



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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April 1, 2025

Interagency Audit Coordinating Advisory Group:
The Honorable Dennis Mendiola, 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 38 audit and inspection recommendations as of December 31, 2024.

OPA's procedures include sending follow-up emails and contacting government agencies. This report incorporates agency responses obtained by OPA on or before December 31, 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. 25-01

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

As of December 31, 2024

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STATUS OF AUDIT RECOMMENDATIONS

Executive Summary

Report on CNMI Agencies' Implementation of Audit & Inspection Recommendations

As of December 31, 2024

Report No. 25-01, April 1, 2025

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 December 31, 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 December 31, 2024, OPA tracked a total of 38 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 38 recommendations, four were resolved. Refer to OPA Report No. 24-02 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	Resolved	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	2	1
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	2	4
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:	4	34

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/
Agency Response: Since the date of the audit report, CEC has implemented a system to ensure ballot accountability. When the ballot order is finalized, an order is placed with our vendor, and upon receiving the shipment of ballots, we verify that the actual number of ballots matches the quantity listed on the packing slip.

Once we confirm that the numbers match, the ballots are logged into a ballot control sheet, which is assigned to each respective ballot precinct. These ballots are then placed into secured segregated stock ballot boxes, ready for distribution for absentee (ABS) voting, over-the-counter voting, early voting (EV), or transfer to the poll officials for inventory for election day use.

Each time a ballot or multiple ballots are removed, they are marked off on the ballot control sheet. This process allows us to track how many ballots have been issued and how many remain in the stock ballot boxes.

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/
Agency Response: The system detailed in “Finding 1” allows us to account for every single ballot that was issued, spoiled, or unused. Once ballots are distributed to each precinct for EV, they are recorded on a ballot control sheet. A staff member is assigned to each precinct and provided with a separate ballot control sheet for that particular precinct.

To ensure accountability and tracking of every single ballot, assigned staff members receive a ballot control sheet, a ballot inventory sheet, a mark-off sheet, and a numbered tally sheet. At the end of each day, all these forms are organized and tallied. The procedures used during the EV period are the same as those implemented on election day when the poll officials begin their duties.

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: <ul style="list-style-type: none">• ABS return envelopes were not properly labeled,• ABS master list was not immediately updated,• Ballots cast by ABS applicants on election day were not treated as ABS 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/ Agency Response:	This year, we implemented a new approach for Poll Officials Training by dividing the officials into their respective roles: Poll Supervisors, Poll Workers, and Confined Workers. We conducted separate training sessions for each role on different dates. This approach proved to be efficient, as each official gained a clearer understanding of their specific responsibilities.
Agency Proposed Completion Date:	No response
Status:	Unresolved
OPA Note:	OPA observed various issues pertaining to ABS voting, EV, and poll worker responsibilities during this past 2024 General Election.

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/
 Agency Response: CHCC provided OPA with a copy of the Health Network Program’s (HNP) organizational structure, which was adopted in October 2024.

Agency Proposed
 Completion Date: Complete

Status: Resolved

OPA Note: Based on follow up procedures performed, HNP transactions are processed in accordance with HNP’s organizational structure. Therefore, OPA considers this recommendation resolved.

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/
 Agency Response: CHCC has incorporated internal controls with other functions of the CHCC and agreements are in place.

Agency Proposed
 Completion Date: No response

Status: Unresolved

OPA Note: Based on the timing of supporting documents provided, OPA will follow up with CHCC in the next reporting period.

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/
 Agency Response: CHCC’s revised Operating Policy, 3275 HNP: Process, was provided to OPA for review.

Agency Proposed
 Completion Date: Completed

Status: Resolved

OPA Note: Based on follow up procedures performed, CHCC has established a process for patient airfare accommodation as documented in CHCC’s Operating Policy for HNP. Therefore, OPA considers this recommendation resolved.

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/
Agency Response: CHCC has determined that the new Electronic Health Record (EHR) system will resolve this issue but until then, the extra work associated with billing and the current EHR will continue to force a backlog of bills.

Agency Proposed
Completion Date: No response

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 (SOP) to ensure daily collections are adequately accounted for at all DOF-sanctioned collection points.

Recommendation: DOF develops and implements a uniform 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/
Agency Response:** A third-party vendor has been given the task of assisting with the creation of SOPs for Treasury which includes the Cash Collection SOP. Based on the third party's status report, these SOPs should be completed by April 30, 2025. The SOP will include 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. MOCRs
6. Change fund implementation
7. Training and Education

**Agency Proposed
Completion Date:** 04/2025

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:** DOF’s 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/
Agency Response: Our 3rd party vendor has been given the task of assisting with the creation of SOPs for Procurement Services, which includes the Procurement Administrative Manual and Standard Operating Procedures. Updates to the progress on the SOP will be provided in the next report.
- Agency Proposed
Completion Date: No Response
- 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/
Agency Response: Internal testing was conducted and evaluated to determine readiness for closure of this open action. After further deliberation with DOF-PS personnel responsible for the various branches (Admin, Purchasing, Property Management), it was determined that DOF-PS seeks to further solidify existing efforts to properly store and organize filings. While most expenses and documents are captured via Munis, DOF-PS does see a need to ensure that consistency is better adhered to in other areas including bid documentation, etc. To this end, DOF-PS humbly requests that this item remain open, pending ongoing efforts. DOF-PS looks to provide further updates on this progress for the June 2025 ARTS Report.
- Agency Proposed
Completion Date: 06/2025
- Status: Unresolved
-
- Finding 3:** Government vehicles were not accurately reflected on DOF-PS and government agency inventory listings.
- 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/
Agency Response: Consistent with our June 2024 Update, DOF-PS has conducted several internal inspections to determine 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 as we continue to work both internally and externally to ensure there is greater consistency within the process and looks to apprise of further development in the June 2025 ARTS Follow-Up Update.
- Agency Proposed
Completion Date: 06/2025

STATUS OF AUDIT RECOMMENDATIONS

Status: Unresolved

Finding 4: Procurement regulations lack provisions for vehicle rentals.

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

Corrective Action/
Agency Response:

In January 2024, 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 SOF performs 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.

Corrective Action/
Agency Response:

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

OPA Note: Per 1 CMC § 2553(j), one of DOF's duties is to be in control of and be responsible for procurement and supply in the Commonwealth. In addition, Northern Mariana Islands Administrative Code § 70-30.3-315(b) allows for the DOF-PS Director to exercise general oversight and control on the use of physical assets and other capital equipment to prevent waste, abuse, or unauthorized use.

Department of Finance

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

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 (PB)

Corrective Action/
 Agency Response: Following your recommendation for proper documentation, we have begun a manual ledger for better consistency and reporting instead of the Excel sheet format to monitor the outgoing and incoming pouches and the custodian of 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. We have implemented this system to ensure accurate and detailed tracking of all petty cash expenses, and our team has been diligently inputting and recording each receipt in a structured manner to maintain transparency and accountability.

Moreover, in line with OPA's guidance on consolidating cash collection points, daily collections, and implementing a cash counting worksheet for each transaction, the Treasury Department has made significant progress. We have centralized our cash collection points at the Municipal Treasury to streamline the process and enhance oversight. Daily collections are now recorded promptly, and a detailed cash counting worksheet is maintained for every transaction, per your agency's recommendation.

Agency Proposed
 Completion Date: Completed

Status: Resolved

OPA Note: Based on follow up procedures performed, TMO-PB monitors petty cash fund levels through a petty cash log and replenishments are made timely to ensure sufficient funds for daily transactions. Therefore, OPA considers this recommendation resolved.

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/
 Agency Response: DOF-Tinian is currently working on ensuring that all collection points remit funds to the Division of Treasury on a daily basis, as it involves the cooperation of other government agencies. DOF-Tinian anticipates full cooperation from government agencies with collection points by OPA's next follow-up.

STATUS OF AUDIT RECOMMENDATIONS

Agency Proposed
Completion Date: 06/2025

Status: Unresolved

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/
Agency Response: *DOF-Tinian:* DOF-Tinian anticipates the recommendation to be resolved by OPA’s next follow-up after careful consideration of the adoption and implementation of DOF’s Standard Operational Procedures for collections, which is expected to be completed by April 30, 2025.

DOF-Rota: Secure funding in FY25 for procurement of a minimum of four (4) security safe boxes, a security safe vault, bonding for six (6) pertinent personnel, and funding for six (6) collection points change funds in the amount of \$75.00 each and petty cash through budget approval of department, Municipality or Legislative General Fund accounts.

Agency Proposed
Completion Date: No Response

Status: Unresolved

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)

Corrective Action/
Agency Response: A quarterly report for July 2024 - October 2024 was provided to OPA.

Agency Proposed
Completion Date: No Response

Status: Unresolved

OPA Note: Documentation provided did not address the recommendation.

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.

STATUS OF AUDIT RECOMMENDATIONS

Auditee: RMO-RMT

Corrective Action/
Agency Response: Daily deposit logs, receipts, and deposit slips for certain collections were provided to OPA.

Agency Proposed
Completion Date: No Response

Status: Unresolved

OPA Note: Based on follow up procedures performed, deposit slips were not evidenced as reviewed by a supervisor or manager.

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/
Agency Response: On November 8, 2024, the Department of Finance in Rota conducted a Professional Development Workshop to address how its personnel should respond to an OPA audit visit. An electronic copy of the presentation, a copy of the sign-in sheet, and photographic evidence of the presentation as it ensued were provided to OPA. A copy of the Status Report and Subsection 7842 were provided to each of the participants. The presentation has hyperlinks, so each participant has the value of researching further in their own free time. We will also create an In-house Standard Operating Procedure specifically for OPA audit visits.

During our presentation, it was found that most employees, despite their long tenure, do not fully understand the authority, powers, and responsibilities of OPA. They were not aware of Whistleblower Protection nor other aspects beyond OPA being an investigative arm for government-funded procurements and time and attendance. Therefore, we are making it part of our policy to include this presentation during the orientation of all new hire personnel.

Agency Proposed
Completion Date: Completed

Status: Resolved

OPA Note: OPA was able to verify that DOF-Rota conducted a workshop on November 8, 2024, which included a PowerPoint presentation on OPA’s purviews, sign-in sheets, and pictures of the workshop. Therefore, OPA considers the recommendation resolved.

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/
Agency Response: 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/
Agency Response: The draft 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: DOF-DRT provided a draft Examinations SOP, which has not been officially adopted.

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

Corrective Action/
Agency Response: 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: No Response

Status: Unresolved

OPA Note: An update was not provided. The recommendation remains unresolved.

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

STATUS OF AUDIT RECOMMENDATIONS

Corrective Action/ Agency Response:	The automation feature will not be developed in the AS/400 tax system as DOF-DRT is transitioning into the Revenue Management Information System tax system. 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.
Agency Proposed Completion Date:	The Examination Module's estimated completion is November 2024. See Section 4.2 of the Examinations SOP provided for OPA's review. No Response
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/ Agency Response:	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:	No Response
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/ Agency Response:	The draft 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/ Agency Response:	A draft Announcement to Operators was provided for OPA's review. DOF-DRT proposes closing/resolving this finding.
Agency Proposed Completion Date:	No Response

STATUS OF AUDIT RECOMMENDATIONS

Status: Unresolved

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/
Agency Response: 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: No Response

Status: Unresolved

OPA Note: An update was not provided. The recommendation remains 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/
Agency Response: 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/
 Agency Response: The SOF team will be working on updating the existing Travel SOP in December with hopes of adopting/approving the revised version by the next OPA ARTS report.

The revised Travel SOP will include the verbiage noted in the recommendation. This recommendation will stay open until the revised SOP is approved.

Agency Proposed
 Completion Date: No Response

Status: Unresolved

Other Observation: The Legislature passed Public Law (PL) 20-87 on February 5, 2019, authorizing the Northern Marianas Housing Corporation and the Commonwealth Development Authority 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/
 Agency Response: The Senate President of the 23rd Northern Marianas Commonwealth Legislature shared a link to the CNMI Legislature’s website, showing pending action of Senate Bill 23-39 from the House Judicial and Governmental Operations Standing Committee.

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: 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/
Agency Response:** The Property Management Branch (PMB) of DOF-PS continues to progress in our effort to enforce, educate, and reconcile assets belonging to the CNMI Government.

(a) As DOF-PS continues to review documentation for completeness of files, the Munis Financial System has allowed PMB to manage and store information associated with inventory on the system, a feature JDE was unable to provide. As such, accuracy and completeness are validated occasionally, as receiving reports must be evident for an invoice to be liquidated at Financial Services. In August 2024, DOF-PS issued an internal memo, moving the annual physical inventory requirements from annually to biennially. This determination was necessary to ensure that DOF-PS can reasonably comply with the requirement given the existing shortfalls associated with manpower and funding. DOF-PS, however, in our efforts to better strengthen the Fixed Asset Inventory Reconciliation (FAIR) Program, has and will continue to conduct random audit inspections in an effort to address long-standing information gaps associated with the CNMI's Inventory Reconciliation.

(b) DOF-PS continues to promote personal growth and understanding to ensure individuals have the necessary knowledge and tools to perform the duties assigned. The Acting Director has made capacity building a critical focus in his short time with DOF-PS. While good progress has been made, DOF-PS believes that further work is necessary to develop comfort and confidence in the data gathered and verified. To this end, the DOF-PS agrees that this finding remains open and looks to provide further update in June 2025.

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

Status: Unresolved

STATUS OF AUDIT RECOMMENDATIONS

Finding 2: Compliance with vehicle laws and regulations is not monitored or enforced.

Recommendation 2: DOF-PS should:

- (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/
Agency Response:** 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 we are 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 come June 2025. In January 2024, DOF-PS submitted an LSR to the Attorney General, inquiring about the use of "factory tint" and whether this tint falls within the limitations of government vehicles. Given the standard process associated with embedding tint into the glass itself, thereby making any removal nearly impossible, an exception may be made for Government vehicles where "factory tint" is considered standard practice. DOF-PS agrees with the recommendation and requests for its continued opening, pending June 2025 updates.

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

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/
Agency Response: A third-party vendor has been given the task of assisting with the creation of SOPs for DOF-PS which includes the updates to the Procurement Administrative Manual and SOPs in collaboration with the Acting Director and pertinent staff. We will provide an update on the progress in the next report.

Agency Proposed
Completion Date: No Response

Status: Unresolved

Recommendation 2: Maintain a listing of all fuel cards.

Corrective Action: DOF-PS continues to update information via Munis to ensure data is consistently and accurately captured. Through this process, several inefficiencies were identified of which DOF-PS is currently working with those agencies to properly remit all necessary documents for file completeness. Additionally, this same validation process has produced shortfalls identified within the container card reconciliation process which the Acting Director and PMB Personnel are further exploring options. Consistently with the on-going efforts, DOF-PS agrees that this finding remains open, pending further updates come June 2025.

Agency Proposed
Completion Date: 06/2025

Status: Unresolved

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/
Agency Response: DOF-PS has adopted policies involving the use of Corporate Cards. These policies have been shared with other Government Agencies and encouragement has been made to increase internal capacity through this control. We have 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. To date, three agencies have justified a need, of which two have provided evidence of the adoption of a Corporate Card Policy that contains ample internal measures to address waste, fraud, and abuse. As DOF-PS awaits the adoption of a Corporate Card Policy from one entity, we agree that the finding remains open, pending submission, validation, and approval of the final entity.

Agency Proposed
Completion Date: No Response

Status: Unresolved

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/
Agency Response: (a) DOF-PS completed the review and update of Government Fuel Fleet Cards in February 2024; however, DOF-PS awaits confirmation of the same validation process from our Fuel Contractor. Several emails have been made in an attempt to rectify any errors in identified fleet cards, but no update has been provided at this time. (b) 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 and encourages other entities to remain vigilant of their accruing expenses and obligations. (c) DOF-PS 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 with 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. Update to be provided in the next follow-up (June 2025).

Agency Proposed
Completion Date: 06/2025

Status: Unresolved

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/
 Agency Response: The OCM is a critical element for all mariners within the CNMI and is necessary for meeting the needs of commercial vessels docked with Smiling Cove. Since receiving the audit report, DLNR has been diligently working to address the recommendations outlined in the report. However, the CNMI’s economy has suffered tremendously, affecting all markets and revenue for the CNMI Government, which has made it difficult to meet the audit recommendations.

However, DLNR has not ceased its efforts and focuses on seeking out funds to address the needs of the OCM. This includes meetings with the Department of Defense, CNMI’s Grants Office, Western Pacific Regional Fishery Management, and CNMI’s Public Assistance Office, to name a few.

We acknowledge that there is still work to be done to comprehensively and fully address all the audit recommendations. DLNR remains dedicated to this ongoing process, and we are committed to ensuring that each recommendation is addressed effectively and efficiently. We understand the importance of maintaining public trust and accountability and are fully committed to upholding these principles. We will continue to provide updates on our progress in implementing the recommendations and will be happy to cooperate with the Office of the Public Auditor in any further reviews or assessments.

Agency Proposed
 Completion Date: Undetermined

Status: Unresolved

Finding 2: DLNR has not established safety standards.

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

Corrective Action/
 Agency Response: See corrective action for *Recommendation 1*.

Agency Proposed
 Completion Date: Undetermined

Status: Unresolved



REPORT ON CNMI AGENCIES' IMPLEMENTATION OF AUDIT & INSPECTION RECOMMENDATIONS

Report No. 25-01

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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