date: No Response
- Status: Unresolved
- OPA Note: When DOF-PS resolves *Recommendation 2*, OPA will be able to perform follow-up procedures for this recommendation.

STATUS OF AUDIT RECOMMENDATIONS

Finding 3: DOF did not review third-party billings for completeness and enforce provisions of the Fuel Contract.

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

Corrective Action: (a) DOF-PS completed the review and update of Government Fuel Fleet Cards in February 2024; however, DOF-PS has been unsuccessful in obtaining the same compliance from the Fuel Contractor. Several email communications have been made in an attempt to rectify any errors in identified fleet cards, but to no avail. (b) The DOF, through the SOF, has established a process whereby expenses are reviewed and discrepancies brought forth for further discussion. Since its implementation, DOF-PS has seen an influx of “on-time” payments. (c) The division continues to tag gas containers and receive requests for container cards. While meticulous, DOF-PS favors this current approach until such time agencies can better demonstrate compliance to maintaining and accounting for this asset. Given several on-going areas that require further discussion with IP&E, DOF-PS requests that this finding remain open until such time DOF-PS and IP&E have addressed these deficiencies. An update will be provided in the next follow-up (December 2024).

Agency Proposed
Completion Date: 12/2024

Status: Unresolved

Recommendation 5: DOF communicate provision of the Fuel Contract and require agencies to adopt the above procedures (see *Recommendation 4*).

Corrective Action: In addition to DOF-PS staff advising Government Employees of the requirements, the Division recently concluded its “Intro to Procurement Workshop”, held at the Multi-Purpose Center on May 29 & 30, 2024. During this workshop, expectations were laid forth and agencies understood that DOF-PS will continue to enforce the terms of the contract until such time changes are made and the division notified. As DOF-PS has properly notified all entities of the requirements set forth, and agencies have given an affirmative in their understanding of these requirements,

DOF-PS humbly requests that this finding be closed as the requirement has been satisfied.

Agency Proposed
Completion Date: Completed

Status: Resolved

OPA Note: OPA and key employees from government agencies attended DOF-PS’ “Intro to Procurement Workshop” on May 30, 2024. During the workshop, DOF-PS covered procurement regulations, including the process for obtaining fuel fleet cards.

Department of Lands and Natural Resources

Report No. 21-04, Issued November 10, 2021
Audit of the DLNR Outer Cove Marina Facility

Finding 1: DLNR does not have an executable action plan.

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

Corrective Action: DLNR's corrective action as of 12/31/2023 remains the same for this reporting period. See DLNR's corrective action in *OPA Report No. 24-01*.

Agency Proposed
Completion Date: No Response

Status: Unresolved

Finding 2: DLNR has not established safety standards.

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

Corrective Action: DLNR's corrective action as of 12/31/2023 remains the same for this reporting period. See DLNR's corrective action in *OPA Report No. 24-01*.

Agency Proposed
Completion Date: No response

Status: Unresolved



REPORT ON CNMI AGENCIES' IMPLEMENTATION OF AUDIT RECOMMENDATIONS

Report No. 24-02

CONSTITUTIONAL MANDATE

Article III, Section 12 of the CNMI Constitution and the Commonwealth Auditing Act (1 CMC, Sections 2301 and 7812 *et seq.* of the Commonwealth Code) established the Office of the Public Auditor as an independent agency of the Commonwealth Government to audit the receipt, possession, and disbursement of public funds and to perform such other duties as required by law.

REPORTING FRAUD, WASTE, AND ABUSE

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