Reports on Internal Control and Compliance

Commonwealth of the Northern Mariana Islands

Year ended September 30, 2023

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Commonwealth of the Northern Mariana Islands

Reports on Internal Control and Compliance

Year ended September 30, 2023

Contents

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable David M. Apatang
Governor
Commonwealth of the Northern Mariana Islands

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the aggregate discretely presented component units and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands (CNMI) as of and for the year ended September 30, 2023, and the related notes to the financial statements. We were also engaged to audit the accompanying financial statements of the governmental activities, the General Fund, Grants Assistance Governmental Fund and the ARPA Governmental Fund. These financial statements collectively comprise the CNMI's basic financial statements and have issued our report thereon dated July 17, 2026. Our report stated that the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements of the governmental activities, the General Fund, the Grants Assistance Governmental Fund and the ARPA Governmental Fund, due to the inability to obtain sufficient appropriate audit evidence for the balances and financial activities of unrestricted and restricted cash and cash equivalents, receivables, net, advances, due to/from component units and fiduciary funds, depreciable and nondepreciable capital assets, claims and judgments payable, accounts payable, tax and recovery rebates payable, health and life insurance payable, other liabilities and accruals, unearned revenues, compensated absences, landfill closure and post closure costs, net position/fund balances, revenues and expenditures/expenses; due to the CNMI's lack of adoption of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; and the governmental activities do not include the financial accounts of the Department of Public Lands Governmental Fund. Our report also contains adverse opinions on the aggregate discretely presented component units and aggregate remaining fund information due to the financial statements of the Commonwealth Healthcare Corporation, the Northern Marianas Housing Corporation and the Northern Mariana Islands Retirement Fund not being included in the financial statements, and includes an explanatory paragraph concerning the correction of errors.

Our report includes a reference to other auditors who audited the financial statements of the Commonwealth Utilities Corporation, the Marianas Visitors Authority and the Northern Marianas College, as described in our report of the CNMI's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include the Commonwealth Ports Authority, the Marianas Public Land Trust and the Commonwealth of the Northern Mariana Islands Public School System, which were audited by us. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the entity that was audited by us. Other auditors issued separate reports on their consideration of internal control over financial reporting and their tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for the Commonwealth Utilities Corporation, the Marianas Visitors Authority and the Northern Marianas College. The findings, if any, included in those reports are not included herein.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CNMI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CNMI's internal control. Accordingly, we do not express an opinion on the effectiveness of CNMI's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 through 2023-003 and 2023-006 through 2023-008, 2023-030 through 2023-032 and 2023-047 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2023-004, 2023-005 and 2023-009 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CNMI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-030 through 2023-032 and 2023-047.

CNMI's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on CNMI's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. CNMI's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young

July 17, 2026

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Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Honorable David M. Apatang
Governor
Commonwealth of the Northern Mariana Islands

Report of Independent Auditors on Compliance for Each Major Federal Program

Adverse, Qualified and Disclaimer of Opinions

We have audited the Commonwealth of the Northern Mariana Islands' (CNMI's) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Assistance Listing Number (ALN) 10.539 CNMI Nutrition Assistance, ALN 15.875 Economic, Social, and Political Development of the Territories, ALN 17.225 Unemployment Insurance (UI), ALN 20.205 Highway Planning and Construction (Federal-Aid Highway Program), ALN 84.425H Education Stabilization Fund–Governors (Outlying Areas), ALN 93.575/93.596 Child Care and Development Fund (CCDF) Cluster, ALN 93.767 Children's Health Insurance Program (CHIP), ALN 93.778 Medical Assistance Program (Medicaid; Title XIX) and ALN 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters); and we were engaged to audit CNMI's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on ALN 10.542 Pandemic EBT Food Benefits (P-EBT), ALN 11.307 Economic Adjustment Assistance, ALN 21.023 Emergency Rental Assistance Program and ALN 21.027 Coronavirus State and Local Fiscal Recovery Funds, for the year ended September 30, 2023. CNMI's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Summary of Opinions

ALN	Name of Federal Program or Cluster	Type of Opinion
10.539	CNMI Nutrition Assistance	Qualified
10.542	Pandemic EBT Food Benefits (P-EBT)	Disclaimer
11.307	Economic Adjustment Assistance	Disclaimer
15.875	Economic, Social, and Political Development of the Territories	Qualified
17.225	Unemployment Insurance (UI)	Qualified
20.205	Highway Planning and Construction (Federal-Aid Highway Program)	Qualified
21.023	Emergency Rental Assistance Program	Disclaimer
21.027	Coronavirus State and Local Fiscal Recovery Funds	Disclaimer
84.425H	Education Stabilization Fund–Governors (Outlying Areas)	Adverse
93.575/93.596	Child Care and Development Fund (CCDF) Cluster	Qualified
93.767	Children's Health Insurance Program (CHIP)	Qualified
93.778	Medical Assistance Program (Medicaid; Title XIX)	Qualified
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Qualified

Disclaimer of Opinion on Four Major Federal Programs

We do not express an opinion on CNMI's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the following major federal programs. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on Four Major Federal Programs section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the following major federal programs:

ALN	Name of Federal Program or Cluster
10.542	Pandemic EBT Food Benefits (P-EBT)
11.307	Economic Adjustment Assistance
21.023	Emergency Rental Assistance Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

Adverse Opinion on ALN 84.425H Education Stabilization Fund–Governors (Outlying Areas)

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Qualified Opinions section of our report, CNMI did not comply in all material respects, with the compliance requirements referred to above that could have a direct and material effect on ALN 84.425H Education Stabilization Fund–Governors (Outlying Areas) for the year ended September 30, 2023.

Qualified Opinion on Eight Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Adverse and Qualified Opinions section of our report, CNMI complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the following major federal programs for the year ended September 30, 2023:

ALN	Name of Federal Program or Cluster
10.539	CNMI Nutrition Assistance
15.875	Economic, Social, and Political Development of the Territories
17.225	Unemployment Insurance (UI)
20.205	Highway Planning and Construction (Federal-Aid Highway Program)
93.575/93.596	Child Care and Development Fund (CCDF) Cluster
93.767	Children's Health Insurance Program (CHIP)
93.778	Medical Assistance Program (Medicaid; Title XIX)
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Basis for Disclaimer of Opinion on Four Major Federal Programs

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain audit evidence supporting CNMI's compliance with the applicable compliance requirements, as described in Findings 2023-011 through 2023-014 and 2023-027 through 2023-034. As a result of these matters, we were unable to determine whether CNMI complied with the requirements applicable to the following major federal programs:

Finding #	ALN	Program or Cluster Name	Compliance Requirement
2023-011	10.542	Pandemic EBT Food Benefits (P-EBT)	Eligibility
2023-012	10.542	Pandemic EBT Food Benefits (P-EBT)	Reporting
2023-013	11.307	Economic Adjustment Assistance	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
2023-014	11.307	Economic Adjustment Assistance	Reporting
2023-027	21.023	Emergency Rental Assistance Program	Allowable Costs/Cost Principles
2023-028	21.023	Emergency Rental Assistance Program	Eligibility
2023-029	21.023	Emergency Rental Assistance Program	Reporting
2023-030	21.027	Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
2023-031	21.027	Coronavirus State and Local Fiscal Recovery Funds	Matching, Level of Effort, Earmarking
2023-032	21.027	Coronavirus State and Local Fiscal Recovery Funds	Procurement and Suspension and Debarment
2023-033	21.027	Coronavirus State and Local Fiscal Recovery Funds	Reporting
2023-034	21.027	Coronavirus State and Local Fiscal Recovery Funds	Subrecipient Monitoring

Basis for Adverse and Qualified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CNMI and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and qualified opinions on compliance for each major federal program. Our audit does not provide a legal determination of CNMI's compliance with the compliance requirements referred to above.

Matters Giving Rise to Adverse Opinion on ALN 84.425H Education Stabilization Fund–Governors (Outlying Areas)

As described in in the accompanying Schedule of Findings and Questioned Costs, CNMI did not comply with requirements regarding ALN 84.425H *Education Stabilization Fund–Governors (Outlying Areas)* as described in finding numbers 2023-037 for Reporting and 2023-038 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for CNMI to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on Eight Major Federal Programs

As described in Findings 2023-010, 2023-016, 2023-017, 2023-020, 2023-021, 2023-024 through 2023-026, 2023-039, 2023-044 and 2023-046 through 2023-050 in the accompanying Schedule of Findings and Questioned Costs, CNMI did not comply with the requirements regarding the following:

Finding #	ALN	Program or Cluster Name	Compliance Requirement
2023-010	10.539	CNMI Nutrition Assistance	Procurement and Suspension and Debarment
2023-016	15.875	Economic, Social, and Political Development of the Territories	Cash Management
2023-017	15.875	Economic, Social, and Political Development of the Territories	Equipment and Real Property Management
2023-020	15.875	Economic, Social, and Political Development of the Territories	Subrecipient Monitoring
2023-021	17.225	Unemployment Insurance (UI)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
2023-024	20.205	Highway Planning and Construction (Federal-Aid Highway Program)	Equipment and Real Property Management
2023-025	20.205	Highway Planning and Construction (Federal-Aid Highway Program)	Procurement and Suspension and Debarment
2023-026	20.205	Highway Planning and Construction (Federal-Aid Highway Program)	Special Tests and Provisions - Quality Assurance Program
2023-039	93.575/ 93.596	Child Care and Development Fund (CCDF) Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
2023-044	93.767	Children's Health Insurance Program (CHIP)	Special Tests and Provisions - Provider Eligibility
2023-046	93.778	Medical Assistance Program (Medicaid; Title XIX)	Special Tests and Provisions - ADP Risk Analysis and System Security Review
2023-047	93.778	Medical Assistance Program (Medicaid; Title XIX)	Special Tests and Provisions - Provider Eligibility (Screening and Enrollment)
2023-048	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Allowable Costs/Cost Principles
2023-049	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Reporting
2023-050	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring

Compliance with such requirements is necessary, in our opinion, for CNMI to comply with the requirements applicable to those programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to CNMI's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CNMI's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CNMI's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding CNMI's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of CNMI's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of CNMI's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-015, 2023-018, 2023-019, 2023-022, 2022-023, 2023-035, 2023-036, 2023-040 through 2023-043 and 2023-045. Our opinion on each major federal program is not modified with respect to these matters.

Finding #	ALN	Program or Cluster Name	Compliance Requirement
2023-015	15.875	Economic, Social, and Political Development of the Territories	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
2023-018	15.875	Economic, Social, and Political Development of the Territories	Period of Performance
2023-019	15.875	Economic, Social, and Political Development of the Territories	Procurement and Suspension and Debarment
2023-022	17.225	Unemployment Insurance (UI)	Eligibility
2023-023	20.205	Highway Planning and Construction (Federal-Aid Highway Program)	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
2023-035	84.425H	Education Stabilization Fund–Governors (Outlying Areas)	Allowable Costs/Cost Principles
2023-036	84.425H	Education Stabilization Fund–Governors (Outlying Areas)	Matching, Level of Effort, Earmarking
2023-040	93.575/93.596	Child Care and Development Fund (CCDF) Cluster	Eligibility
2023-041	93.575/93.596	Child Care and Development Fund (CCDF) Cluster	Period of Performance
2023-042	93.575/93.596	Child Care and Development Fund (CCDF) Cluster	Special Tests and Provisions - Health and Safety Requirements
2023-043	93.767	Children's Health Insurance Program (CHIP)	Reporting
2023-045	93.778	Medical Assistance Program (Medicaid; Title XIX)	Reporting

Government Auditing Standards requires the auditor to perform limited procedures on CNMI's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. CNMI's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

CNMI is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. CNMI's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-010, 2023-011, 2023-013 through 2023-034 and 2023-036 through 2023-050 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-012 and 2023-035 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on CNMI's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. CNMI's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

CNMI is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. CNMI's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the aggregate discretely presented component units and the aggregate remaining fund information of the CNMI as of and for the year ended September 30, 2023, and the related notes to the financial statements. We were also engaged to audit the financial statements of the governmental activities, the General Fund, Grants Assistance Governmental Fund and the ARPA Governmental Fund. These financial statements collectively comprise the CNMI's basic financial statements. We issued our report thereon dated July 17, 2026, which contained an explanatory paragraph concerning the correction of errors, and stated that the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements of the governmental activities, the General Fund, the Grants Assistance Governmental Fund and the ARPA Governmental Fund, due to the inability to obtain sufficient appropriate audit evidence for the balances and financial activities of unrestricted and restricted cash and cash equivalents, receivables, net, advances, due to/from component units and fiduciary funds, depreciable and nondepreciable capital assets, claims and judgments payable, accounts payable, tax and recovery rebates payable, health and life insurance payable, other liabilities and accruals, unearned revenues, compensated absences, landfill closure and post closure costs, net position/fund balances, revenues and expenditures/expenses; due to the CNMI's lack of adoption of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; and the governmental activities do not include the financial accounts of the Department of Public Lands Governmental Fund. Our report also contains adverse opinions on the aggregate discretely presented component units and aggregate remaining fund information due to the financial statements of the Commonwealth Healthcare Corporation, the Commonwealth Economic Development Authority, the Northern Marianas Housing Corporation, and the Northern Mariana Islands Retirement Fund not being included in the financial statements. Our audit of the aggregate discretely presented component units and the aggregate remaining fund information was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Because of the significance of the matters discussed above, it is inappropriate to, and we do not, express an opinion on the Schedule of Expenditures of Federal Awards.

Ernst + Young

July 17, 2026

Commonwealth of the Northern Mariana Islands

Schedule of Expenditures of Federal Awards by Grantor

Year ended September 30, 2023

Federal Grantor	Passed Through to Subrecipient	Central Government	Total
U.S. Department of Agriculture	$ -	$ 57,136,781	$ 57,136,781
U.S. Department of Commerce	-	6,614,215	6,614,215
U.S. Department of Defense	-	1,553,594	1,553,594
U.S. Department of Interior	1,201,988	13,150,556	14,352,544
U.S. Department of Justice	1,366,884	926,217	2,293,101
U.S. Department of Labor	-	8,153,063	8,153,063
U.S. Department of Transportation	-	13,038,405	13,038,405
U.S. Department of Treasury	761,344	106,907,811	107,669,155
U.S. National Endowment for the Arts	-	239,433	239,433
U.S. Institute of Museum and Library Services	-	140,419	140,419
U.S. National Endowment for the Humanities (NEH)	-	8,543	8,543
U.S. Small Business Administration (SBA)	-	41,693	41,693
U.S. Environmental Protection Agency	10,296	4,661,305	4,671,601
U.S. Department of Energy	-	477,807	477,807
U.S. Department of Education	-	7,415,056	7,415,056
U.S. Department of Health and Human Services	-	114,207,667	114,207,667
U.S. Department of Homeland Security	39,540,234	2,601,825	42,142,059
TOTAL Expenditures of Federal Awards	$ 42,880,746	$ 337,274,390	$ 380,155,136

Commonwealth of the Northern Mariana Islands

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal Assistance Listing Number	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipient	Federal Expenditures	Total
	U.S. Department of Agriculture			
10.539	CNMI Nutrition Assistance	$ -	$ 29,893,710	$ 29,893,710
10.539	COVID-19 CNMI Nutrition Assistance	-	16,440,524	16,440,524
	Total CNMI Nutrition Assistance	-	46,334,234	46,334,234
10.170	Specialty Crop Block Grant Program - Farm Bill	-	52,296	52,296
10.179	Micro-Grants for Food Security Program	-	58,129	58,129
10.542	COVID-19 - Pandemic EBT Food Benefits (P-EBT)	-	9,857,656	9,857,656
10.649	COVID-19 - State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	-	459,938	459,938
10.664	Cooperative Forestry Assistance	-	103,272	103,272
10.680	Forest Health Protection	-	60,114	60,114
10.698	State & Private Forestry Cooperative Fire Assistance	-	14,514	14,514
10.950	Agricultural Statistics Reports	-	1,113	1,113
	Community Facilities Loans and Grants Cluster			
10.766	Community Facilities Loans and Grants	-	195,515	195,515
	Total Community Facilities Loans and Grants Cluster	-	195,515	195,515
	TOTAL U.S. Department of Agriculture	-	57,136,781	57,136,781
	U.S. Department of Commerce			
11.016	Statistical, Research, and Methodology Assistance	-	1,265	1,265
11.032	State Digital Equity Planning and Capacity Grant	-	4,673	4,673
11.035	Broadband Equity, Access, and Deployment Program	-	87,681	87,681
11.U01	2010 Census	-	2,255	2,255
11.407	Interjurisdictional Fisheries Act of 1986	-	36,146	36,146
11.419	Coastal Zone Management Administration Awards	-	1,055,227	1,055,227
11.437	Pacific Fisheries Data Program	-	112,596	112,596
11.467	Meteorologic and Hydrologic Modernization Development	-	104,532	104,532
11.472	Unallied Science Program	-	168,303	168,303
11.473	Office for Coastal Management	-	169	169
11.482	Coral Reef Conservation Program	-	485,806	485,806
	Economic Development Cluster			
11.307	Economic Adjustment Assistance	-	4,555,562	4,555,562
	Total Economic Development Cluster	-	4,555,562	4,555,562
	TOTAL U.S. Department of Commerce	-	6,614,215	6,614,215
	U.S. Department of Defense			
12.022	DoD Mentor-Protege Program	-	31,470	31,470
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	-	1,029	1,029
12.300	Basic and Applied Scientific Research	-	65,974	65,974
12.600	Community Investment	-	25,881	25,881
12.617	Economic Adjustment Assistance for State Governments	-	1,429,240	1,429,240
	TOTAL U.S. Department of Defense	-	1,553,594	1,553,594
	U.S. Department of Interior			
15.875	Economic, Social, and Political Development of the Territories	-	7,127,103	7,127,103
15.875	COVID-19 Economic, Social, and Political Development of the Territories	-	205,971	205,971
15.875	CIP Economic, Social, and Political Development of the Territories	231,604	1,985,714	2,217,318
15.875	Compact Economic, Social, and Political Development of the Territories	970,384	419,273	1,389,657
	Total Economic, Social, and Political Development of the Territories	1,201,988	9,738,061	10,940,049
15.615	Cooperative Endangered Species Conservation Fund	-	368,265	368,265
15.631	Partners for Fish and Wildlife	-	9,540	9,540
15.634	State Wildlife Grants	-	201,740	201,740
15.657	Endangered Species Recovery Implementation	-	4,508	4,508
15.663	NFWF-USFWS Conservation Partnership	-	91,690	91,690
15.904	Historic Preservation Fund Grants-In-Aid	-	186,515	186,515
15.957	Emergency Supplemental Historic Preservation Fund	-	73,515	73,515
	Fish and Wildlife Cluster			
15.605	Sport Fish Restoration Program	-	1,029,517	1,029,517
15.611	Wildlife Restoration and Basic Hunter Education and Safety	-	1,447,205	1,447,205
	Total Fish and Wildlife Cluster	-	2,476,722	2,476,722
	TOTAL U.S. Department of Interior	1,201,988	13,150,556	14,352,544

Federal Assistance Listing Number	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipient	Federal Expenditures	Total
	U.S. Department of Justice			
16.017	Sexual Assault Services Formula Program	56,012	2,033	58,045
16.034	COVID-19 - Coronavirus Emergency Supplemental Funding	141,295	56,667	197,962
16.540	Juvenile Justice and Delinquency Prevention	13,470	-	13,470
16.575	Crime Victim Assistance	446,564	34,284	480,848
16.585	Treatment Court Discretionary Grant Program	-	18,807	18,807
16.588	Violence Against Women Formula Grants	407,058	56,722	463,780
16.710	Public Safety Partnership and Community Policing Grants	-	439,489	439,489
16.738	Edward Byrne Memorial Justice Assistance Grant Program	302,485	39,090	341,575
16.750	Support for Adam Walsh Act Implementation Grant Program	-	273,641	273,641
16.753	Congressionally Recommended Awards	-	5,484	5,484
	TOTAL U.S. Department of Justice	1,366,884	926,217	2,293,101
	U.S. Department of Labor			
17.225	COVID-19 - Unemployment Insurance (UI)	-	5,911,546	5,911,546
17.235	Senior Community Service Employment Program	-	224,606	224,606
17.273	Temporary Labor Certification for Foreign Workers	-	68,059	68,059
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	-	642,983	642,983
17.285	Registered Apprenticeship	-	116,929	116,929
17.504	Consultation Agreements	-	264,451	264,451
17.600	Mine Health and Safety Grants	-	13,189	13,189
	WIOA Cluster			
17.258	WIOA Adult Program	-	229,634	229,634
17.259	WIOA Youth Activities	-	307,211	307,211
17.278	WIOA Dislocated Worker Formula Grants	-	374,455	374,455
	Total WIOA Cluster	-	911,300	911,300
	TOTAL U.S. Department of Labor	-	8,153,063	8,153,063
	U.S. Department of Transportation			
20.509	Formula Grants for Rural Areas and Tribal Transit Program	-	984,191	984,191
20.509	COVID-19 Formula Grants for Rural Areas and Tribal Transit Program	-	64,714	64,714
	Total Formula Grants for Rural Areas and Tribal Transit Program	-	1,048,905	1,048,905
20.205	Highway Planning and Construction (Federal Aid Highway Program)	-	7,853,048	7,853,048
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	-	9,151	9,151
	Transit Services Programs Cluster			
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	-	9,600	9,600
20.513	COVID-19 Enhanced Mobility of Seniors and Individuals with Disabilities	-	318	318
	Total Enhanced Mobility of Seniors and Individuals with Disabilities	-	9,918	9,918
	Total Transit Services Programs Cluster	-	9,918	9,918
	FMCSA Cluster			
20.218	Motor Carrier Safety Assistance Program	-	252,525	252,525
	Total FMCSA Cluster	-	252,525	252,525
	Federal Transit Cluster			
20.500	Federal Transit - Capital Investment Grants (Fixed Guideway Capital Investment Grants)	-	761	761
20.526	Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)	-	2,847,504	2,847,504
	Total Federal Transit Cluster	-	2,848,265	2,848,265
	Highway Safety Cluster			
20.600	State and Community Highway Safety	-	1,016,593	1,016,593
	Total Highway Safety Cluster	-	1,016,593	1,016,593
	TOTAL U.S. Department of Transportation	-	13,038,405	13,038,405
	U.S. Department of Treasury			
21.023	COVID-19 - Emergency Rental Assistance Program	11,344	3,560,099	3,571,443
21.027	COVID-19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	750,000	103,317,678	104,067,678
21.029	COVID-19 - Coronavirus Capital Projects Fund	-	30,034	30,034
	TOTAL U.S. Department of Treasury	761,344	106,907,811	107,669,155
	U.S. National Endowment for the Arts			
45.025	Promotion of the Arts Partnership Agreements	-	239,433	239,433
	TOTAL U.S. National Endowment for the Arts	-	239,433	239,433
	U.S. Institute of Museum and Library Services			
45.310	Grants to States	-	107,490	107,490
45.310	COVID-19 Grants to States	-	32,929	32,929
		-	140,419	140,419
	TOTAL U.S. Institute of Museum and Library Services	-	140,419	140,419

Commonwealth of the Northern Mariana Islands

Schedule of Expenditures of Federal Awards, continued

Federal Assistance Listing Number	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipient	Federal Expenditures	Total
	U.S. National Endowment for the Humanities (NEH)			
45.129	Promotion of the Humanities Federal/State Partnership	-	8,543	8,543
	TOTAL U.S. National Endowment for the Humanities (NEH)	-	8,543	8,543
	U.S. Small Business Administration (SBA)			
59.061	State Trade Expansion	-	41,693	41,693
	TOTAL U.S. Small Business Administration (SBA)	-	41,693	41,693
	U.S. Environmental Protection Agency			
66.040	Diesel Emissions Reduction Act (DERA) State Grants	-	8,314	8,314
66.442	Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant Program	-	22,460	22,460
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	-	2,463,918	2,463,918
66.801	Hazardous Waste Management State Program Support	10,296	2,166,613	2,176,909
	TOTAL U.S. Environmental Protection Agency	10,296	4,661,305	4,671,601
	U.S. Department of Energy			
81.041	State Energy Program	-	265,459	265,459
81.042	Weatherization Assistance for Low-Income Persons	-	212,348	212,348
	TOTAL U.S. Department of Energy	-	477,807	477,807
	U.S. Department of Education			
84.126A	Rehabilitation Services Vocational Rehabilitation Grants to States	-	722,785	722,785
84.177B	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	-	13,468	13,468
84.425H	Education Stabilization Fund–Governors (Outlying Areas)	-	6,678,803	6,678,803
	TOTAL U.S. Department of Education	-	7,415,056	7,415,056
	U.S. Department of Health and Human Services			
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	-	29,090	29,090
93.043	COVID-19 Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	-	14,287	14,287
	Total Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	-	43,377	43,377
93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	-	38,033	38,033
93.048	COVID-19 Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	-	85,373	85,373
	Total Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	-	123,406	123,406
93.052	National Family Caregiver Support, Title III, Part E	-	78,080	78,080
93.052	COVID-19 National Family Caregiver Support, Title III, Part E	-	16,169	16,169
	Total National Family Caregiver Support, Title III, Part E	-	94,249	94,249
93.568	Low-Income Home Energy Assistance	-	325,470	325,470
93.568	COVID-19 Low-Income Home Energy Assistance	-	854	854
	Total Low-Income Home Energy Assistance	-	326,324	326,324
93.569	Community Services Block Grant	-	180,334	180,334
93.569	COVID-19 Community Services Block Grant	-	39,897	39,897
	Total Community Services Block Grant	-	220,231	220,231
93.630	Developmental Disabilities Basic Support and Advocacy Grants	-	269,350	269,350
93.630	COVID-19 Developmental Disabilities Basic Support and Advocacy Grants	-	1,917	1,917
	Total Developmental Disabilities Basic Support and Advocacy Grants	-	271,267	271,267
93.747	Elder Abuse Prevention Interventions Program	-	21,646	21,646
93.747	COVID-19 Elder Abuse Prevention Interventions Program	-	123,018	123,018
	Total Elder Abuse Prevention Interventions Program	-	144,664	144,664
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	-	525	525
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	-	5,973	5,973
93.127	Emergency Medical Services for Children	-	84,663	84,663
93.369	ACL Independent Living State Grants	-	31,188	31,188
93.450	Ebola Healthcare Preparedness and Response for Select Cities with Enhanced Airport Entrance Screenings from Affected Countries in West Africa	-	27,956	27,956
93.464	ACL Assistive Technology	-	128,419	128,419
93.556	MaryLee Allen Promoting Safe and Stable Families Program	-	49,361	49,361
93.558	Temporary Assistance for Needy Families (TANF)	-	4,200	4,200
93.590	Community-Based Child Abuse Prevention Grants	-	15,683	15,683
93.645	Stephanie Tubbs Jones Child Welfare Services Program	-	61,124	61,124
93.667	Social Services Block Grant	-	1,516,823	1,516,823
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	-	8,215	8,215
93.767	Children's Health Insurance Program (CHIP)	-	14,014,914	14,014,914
	Aging Cluster			
93.044	COVID-19 - Special Programs for the Aging- Title III, Part B-Grants for Supportive Services and Senior Centers, CARES Act for Supportive Services Under Title III-B of the Older Americans Act, and American Rescue Plan for Supportive Services Under Title III-B of the Older Americans Act	-	392,210	392,210
93.045	COVID-19 - Nutrition Services and CARES Act for Nutrition Services under Title III-C of the Older Americans Act, CARES Act for Nutrition Services Under Title III-C of the Older Americans Act, and American Rescue Plan for Nutrition Services Under Title III-C of the Older Americans Act	-	465,958	465,958
93.053	Nutrition Services Incentive Program	-	50,933	50,933
	Total Aging Cluster	-	909,101	909,101

Schedule of Expenditures of Federal Awards, continued

Federal Assistance Listing Number	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipient	Federal Expenditures	Total
	CCDF Cluster			
93.575	Child Care and Development Block Grant	-	5,299,236	5,299,236
93.575	COVID-19 Child Care and Development Block Grant	-	10,329,266	10,329,266
	Total Child Care and Development Block Grant	-	15,628,502	15,628,502
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	-	3,544,223	3,544,223
	Total CCDF Cluster	-	19,172,725	19,172,725
	Medicaid Cluster			
93.778	Medical Assistance Program (Medicaid; Title XIX)	-	76,953,279	76,953,279
	Total Medicaid Cluster	-	76,953,279	76,953,279
	TOTAL U.S. Department of Health and Human Services	-	114,207,667	114,207,667
	U.S. Department of Homeland Security			
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	6,764,230	-	6,764,230
97.036	COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	31,109,842	-	31,109,842
	Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)	37,874,072	-	37,874,072
97.042	Emergency Management Performance Grants	-	758,021	758,021
97.042	COVID-19 Emergency Management Performance Grants	-	67,796	67,796
	Total Emergency Management Performance Grants	-	825,817	825,817
97.012	Boating Safety Financial Assistance	-	400,545	400,545
97.039	Hazard Mitigation Grant Program (HMGP)	1,370,689	678,691	2,049,380
97.047	BRIC: Building Resilient Infrastructure and Communities	295,473	24,293	319,766
97.062	Scientific Leadership Awards	-	86,357	86,357
97.067	Homeland Security Grant Program (HSGP)	-	586,122	586,122
	TOTAL U.S. Department of Homeland Security	39,540,234	2,601,825	42,142,059
	TOTAL Expenditures of Federal Awards	$ 42,880,746	$ 337,274,390	$ 380,155,136

1. Scope of Audit

The Commonwealth of the Northern Mariana Islands (CNMI) is a governmental entity governed by its own Constitution. All significant operations for CNMI are included in the scope of the Uniform Guidance audit (the "Single Audit"). The U.S. Department of the Interior has been designated as CNMI's cognizant agency of the Single Audit.

2. Basis of Presentation

The accompanying Schedule of Expenditure of Federal awards (the Schedule) includes the federal award activity of the CNMI under programs of the federal government for the year ended September 30, 2023. The information in the Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CNMI, it is not intended to and does not present the financial position or changes in financial position of CNMI.

3. Summary of Significant Accounting Policies

Basis of Accounting

Expenditures reported on the accompanying Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. All expenditures and capital outlays are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Reporting Entity

For purposes of the financial statements, CNMI includes all of the funds of the primary government as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity.*

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, CNMI's reporting entity is defined in the notes to the September 30, 2023 basic financial statements; except that the Northern Marianas Islands Retirement Fund and all of the discreetly presented component units are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards presents the federal award programs administered by CNMI, as defined above, for the year ended September 30, 2023.

3. Summary of Significant Accounting Policies, continued

Reporting Entity, continued

Federal award totals for the excluded departments and component units as of September 30, 2023, are as follows:

Agency or Component Unit	Federal Award Total
Commonwealth Ports Authority	$16,428,685
Commonwealth Utilities Corporation	$14,425,686
Northern Marianas College	$26,618,208

Amounts Passed- Through to Subrecipients

The Schedule of Expenditures of Federal Awards includes amounts passed through to subrecipients during the year which were identified for each program; however, the Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subrecipients, outside of CNMI's control, utilized the funds. CNMI is considered to have responsibility for any questioned costs which could result from Single Audits of these entities.

Indirect Cost Allocation

CNMI did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance. For fiscal year 2023, CNMI has the following approved indirect cost rates:

Programs which directly charged utilities	7.51%
Programs not directly charging utilities	29.01%

Matching Costs

The non-Federal shares of programs are not included in the accompanying Schedule of Expenditures of Federal Awards.

Economic Impact Payments

The Economic Impact Payment program funding received by CNMI is determined to not be a federal grant program and is therefore not included in the Schedule of Expenditures of Federal Awards. These three Covid-19 related laws (CARES Act of 2020, P.L. 116-136, CRTRA of 2020 (P.L. 116-260), and ARPA of 2022 (P.L 117-2)) include the requirement that US Treasury pay amounts equal to the loss to the mirror territories.

3. Summary of Significant Accounting Policies, continued

ALN 11.U01
The expenditures reported under Assistance Listing Number (ALN) 11.U01 relate to funds originally awarded to the Commonwealth of the Northern Mariana Islands (CNMI) for the 2010 U.S. Census Program administered by the U.S. Department of Commerce. After completion of the census activities, the Department of Commerce authorized CNMI to use unspent funds to support other eligible programs, including the Prevailing Wage and Workforce Assessment Program. These expenditures occurred during fiscal year 2023.

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Disclaimer and Adverse

Internal control over financial reporting:

Material weakness(es) identified? X **Yes** ____ **No**

Significant deficiency(ies) identified? X **Yes** ____ **None reported**

Noncompliance material to financial statements noted? X **Yes** ____ **No**

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? X **Yes** ____ **No**

Significant deficiency(ies) identified? X **Yes** ____ **None reported**

Type of auditor's report issued on compliance for major federal programs:

ALN 10.542 Pandemic EBT Food Benefits (P-EBT)	Disclaimer
ALN 11.307 Economic Adjustment Assistance	Disclaimer
ALN 21.023 Emergency Rental Assistance Program	Disclaimer
ALN 21.027 Coronavirus State and Local Fiscal Recovery Funds	Disclaimer
ALN 84.425H Education Stabilization Fund–Governors (Outlying Areas)	Adverse
All other major federal programs	Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X **Yes** ____ **No**

Section I - Summary of Auditors' Results

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
10.539	CNMI Nutrition Assistance
10.542	Pandemic EBT Food Benefits (P-EBT)
11.307	Economic Adjustment Assistance
15.875	Economic, Social, and Political Development of the Territories
17.225	Unemployment Insurance (UI)
20.205	Highway Planning and Construction (Federal-Aid Highway Program)
21.023	Emergency Rental Assistance Program
21.027	Coronavirus State and Local Fiscal Recovery Funds
84.425H	Education Stabilization Fund–Governors (Outlying Areas)
	Child Care and Development Fund (CCDF) Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.767	Children's Health Insurance Program (CHIP)
93.778	Medical Assistance Program (Medicaid; Title XIX)
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between

Type A and Type B Programs: $3,000,000

Auditee qualified as low-risk auditee? _____ **Yes** X **No**

Section II - Financial Statement Findings

Reference Number	Findings
2023-001	General Ledger and Financial Statement Close Process
2023-002	Schedule of Expenditures of Federal Awards
2023-003	Cash and Cash Equivalents
2023-004	CNMI Workers' Compensation Commission
2023-005	Net Pension Liability
2023-006	External Financial Reporting
2023-007	Capital Assets
2023-008	CNMI Local Noncompliance
2023-009	Due to Component Units
2023-030	21.027 Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Section II – Financial Statement Findings, continued

Reference Number	Findings
2023-031	21.027 Matching, Level of Effort, Earmarking
2023-032	21.027 Procurement and Suspension and Debarment
2023-047	93.778 Special Tests and Provisions - Provider Eligibility (Screening and Enrollment)

Section III - Federal Award Findings and Questioned Costs

Reference Number	ALN	Findings	Questioned Costs
2023-010	10.539	Procurement and Suspension and Debarment	$ 684,138
2023-011	10.542	Eligibility	16,635
2023-012	10.542	Reporting	-0-
2023-013	11.307	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	3,695,208
2023-014	11.307	Reporting	-0-
2023-015	15.875	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	4,203
2023-016	15.875	Cash Management	972,335
2023-017	15.875	Equipment and Real Property Management	---***
2023-018	15.875	Period of Performance	-0-
2023-019	15.875	Procurement and Suspension and Debarment	270,553
2023-020	15.875	Subrecipient Monitoring	2,399,988
2023-021	17.225	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	224,846
2023-022	17.225	Eligibility	-0-
2023-023	20.205	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	-0-
2023-024	20.205	Equipment and Real Property Management	---***
2023-025	20.205	Procurement and Suspension and Debarment	-0-
2023-026	20.205	Special Tests and Provisions - Quality Assurance Program	-0-
2023-027	21.023	Allowable Costs/Cost Principles	53,435
2023-028	21.023	Eligibility	99,935
2023-029	21.023	Reporting	-0-

Section III - Federal Award Findings and Questioned Costs, continued

Reference Number	ALN	Findings	Questioned Costs
2023-030	21.027	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	17,671,782
2023-031	21.027	Matching, Level of Effort, Earmarking	---***
2023-032	21.027	Procurement and Suspension and Debarment	4,477,879
2023-033	21.027	Reporting	-0-
2023-034	21.027	Subrecipient Monitoring	15,640,541
2023-035	84.425H	Allowable Costs/Cost Principles	-0-
2023-036	84.425H	Matching, Level of Effort, Earmarking	-0-
2023-037	84.425H	Reporting	-0-
2023-038	84.425H	Subrecipient Monitoring	6,641,757
2023-039	93.575/93.596	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	71,972
2023-040	93.575/93.596	Eligibility	12,490
2023-041	93.575/93.596	Period of Performance	95,367
2023-042	93.575/93.596	Special Tests and Provisions - Health and Safety Requirements	-0-
2023-043	93.767	Reporting	-0-
2023-044	93.767	Special Tests and Provisions - Provider Eligibility	7,808,322
2023-045	93.778	Reporting	-0-
2023-046	93.778	Special Tests and Provisions - ADP Risk Analysis and System Security Review	---***
2023-047	93.778	Special Tests and Provisions - Provider Eligibility (Screening and Enrollment)	28,448,121
2023-048	97.036	Allowable Costs/Cost Principles	305,995
2023-049	97.036	Reporting	-0-
2023-050	97.036	Subrecipient Monitoring	7,350,898

*** Questioned costs are undeterminable.

Finding No. 2023-001

Area: General Ledger and Financial Statement Close Process

Criteria:

GASB Codification 1200 states that adherence to generally accepted accounting principles (GAAP) is essential to assuring a reasonable degree of comparability among the financial reports of state and local governmental units. Governmental accounting systems thus must provide data that permit reporting on the financial status and operations of a government in conformity with GAAP.

Condition:

1. CNMI was unable to provide sufficient appropriate evidence and financial activities of the following significant general ledger account balances:

    - Cash and cash equivalents (unrestricted and restricted)
    - Receivables, net of allowance for uncollectible accounts
    - Due to/from component units and interfund settlements
    - Depreciable and nondepreciable capital assets
    - Advances, inventories and other assets
    - Accounts payable
    - Claims and judgements payable
    - Tax and recovery rebates payable
    - Other liabilities and accruals
    - Unearned revenues
    - Compensated absences
    - Net pension liability
    - Landfill closure and post closure costs
    - Net position/fund balances
    - Revenues
    - Operating expenditures/expenses

2. Investments and bonds payable are significantly understated. Material audit adjustments were proposed and recorded to correct these misstatements.

3. CNMI was unable to monitor the movements of beginning fund balances of all the governmental funds, relating to all prior year audit adjusting journal entries and to all manual adjustments recorded during the fiscal years 2021, 2022 and 2023 audits.

Finding No. 2023-001, continued

Area: General Ledger and Financial Statement Close Process, continued

Condition, continued:

4. The following accounts reported September 30, 2023 ending balances that are the same balances as of September 30, 2022 and 2021 for the CNMI primary government:

• Due from fiduciary funds	$ 2,482,929
• Inventories	$ 804,343
• Other assets	$ 2,500,000
• Claims and judgments payable	$ 2,525,312
• Loans payable under settlement agreement	$ 1,303,939
• Tax rebates payable	$58,365,648
• Recovery rebates payable	$ 1,628,107
• Due to NMI Settlement Fund	$25,336,979
• Accrued interest payable	$ 1,361,391
• Landfill closure and post closure costs	$15,180,980

5. The budget control function configuration of the Tyler Munis system that prevents expenditures from being recorded when the cumulative amount is in excess of the budgeted amount was not activated during the first three months of FY2023.

Cause:

CNMI did not perform a combination of the following: (1) reconciliations, (2) proper cut-off procedures, (3) effective communications among departments, and (4) sufficient supervision and reviews relative to significant classes of transactions, and lacks monitoring controls to ensure the Tyler Munis system's budget control function configuration is not deactivated.

Effect or Potential Effect:

Potential management override of internal controls over CNMI's budgetary policy; and material errors over the financial statement may occur, resulting into a disclaimer of opinion being issued for the following accounts:

- Cash and cash equivalents (unrestricted and restricted)
- Receivables, net of allowance for uncollectible accounts
- Due to/from component units and interfund settlements
- Depreciable and nondepreciable capital assets
- Advances, inventories and other assets
- Accounts payable

Finding No. 2023-001, continued

Area: General Ledger and Financial Statement Close Process, continued

Effect or Potential Effect, continued:

- Claims and judgements payable
- Tax and recovery rebates payable
- Other liabilities and accruals
- Unearned revenues
- Compensated absences
- Net pension liability
- Landfill closure and post closure costs
- Net position/fund balances
- Revenues
- Operating expenditures/expenses

Identification as a Repeat Finding: Finding No. 2022-001

Recommendation:

CNMI should improve controls to ensure all transactions, including non-cash transactions, are recorded in the proper accounting period, and perform periodic monitoring over the activation of its Tyler Munis system budget control function configuration.

Views of Responsible Officials:

Conditions 1 to 4 - CNMI Department of Finance agrees with this finding. These challenges stem from factors such as staff turnover and the transition from a legacy financial system to the newly implemented Tyler Munis platform. The Tyler Munis system includes a dedicated Year-End Closing module equipped with a checklist designed to support timely reconciliations and ensure that all transactions are recorded in the appropriate accounting period. The Department has continued to utilize this module and anticipates measurable improvements in financial reporting accuracy and compliance going forward.

Condition 5 - CNMI Department of Finance agrees with this finding. System budget control mechanisms were activated in January 2023 to ensure financial activity is recorded in the proper accounting period and to prompt personnel to conduct periodic monitoring. These controls strengthen compliance and help prevent similar issues from occurring in future reporting cycles.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-002

Area: Schedule of Expenditures of Federal Awards

Criteria:

In accordance with 2 CFR Part 200.510, the auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502. At a minimum, the schedule must:

1. List individual Federal programs by Federal agency using the applicable Assistance Listing number(s). For a cluster of programs, provide the cluster name, list of individual Federal programs within the cluster, and provide the Federal agency name and the applicable Assistance Listing Number. For research and development, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency.

2. Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is unavailable. For a cluster of programs, also provide the total for the cluster.

3. Include the total amount provided to subrecipients from each Federal program.

In addition, non-Federal entities are required to separately identify COVID-19 expenditures on the SEFA and SF-SAC (Data Collection Form) that is submitted to the Federal Audit Clearinghouse.

Further, as stated by 2 CFR §200.1, a subrecipient is defined as an entity that receives a subaward from a pass-through entity to carry out part of a Federal award. The term subrecipient does not include a beneficiary or participant. A subrecipient may also be a recipient of other Federal awards directly from a Federal agency.

Condition:

1. Test of accuracy and completeness of the SEFA schedule noted the following, for which CNMI resubmitted several revised SEFA schedules:

   a. Inconsistencies in presentation of program titles while some program titles were not specified.

   b. Incorrect Assistance Listing Numbers (ALN).

   c. Some federal programs within a cluster of programs were not presented as a cluster while some federal programs presented as a cluster are not part of a cluster or was decoupled from a cluster in 2023, but were presented as part of the cluster.

Finding No. 2023-002, continued

Area: Schedule of Expenditures of Federal Awards, continued

Condition, continued:

d. COVID-19 expenditures were either not identified or not separately identified from non-COVID-19 expenditures. The 01/13/26 revised final SEFA schedule; however, still did not reflect the COVID-19 related expenditures for ALNs 84.425H and 93.778, amounting to $6,678,803 and $4,859, respectively.

e. ALN 15.875 expenditures for the Development of Territories, Capital Improvement Projects and the Compact Impact fundings were not separately presented on the SEFA.

f. Project expenditures detail schedules for several of the major programs reflect numerous invalid transactions.

g. Tinian Municipality's FY2023 expenditures for ALN 21.027, amounting to $1,486,807 were not included in the SEFA schedule.

2. Tests of completeness and accuracy of subrecipient expenditures at the program level, noted the following:

ALN	Per Project Expenditures Detail	Per SEFA schedule	Variance and SEFA Understatement
21.027	$15,640,541	$750,000	$14,890,541

3. The SEFA included prior year's federal share of expenditures of $6,969,152 for the following ALNs. Management does not consider the amount to be material to the financial statements to warrant an adjustment.

Assistance Listing	Prior Expenditures
11.307	$ 90
21.023	11,784
21.027	244,803
84.425H	504,411
CCDF	301
93.767	667,606
93.778	5,540,157
	$6,969,152

Finding No. 2023-002, continued

Area: Schedule of Expenditures of Federal Awards, continued

Condition, continued:

4. CNMI recorded credit journal entries amounting to $74,852 for ALN 21.023, pertaining to rental financial assistance that were invoiced in FY2022. This resulted in an understatement of FY2023 program expenditures, amounting to $74,852, for which management does not consider the amount to be material to the financial statements to warrant an adjustment.

5. CNMI recorded credit journal entries amounting to $779,896 for ALN 17.225, pertaining to checks processed in prior years that were subsequently voided in FY2023, including collections received during FY2023 related to benefit overpayments that were issued in previous years. This resulted in an understatement of FY2023 program expenditures, amounting to $779,896, for which management does not consider the amount to be material to the financial statements to warrant an adjustment.

5. The following expenditures for ALN 21.027 were incurred on 07/21/22 and 10/18/22; however, were recorded as FY2024 expenditures. Management does not consider the amount to be material to the financial statements to warrant an adjustment.

Project Number	Project Accounting Journal Effective Date	Project Accounting Journal Number	Amount
AR27010004	09/11/24	3587	$7,571

6. Of $37,874,072 in program expenditures for ALN 97.036, classified as subrecipient expenditures, transactions pertain to beneficiaries in nature and/or as the end users of the awards rather than for the purpose of carrying out program requirements on behalf of the CNMI.

Project String	Amounts
2619210046	$ 112,366
1501210012	975
FG88120021	14,256
5101210007	271,434
FG88120015	3,018
1201210135	54
1401210014	20,622
1901210080	5,000
2001210036	178,175
2607210033	20,816

Finding No. 2023-002, continued

Area: Schedule of Expenditures of Federal Awards, continued

Condition, continued:

Project String	Amounts
2607210034	282,194
2607210035	26,268,355
FG88120012	770,580
2701210030	247,657
FG88120008	39,761
8812210014	1,488,931
8812210016	709,124
FG88120014	5,435
	$30,438,753

7. The purpose of the award is to carry out program requirements on behalf of the CNMI; however, such were not classified as subrecipient's expenditures in the SEFA.

ALN	Project Numbers	Award / Reference Numbers	Amounts
15.875	2605210070	D17AP00132	$ 700,000
15.875	2605210073	D21AP00138	634,054
15.875	2605210060	D21AP10043	378,000
15.875	2605210061	D21AP10044	120,000
84.425H	FG17010003	S425H210001	5,788,198
84.425H	FG17010003	S425H210001	504,411
84.425H	FG17010003	S425H210001	212,374
84.425H	FG17010003	S425H210001	109,424
84.425H	FG17010003	S425H210001	10,119
84.425H	FG17010003	S425H210001	10,010
84.425H	FG17010003	S425H210001	7,220
			$8,473,810

8. CNMI reported $11,344 in subrecipient expenditures in its SEFA schedule for ALN 21.023; however, such expenditures pertain to households' financial assistance related payments and not related to subrecipient expenditures.

Project Number	Amount
8813210004	$11,344

Finding No. 2023-002, continued

Area: Schedule of Expenditures of Federal Awards, continued

Condition, continued:

9. A variance of $3,827,865 was noted between the service providers benefit payments listing and the recorded benefit payments for ALN 93.778, for which the CNMI did not provide a reconciliation for the variance.

Per Benefits Listing of Claims	Per Program's Expenditure Detail Report	Variance and Questioned Costs
$32,275,986	$28,448,121	$3,827,865

Cause:

1. CNMI did not effectively perform controls over the preparation of the SEFA and federal programs project expenditures detail schedules, which resulted in several revised SEFA schedules resubmitted for the audit and revised federal program project expenditure detail schedules.

2. CNMI did not effectively perform controls over the year-end process in recording accruals for unpaid expenditures that were incurred within the fiscal year.

3. CNMI lacks monitoring controls over the reconciliations between recorded federal program expenditures and related subsidiary ledgers.

4. Misclassification between subrecipients and beneficiaries in nature and/or as the end users of the awards.

Effect or Potential Effect:

CNMI is in noncompliance with federal SEFA requirements and potential misstatements of federal program expenditures may affect the determination of major programs.

Identification as a Repeat Finding: Finding No. 2022-002

Recommendation:

1. CNMI should improve controls to help ensure the SEFA and federal program project expenditure detail schedules are prepared accurately and completely. In addition, personnel responsible for the preparation of the SEFA should undergo training and also utilize the applicable Compliance Supplement and information from SAM.gov for guidance.

Finding No. 2023-002, continued

Area: Schedule of Expenditures of Federal Awards, continued

Recommendation, continued:

2. CNMI should improve controls over the year-end process to help ensure expenditures are recorded in the period incurred.

3. CNMI should develop and implement monitoring internal controls over the reconciliation of recorded federal program expenditures and related subsidiary ledgers.

4. CNMI should provide further training for personnel over the distinction between subrecipients, contractors, beneficiaries and/or end users of awards.

Views of Responsible Officials:

Conditions 1 to 9 - CNMI Department of Finance (DOF) agrees with this finding. During the preparation of the FY2023 SEFA, CNMI DOF identified inconsistencies within CNMI's financial records and determined that existing account settings did not provide the level of detail necessary to efficiently compile an accurate and complete report.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-003

Area: Cash and Cash Equivalents

Criteria:

Bank reconciliations should be timely performed, and reconciling items should be timely adjusted. Also, tracking of proper bank account signatories and copies of bank statements should be kept on record. Further, all cash clearing accounts should be zeroed out as of year-end.

Condition:

Tests of bank reconciliations noted the following:

1. As of September 30, 2023, CNMI did not prepare a bank reconciliation for twelve cash accounts. An audit adjustment was proposed to correct the book balances.

Bank Code	Account Name	Bank Balance	Book Balance	Variance
10141	Supreme Court Imprest	$ 246,823	$ 121,987	$ 124,836
11150	Superior Court Imprest	$ 74,470	$ 3,230	$ 71,240
11170	Guam Medical Referral	$ 10,657	$ 309,409	$ (298,752)
11171	TDOA Medical Referral Treatment	$ 1,188	$ 1,358,279	$(1,357,091)
11220	BOG Supreme Court	$ 246,823	$(63,382)	$ 310,205
11310	CHC Medical Referral Imprest	$ 5,281	$ 329,927	$(324,646)
11431	NMI Retirement Fund GHLI	$ 846,002	$(41,522,711)	$42,368,713
11432	NMIRF OPT Outs	$ 235,143	$(275,187)	$ 510,330
11572	Federal Grants Payroll	$ 10,300	$ 1,272,467	$(1,262,167)
11601	COVID-19 TDOA	$ 1,091	$(138,117)	$ 139,208
11603	CARES Act PUA	$29,874,998	$(1,465,184)	$31,340,182
11629	NMIRF – Mortgage Home Loan	$ 2,714,551	$ 22,105	$ 2,692,446
11636	BGRT Special Trust	$ 2,016,803	$(266,350)	$ 2,283,153

2. Bank confirmations or bank statements for the following bank accounts were not provided.

Bank Code	Account Name	Book Balance
10050	DPL – Checking Premium ACCT	$ 59
10060	DPL – Savings Account	$5,689,960
10140	BOG Superior Court NMI	$ 3,528
10145	Judiciary Clerk: Civil	$(41,953)
10146	Judiciary Clerk: Criminal	$ 25,515
10201	Restricted Cash – Money MKT	$ 17,857
11002	Restricted Cash – Other	$ 5,256
11130	Honolulu Medical Imprest Fund	$ 539,486
11140	Riggs National Bank	$ 4,290
11221	Judiciary Legal Service Revenue	$(3,511)

Finding No. 2023-003, continued

Area: Cash and Cash Equivalents, continued

Condition, continued:

Bank Code	Account Name	Book Balance
11340	CHC General Fund	$ 11,848
11430	General Fund	$(31,885)
11451	CNMI Agricultural Fair	$ 2
11627	Investments	$ 97,794
11875	Cash w/Trustee – 2007B	$2,577,375
15070	Invest - BOG Pro	$1,245,856

3. As of September 30, 2023, CNMI recorded non-CNMI cash accounts of $22,105 (bank account code 11629) and $(275,187) (bank account code 11432). Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.

4. As of September 30, 2023, CNMI recorded a net negative of $192,731 of cash related to unidentified transactions. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.

Bank Code	Account Name	Book Balance
11960	Unidentified P/Y	$(519,722)
11980	Unidentified Rev Reimb	326,991
		$(192,731)

5. As of September 30, 2023, CNMI recorded negative cash $41,522,711 cash account (bank code 11431) related to an error in recording interfund settlements for health and life insurance payments. An audit adjustment was proposed to correct the amount.

6. As of September 30, 2023, the CNMI recorded outstanding wire transfers as bank reconciliation items (bank code 10000); however, the wire transfers cleared the bank account within FY2023.

Wire Transfer Nos.	Wire Transfer Dates	Clearance Dates	Amounts
23006818-23006825	04/10/23	04/10/23	$490,366
23007057-23007066	04/20/23	04/20/23	$476,581

Finding No. 2023-003, continued

Area: Cash and Cash Equivalents, continued

Cause:

CNMI did not adhere to policies and procedures related to timely preparation of bank reconciliations, to update bank account authorized signatories, to assess negative cash accounts, and to reconcile cash clearing accounts for adjustment at fiscal year-end.

Effect or Potential Effect:

Cash balances could be materially misstated throughout the year. In addition, there is potential for losses due to unsupported cash in bank accounts.

Identification as a Repeat Finding: Finding No. 2022-003

Recommendation:

CNMI should adhere to established policies and procedures over the timely reconciliation and adjustment of bank and cash clearing accounts.

Views of Responsible Officials:

Conditions 1 to 6 - CNMI Department of Finance (DOF) agrees with this finding. To address the issue, CNMI DOF has established a dedicated team responsible for monitoring bank reconciliation progress and providing ongoing oversight. This collaborative team includes representatives from the Secretary of Finance's Office, Financial Services - Bank Reconciliation Section and Department of Treasury.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-004

Area: CNMI Workers' Compensation Commission

Criteria:

Transfers of assets and liabilities from component units should be documented. In addition, an effective system of internal control over financial reporting includes maintenance of a separate general ledger system that records transactions and generates timely, reliable, and relevant financial information.

Condition:

On November 9, 2012, Public Law 17-88, transferred administrative functions of the CNMI Workers' Compensation Commission (WCC) from the Northern Mariana Islands Retirement Fund (NMIRF) to the CNMI Department of Commerce (DOC). CNMI management determined that WCC should be included within its Special Revenue Funds. As of September 30, 2023, transfers of WCC's cash and cash equivalents, certificates of deposit, investments and receivable accounts were not documented.

In addition, tests of WCC accounts noted that WCC maintains an investment with a market value of $1,941,846 as of September 30, 2023; however, an investment policy was not provided. In addition, fiscal year 2023 investment transactions were not recorded, reconciled, or monitored.

Cause:

CNMI lacks coordination over the transfer of WCC accounts between NMIRF and CNMI and lacks procedures over financial reporting.

Effect or Potential Effect:

WCC's funds could be misstated.

Identification as a Repeat Finding: Finding No. 2022-004

Recommendation:

CNMI should document transfers of WCC's assets and establish or assign separate general ledger accounts for WCC funds. Further, bank reconciliations should be prepared for all cash accounts. Lastly, CNMI should establish an investment policy.

Finding No. 2023-004, continued

Area: CNMI Workers' Compensation Commission, continued

Views of Responsible Officials:

CNMI agrees with this finding. For context, on November 9, 2012, P.L. 17-88 transferred the administrative functions of the CNMI Workers' Compensation Commission (WCC) from the Northern Mariana Islands Retirement Fund to the Department of Commerce, with the transition taking effect on September 30, 2013. To the best of CNMI's knowledge, all WCC financial records, including bank information, were transmitted from the defunct NMIRF to the Office of the Secretary on or around September 30, 2013, with copies also provided to the Secretary of Commerce.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-005

Area: Net Pension Liability

Criteria:

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*, which align the reporting requirements for pension and pension plans not covered in GASB 67 and 68 with the reporting requirements in Statement 68.

Condition:

CNMI did not record the effects of GASB 73 related to the 25% payments of the class members full benefits, which has historically been paid consistently and appears to be substantially automatic.

Cause:

Actuarial valuations obtained did not include the effects of GASB 73.

Effect or Potential Effect:

CNMI is not in compliance with GASB Statements No. 73.

Identification as a Repeat Finding: Finding No. 2022-005

Recommendation:

CNMI should ensure that actuarial valuation includes the effects of GASB 73 related to the 25% of the class members full benefits.

Views of Responsible Officials:

CNMI Department of Finance (DOF) agrees with this finding. CNMI DOF agrees that these payments have been made consistently and meet the criteria for recognition as a substantially automatic benefit under GASB 73.

Finding No. 2023-006

Area: External Financial Reporting

Criteria:

GASB Codification 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, requires the financial statements of the reporting entity to include financial statements of component units for which the primary government is financially accountable and for which exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Condition:

CNMI's financial statements do not include the financial statements of the following component units:

1. Commonwealth Healthcare Corporation (CHCC)
2. Northern Marianas Housing Corporation (NMHC)
3. Northern Mariana Islands Retirement Fund (NMIRF)

Cause:

CNMI did not obtain audited financial statements from the aforementioned component units.

Effect or Potential Effect:

CNMI is not in compliance with GASB Codification 2600.

Identification as a Repeat Finding: Finding No. 2022-006

Recommendation:

CNMI should obtain audited financial statements of the aforementioned component units for inclusion in the CNMI's financial statements.

Views of Responsible Officials:

The Single Audit Committee agrees with this finding. The Committee has implemented enhanced oversight measures to closely monitor the audit progress of the identified component units. This includes issuing clear communication on deadlines and following through with established dates, meeting with management and board, and requesting status updates from the auditors. The Committee is committed to ensuring that these entities submit their audited financial statements promptly and in accordance with established deadlines.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-007

Area: Capital Assets

Criteria:

GASB Codification 1400 requires capital assets to be recorded at their correct costs, in the correct accounting period, and at the proper depreciation.

Condition:

CNMI did not account for additions, deletions and depreciation to the cost of capital assets during the year ended September 30, 2023.

Cause:

CNMI lacks controls over its capitalization policy.

Effect or Potential Effect:

The financial statements contain errors in regard to capital assets.

Identification as a Repeat Finding: Finding No. 2022-007

Recommendation:

CNMI should account for additions and deletions to the cost of capital assets and account for any depreciation expenses for the fiscal year end.

Views of Responsible Officials:

Division of Procurement Services agrees with the finding. Procurement Services acknowledges that additions, deletions, and depreciation related to capital assets were not fully recorded and reconciled during the fiscal year. This condition is primarily attributable to limitations in the configuration and utilization of the Munis Capital Asset Module, which has not yet been fully integrated to support the accurate recording, tracking, and reporting of capital asset activity.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-008

Area: CNMI Local Noncompliance

Criteria:

On October 1, 2020, the CNMI passed Public Law 21-35 as the Appropriations and Budget Authority Act of 2021 (the Act) to make appropriations for the operations and activities of the CNMI, its agencies, instrumentalities, independent programs, and to provide budget authority for government corporations.

Budgets are a vital tool for establishing public policy and for maintaining control over the management of public resources.

Condition:

The following activity levels reported expenditures in excess of budget allocations for fiscal year ended September 30, 2023:

	Budgeted Level of Expenditures	Actual Expenditures	Over Expenditure
Executive Branch:			
Department of Commerce	$ 851,997	$ 852,592	$ 595
Department of Community of Cultural Affairs	$ 863,990	$ 866,125	$ 2,135
Department of Corrections	$ 2,829,016	$ 3,278,771	$449,755
Department of Finance	$ 4,593,084	$ 4,809,593	$216,509
Department of Fire and Emergency Medical Services	$ 3,523,387	$ 3,553,948	$ 30,561
Department of Labor	$ 400,748	$ 400,818	$ 70
Department of Lands and Natural Resources	$ 903,248	$ 904,136	$ 888
Department of Public Safety	$ 4,539,454	$ 4,747,303	$207,849
Other independent programs	$35,566,200	$36,392,902	$826,702

Cause:

CNMI authorized expenditures in excess of budget allocations.

Effect or Potential Effect:

Expenditures exceeded budget allocations.

Identification as a Repeat Finding: Finding No. 2022-008

Finding No. 2023-008, continued

Area: CNMI Local Noncompliance, continued

Recommendation:

Responsible DOF personnel should review causes relating to the excess of expenditures over budgeted levels.

Views of Responsible Officials:

CNMI Department of Finance (DOF) agrees with this finding. As part of CNMI DOF's ongoing fiscal oversight, the Department currently submits quarterly revenue and expenditure reports to the legislature. In preparing these reports, CNMI DOF conducts comprehensive reviews to assess trends and variances between actual financial activity and the provisions outlined in the budget law.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-009

Area: Due to Component Units

Criteria:

Amounts due to component units (CU) should be reconciled.

Condition:

There are differences between the CNMI's recorded amounts due to component units and the amounts recorded by component units as follows:

Component Unit	Amount per General Ledger	Amount Reported by the CU	Variance
MVA	$6,595,120	$1,794,088	$ 4,801,032
PSS	$ 6,907	$7,125,047	$(7,118,140)
CUC	$5,578,317	$ ---	$ 5,578,317
NMC	$ 185,235	$2,233,824	$(2,048,589)
CEDA	$6,013,120	$6,000,000	$ 13,120

Cause:

No timely reconciliations with component units were performed.

Effect or Potential Effect:

There is a misstatement in amounts due to component units and related transfers.

Identification as a Repeat Finding: Finding No. 2022-009

Recommendation:

Timely reconciliations should be performed on balances with the component units, and differences should be resolved.

Views of Responsible Officials:

CNMI Department of Finance agrees with this finding which resulted from several challenges, including staff turnover and the implementation of the new financial management system. CNMI DOF will perform reconciliations as part of the Month-End Manager process in Tyler Munis and the Year-End Closing Checklist. This will ensure that transactions are recorded in the appropriate accounting period and that balances due to component units are reconciled in a timely manner.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-010

Federal Agency:	U.S. Department of Agriculture
AL Program:	10.539 Nutrition Assistance Program
Federal Award No.:	7NM4004NM
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$684,138

Criteria:

Non-federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR Part 200. CNMI's procurement regulations state the following:

- All government procurement shall be awarded by competitive sealed bidding except under certain circumstances permitting other than full and open competition.
- Bidding is not required but is encouraged for procurement of $2,500 and under $10,000. The individual with the expenditure authority must obtain price quotations from at least three vendors and should base the selection on competitive price and quality for procurement valued at $2,500 to $10,000. Any price quotations must be written, documented, and submitted to the Procurement and Supply (P&S) Director for approval.
- For purchases that exceed $10,000 but which are less than or equal to $50,000, a minimum of three vendors shall be solicited to submit written or electronic quotations. If there are fewer than three vendors, the expenditure authority shall certify, in writing, to the P&S Director that fewer than three vendors responded and shall provide written proof of the request.

In accordance with 2 CFR Section 200.303, non-federal entities receiving federal awards must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Based on 2 CFR Section 200.317, when conducting procurement transactions under a Federal award, a State must follow the same policies and procedures it uses for procurement with non-Federal funds.

Further, in accordance with 2 CFR 180.300, entities that enter into covered transactions must verify that the person with whom they intend to do business is not excluded or disqualified by:

(a) Checking SAM.gov Exclusions; or
(b) Collecting a certification from that person; or
(c) Adding a clause or condition to the covered transaction with that person.

Lastly, according to 2 CFR 180.220(b)(1), a procurement transaction is considered a covered transaction if the contract amount is expected or to equal or exceed $25,000.

Finding No. 2023-010, continued

Federal Agency:	U.S. Department of Agriculture
AL Program:	10.539 Nutrition Assistance Program
Federal Award No.:	7NM4004NM
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$684,138

Condition:

1. Inconsistencies were noted in procurement regulations over local and federal funded transactions. No questioned costs are presented as the extent of noncompliance could not be quantified.

Small Purchase	Dollar Value	CNMI Procurement Regulations
Local funds or combination with federal funds	Greater than $10K but ≤ $50K	A minimum of three vendors shall be solicited.
Federal funds	Greater than $10K, but ≤ $250K	A minimum of three vendors shall be solicited.
Local funds	Greater than $250K	Not stated.
Federal funds	Greater than $250K	At least one quote shall be obtained when purchasing from the General Services Administration (GSA).

2. CNMI did not verify whether a person or a vendor is excluded or disqualified pursuant to the requirements of 2 CFR 180.300 prior to entering into a covered transaction.

Grant Award No.	Contract Number	Contract Amount	FY2023 Expenditures and Questioned Costs
7NM4004NM	32300149	$ 270,000	$270,000
7NM4004NM	32300268	$ 260,784	195,558
7NM4004NM	32300453	$ 398,400	143,100
7NM4004NM	32300124	$ 300,300	42,900
7NM4004NM	32300282	$ 32,580	32,580
7NM4004NM	32300871	$2,823,700	-
			$684,138

Finding No. 2023-010, continued

Federal Agency:	U.S. Department of Agriculture
AL Program:	10.539 Nutrition Assistance Program
Federal Award No.:	7NM4004NM
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$684,138

Cause:

1. CNMI does not use the same policies and procedures for procurements under a federal award as with procurements from its non-federal funds under the small purchases method.

2. CNMI's current policy and procedure for monitoring suspension and debarment status of persons or vendors under a covered transaction is not in accordance with the provisions identified in 2 CFR 180.300.

Effect or Potential Effect:

CNMI is in noncompliance with applicable procurement and suspension and debarment compliance requirements and questioned costs of $684,138 result for Condition 2.

Identification as a Repeat Finding: Finding No. 2022-010

Recommendation:

1. CNMI should revisit its procurement regulations and consider updating applicable sections of the regulations to comply with federal regulations governing federal funds.

2. Responsible CNMI personnel should periodically monitor updates in federal regulations over procurement and suspension and debarment.

3. Establish and implement effective monitoring control over the verification of excluded or disqualified persons or vendors pursuant to CFR Section 180.300, prior to CNMI entering into a covered transaction.

Finding No. 2023-010, continued

Federal Agency:	U.S. Department of Agriculture
AL Program:	10.539 Nutrition Assistance Program
Federal Award No.:	7NM4004NM
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$684,138

Views of Responsible Officials:

Condition 1 - Division of Procurement Services respectfully disagrees with this finding. Procurement Services agrees that the Commonwealth should periodically review its procurement regulations to ensure continued consistency with applicable federal requirements. However, Procurement Services notes that the procurement regulations currently establish procurement thresholds and procedures for locally funded procurements and procurements funded through a combination of local and federal funds. Procurements exceeding applicable small purchase thresholds are required to proceed through other procurement methods authorized under the procurement regulations, including competitive sealed bidding or other approved procurement methods, as applicable.

Procurement Services further notes that procurements exceeding the applicable small purchase thresholds are governed by other provisions of the procurement regulations and are therefore not without regulatory direction. Accordingly, Procurement Services does not fully concur that the regulations are inconsistent as described in the finding.

Condition 2 - CNMI NAP agrees with this finding. The issue occurred because the previous policies and procedures did not fully document the three allowable verification methods under 2 CFR 180.300 for covered transactions ≥ $25,000.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

Condition 1 - CNMI procurement regulations for small purchases are not in accordance with 2 CFR Section 200.317, wherein a State must follow the same policies and procedures it uses for procurement with non-Federal funds when conducting procurement transactions under a Federal award. The condition remains.

Finding No. 2023-011

Federal Agency:	U.S. Department of Agriculture
AL Program:	COVID-19 10.542 Pandemic EBT Food Benefits (P-EBT)
Federal Award No.:	7NM400NM2
Area:	Eligibility
Questioned Costs:	$16,635

Criteria:

Per Section 4 of the CNMI State Plan for Pandemic EBT, a child is eligible for P-EBT benefits if two conditions are met:

1. The child would be eligible for free or reduced-price meals if the National School Lunch Program and School Breakfast Program were operating normally. This includes children who are:

   a. Directly certified or determined "other source categorically eligible" for SY 2021-2022, or

   b. Certified through submission of a household application processed by the child's school district for SY 2021-2022, or

   c. Enrolled in a Community Eligibility Provision school or a school operating under Provisions 2 or 3, or

   d. On the School's most current prior year list of directly certified children, children determined other source categorically eligible, or children certified by application and the school district has not made a new school meal eligibility determination for the child in SY 2021-2022. The date range covered by the State plan for children in school and children in childcare is from August 2021 to May 2022.

2. The child does not receive free or reduced-price meals at the school because the school is closed or has been operating with reduced attendance or hours for at least 5 consecutive days in the current school year. Once the minimum 5 consecutive day threshold is met, children are eligible to receive P-EBT benefits for closures or reductions in hours due to COVID-19.

3. Non-Federal entity must follow the eligibility process described in its approved State Plan.

Condition:

1. Of sixty eligibility case files tested, aggregating $17,269 in total benefits paid, of a total population of $10,942,035, the following were noted:

Finding No. 2023-011, continued

Federal Agency:	U.S. Department of Agriculture
AL Program:	COVID-19 10.542 Pandemic EBT Food Benefits (P-EBT)
Federal Award No.:	7NM400NM2
Area:	Eligibility
Questioned Costs:	$16,635

Condition, continued:

a. For fifty-eight (or 97%), certifications from the public schools, private schools and/or childcare facilities containing the children's specific records of days present, days absent, and days in virtual learning status, including classroom-wide and/or school-wide closures, were not provided.

Item Number	Case Number	School Year	Benefits Paid and Questioned Costs
1	P0000340781	Summer 2023	$139
2	P0000320003	Summer 2022	455
3	P0000306544	SY21-22	389
4	P0000334275	Summer 2023	139
5	P0000306868	SY21-22	472
6	P0000340281	Summer 2023	139
7	P0000327944	Summer 2022	455
8	P0000328303	Summer 2022	455
9	P0000336804	Summer 2023	139
10	P0000336646	Summer 2023	139
11	P0000323753	Summer 2022	455
12	P0000332128	Summer 2022	455
13	P0000305996	SY21-22	389
14	P0000326304	Summer 2022	455
15	P0000338374	Summer 2023	139
16	P0000344029	Summer 2023	139
17	P0000343605	Summer 2023	139
18	P0000336079	Summer 2023	139
19	P0000303546	SY21-22	513
20	P0000341677	Summer 2023	139
21	P0000317357	SY21-22	58
22	P0000331740	Summer 2022	455
23	P0000313983	SY21-22	132
24	P0000342944	Summer 2023	139

Finding No. 2023-011, continued

Federal Agency:	U.S. Department of Agriculture
AL Program:	COVID-19 10.542 Pandemic EBT Food Benefits (P-EBT)
Federal Award No.:	7NM400NM2
Area:	Eligibility
Questioned Costs:	$16,635

Condition, continued:

Item Number	Case Number	School Year	Benefits Paid and Questioned Costs
25	P0000301333	SY21-22	273
26	P0000304638	SY21-22	513
27	P0000325100	Summer 2022	455
28	P0000327696	Summer 2022	455
29	P0000330411	Summer 2022	455
30	P0000327682	Summer 2022	455
31	P0000334815	Summer 2023	139
32	P0000313365	SY21-22	273
33	P0000328517	Summer 2022	455
34	P0000337411	Summer 2023	139
35	P0000301938	SY21-22	257
36	P0000322401	Summer 2022	455
37	P0000305822	SY21-22	389
38	P0000344695	Summer 2023	139
39	P0000342569	Summer 2023	139
40	P0000317880	SY21-22	157
41	P0000328952	Summer 2022	455
42	P0000317848	SY21-22	66
43	P0000340027	Summer 2023	139
44	P0000323892	Summer 2022	455
45	P0000332972	Summer 2022	455
46	P0000341477	Summer 2023	139
47	P0000336573	Summer 2023	139
48	P0000338642	Summer 2023	139
49	P0000343209	Summer 2023	139
50	P0000330911	Summer 2022	455
51	P0000326031	Summer 2022	455
52	P0000336841	Summer 2023	139
53	P0000337947	Summer 2023	139

Finding No. 2023-011, continued

Federal Agency:	U.S. Department of Agriculture
AL Program:	COVID-19 10.542 Pandemic EBT Food Benefits (P-EBT)
Federal Award No.:	7NM400NM2
Area:	Eligibility
Questioned Costs:	$16,635

Condition, continued:

Item Number	Case Number	School Year	Benefits Paid and Questioned Costs
54	P0000302623	SY21-22	240
55	P0000331490	Summer 2022	199
56	P0000331637	Summer 2022	455
57	P0000326180	Summer 2022	455
58	P0000318236	SY21-22	157
			$16,635

b. For one (or 2%), the notice of disposition evidencing the child is a participant under the Nutrition Assistance Program (NAP), was not provided. No questioned cost is presented as the amount is questioned at Condition 1a.

Case Number	School Year	Benefits Paid
P0000334815	Summer 2023	$139

c. For six (or 10%), attendance data were not provided, evidencing benefit computations are only for eligible days and did not include unexcused absences. No questioned costs are presented as amounts are questioned at Condition 1a.

Case Number	School Year	Benefits Paid
P0000306544	SY21-22	$ 389
P0000306868	SY21-22	472
P0000305996	SY21-22	389
P0000313983	SY21-22	132
P0000313365	SY21-22	273
P0000305822	SY21-22	389
		$2,044

Finding No. 2023-011, continued

Federal Agency:	U.S. Department of Agriculture
AL Program:	COVID-19 10.542 Pandemic EBT Food Benefits (P-EBT)
Federal Award No.:	7NM400NM2
Area:	Eligibility
Questioned Costs:	$16,635

Condition, continued:

d. For two (or 3%), eligible days per attendance data differ from the number of eligible days used to compute benefits. No questioned costs are presented as amounts are questioned at Condition 1a.

Case Number	School Year	Eligible Days Per Attendance Data	Computed Eligible Days	Benefits Paid
P0000303546	SY21-22	2	62	$513
P0000302623	SY21-22	1	29	240
				$753

e. For one (or 2%), the child received benefit; however, was not included in the attendance data. No questioned cost is presented as the amount is questioned at Condition 1a.

Case Number	School Year	Benefits Paid
P0000301333	SY21-22	$273

f. For two (or 3%), attendance data only reflected unexcused absences with no eligible days. No other documentation was provided to justify the computed benefits. No questioned costs are presented as amounts are questioned at Condition 1a.

Case Number	School Year	Unexcused Absences Per Attendance Data	Benefits Paid
P0000304638	SY21-22	13 days	$513
P0000301938	SY21-22	7 days	257
			$770

Finding No. 2023-011, continued

Federal Agency:	U.S. Department of Agriculture
AL Program:	COVID-19 10.542 Pandemic EBT Food Benefits (P-EBT)
Federal Award No.:	7NM400NM2
Area:	Eligibility
Questioned Costs:	$16,635

Condition, continued:

2. CNMI NAP did not provide instructions to its school districts to remove children on SY2019-SY2020 free and reduced-price lists who are no longer enrolled in school in SY2020–2021. Questioned costs are undeterminable as the extent of noncompliance could not be quantified.

Cause:

CNMI did not enforce compliance with applicable eligibility compliance requirements and lacks monitoring controls over the following:

1. Computation of benefits are based on certified school rosters and attendance data;

2. Adequate documentation and systematic filing of relevant documentation supporting eligibility determinations; and

3. Reconciliation of the data provided by PSS CNP was not evident to ensure that data is complete and proper to determine the appropriate benefits to be provided for eligible children.

Effect or Potential Effect:

CNMI is in noncompliance with the applicable eligibility compliance requirements and questioned costs of $16,635 result, as the projected questioned costs exceeded the $25,000 reportable threshold.

Condition	Questioned Costs
1a	$16,635
2	Undeterminable

Identification as a Repeat Finding: Finding No. 2022-012

Finding No. 2023-011, continued

Federal Agency:	U.S. Department of Agriculture
AL Program:	COVID-19 10.542 Pandemic EBT Food Benefits (P-EBT)
Federal Award No.:	7NM400NM2
Area:	Eligibility
Questioned Costs:	$16,635

Recommendation:

CNMI should establish and implement effective monitoring internal control procedures over the following:

1. Verification over computation of benefits to ensure benefits paid are only for certified eligible participants and for eligible days; and

2. Establish and maintain effective systematic filing of relevant documentation to support eligibility compliance requirements and for easier retrieval.

Views of Responsible Officials:

Conditions 1 to 2 - CNMI NAP agrees with the auditor's finding and conclusions. The issues occurred because CNMI NAP lacked effective monitoring controls and systematic filing procedures over eligibility determinations, attendance data verification, documentation retention, and reconciliation of data received from the Public School System.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-012

Federal Agency:	U.S. Department of Agriculture
AL Program:	COVID-19 10.542 Pandemic EBT Food Benefits (P-EBT)
Federal Award No.:	7NM400NM2
Area:	Reporting
Questioned Costs:	$-0-

Criteria:

The Program is required to submit quarterly Federal Financial Reports (SF-425) that are accurately presented, comparable and reconcilable, no later than 30 calendar days after the reporting period.

Condition:

Of four SF-425 quarterly reports tested that were due for submission during the CNMI's fiscal year ended September 30, 2023, the report for the quarter ended 09/30/22 was not provided.

Cause:

CNMI lacks monitoring controls over preparation and filing of the program's reporting compliance requirements.

Effect or Potential Effect:

CNMI is in noncompliance with applicable reporting compliance requirements. No questioned costs are presented as the noncompliance is non-monetary in nature.

Identification as a Repeat Finding: This is not a repeat finding.

Recommendation:

CNMI should implement and enforce monitoring internal control procedures over adequate documentation and systematic filing of relevant reporting compliance requirements.

Views of Responsible Officials:

CNMI NAP agrees with the auditor's finding and conclusions. The issue occurred because of competing priorities in our partner agencies and delays in the overall process for preparing and submitting the quarterly Federal Financial Reports (SF-425). This has been a recurring finding in prior years, including the FY23 Financial Management Review.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-013

Federal Agency:	U.S. Department of Commerce
AL Program:	11.307 Economic Adjustment Assistance
Federal Award No.:	07-79-07645, 07-79-07631, 07-79-07562
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$3,695,208

Criteria:

In accordance with 2 CFR 200.303(a), the recipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Additionally, in accordance with 2 CFR §200.403(g), non-Federal entities must maintain adequate documentation to support all charges to Federal awards.

Condition:

Of twenty-two nonpayroll expenditures tested, aggregating $3,695,208 of a total population of $4,435,648, the following were noted:

1. For two (or 9%), CNMI did not provide the invoices and/or contract agreements. No questioned costs are presented as amounts are questioned at Condition 2.

Grant Award Number	Project Number	Project Accounting Journal Effective Date	Project Accounting Journal Number	FY 2023 Expenditures
07-79-07645	FG17010001	06/08/23	478	$1,290,903
07-79-07645	FG17010001	08/02/23	360	649,320
				$1,940,223

2. For twenty-two (or 100%), CNMI did not provide cancelled checks or related bank statements to provide evidence that payments were properly authorized, were made to eligible parties, and did not constitute improper payments for the following transactions.

Finding No. 2023-013, continued

Federal Agency:	U.S. Department of Commerce
AL Program:	11.307 Economic Adjustment Assistance
Federal Award No.:	07-79-07645, 07-79-07631, 07-79-07562
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$3,695,208

Condition, continued:

Grant Award Number	Project Number	Project Accounting Journal Effective Date	Project Accounting Journal Number	FY2023 Expenditures and Questioned Costs
07-79-07645	FG17010001	06/08/23	478	$1,290,903
07-79-07645	FG17010001	08/02/23	360	649,320
07-79-07562	2605210018	06/02/23	186	324,582
07-79-07562	2605210018	04/04/23	142	256,320
07-79-07645	FG17010001	02/16/23	2137	226,843
07-79-07562	2605210018	04/04/23	141	226,076
07-79-07562	2605210018	09/26/23	2670	222,469
07-79-07562	2605210018	06/06/23	270	204,504
07-79-07631	FG26050001	09/30/23	4200	147,789
07-79-07562	2605210018	06/09/23	556	114,477
07-79-07562	2605210018	09/30/23	4180	9,600
07-79-07562	2605210018	09/05/23	191	9,600
07-79-07562	2605210018	01/04/23	144	9,600
07-79-07562	2605210018	08/15/23	1585	1,800
07-79-07631	FG26050001	09/21/23	1862	531
07-79-07562	2605210018	02/17/23	2219	181
07-79-07562	2605210018	06/22/23	1138	172
07-79-07562	2605210018	06/02/23	197	165
07-79-07562	2605210018	05/05/23	593	87
07-79-07562	2605210018	03/03/23	219	85
07-79-07645	FG17010001	08/02/23	335	68
07-79-07562	2605210018	09/14/23	913	36
				$3,695,208

Finding No. 2023-013, continued

Federal Agency:	U.S. Department of Commerce
AL Program:	11.307 Economic Adjustment Assistance
Federal Award No.:	07-79-07645, 07-79-07631, 07-79-07562
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$3,695,208

Cause:

CNMI did not properly enforce their record-keeping and document retention controls.

Effect or Potential Effect:

CNMI is in noncompliance with applicable activities allowed or unallowed and allowable costs/cost principles compliance requirements and questioned costs of $3,695,208 result for Condition 2.

Identification of a Repeat Finding: This is not a repeat finding.

Recommendation:

CNMI should improve their record-keeping and document retention policies by properly utilizing the database functionality of their current Enterprise Resources Planning (ERP) software, which is Tyler MUNIS.

Views of Responsible Officials:

Condition 1 - CNMI Department of Finance respectfully disagrees with this finding related to project number FG17010001 (Economic Resiliency Center). CNMI DOF acknowledges that although supporting documentation, such as journal entries, approvals of expense transfers, sole-source justification memo and grantor approval were submitted, copies of the related invoices and/or contract agreement were not included. This omission was an oversight and resulted in a documentation-timing deficiency.

Condition 2 - CNMI Department of Finance respectfully disagrees with this finding related to PA Journals 478, 360, 2137 and 335. These transactions pertain to the Department's Economic Resiliency Center (ERC) project. Due to internal scheduling constraints and the compressed 2-day turnaround to provide supporting documentation to the auditors, the requested documents were not submitted by the specified deadline. This timing issue resulted in the finding; however, it does not reflect a lack of documentation or inadequate record-keeping. CNMI DOF maintains all relevant supporting documentation for these transactions and such documentation is available for review upon request from the Grantor.

Finding No. 2023-013, continued

Federal Agency:	U.S. Department of Commerce
AL Program:	11.307 Economic Adjustment Assistance
Federal Award No.:	07-79-07645, 07-79-07631, 07-79-07562
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$3,695,208

Views of Responsible Officials, continued:

The Office of Planning and Development (OPD) partially agrees with the finding. OPD reviewed the questioned transactions and supporting documentation available under its custody. Payment documentation has been identified for PA Journals 186, 142, 141, 2670, 270, 4200, 556, 4180, and 913 and is maintained by OPD for review.

For PA Journals 191 and 144, OPD verified that the invoice amounts are consistent with Contract No. 32200454; however, the PA Journal effective dates and journal numbers provided in the audit schedule do not correspond with the records reflected in the Munis system.

For PA Journals 1585, 1862, 2219, 1138, 197, 593, and 219, additional information is required to complete verification because the PA Journal effective dates and journal numbers differ from the Munis records available to OPD. The referenced invoice amounts alone are insufficient to identify the transactions, as they may represent portions of cost shared expenditures or partial payments associated with larger transactions. Identification of the vendor would significantly assist in locating and reconciling the transactions.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor response:

Conditions 1 and 2 - CNMI states disagreement; however, CNMI also acknowledges that documentation supporting program costs were not provided.

In addition, the program office should coordinate with the CNMI Department of Finance on identifying the PA journal effective dates, journal numbers and vendors that the program could not trace in the Munis system.

Finding No. 2023-014

Federal Agency:	U.S. Department of Commerce
AL Program:	11.307 Economic Adjustment Assistance
Federal Award No.:	07-79-07645, 07-79-07631, 07-79-07562, ED22SEA3070013
Area:	Reporting
Questioned Costs:	-0-

Criteria:

In accordance with 2 CFR 200.303(a), the recipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Based on the applicable reporting requirements outlined in the grant agreements, the program is required to submit a Federal Financial Reports (SF-425) on a semi-annual basis.

In accordance with applicable reporting requirements outlined in the grant agreements, the program is required to submit SF-271 Outlay Report and Request for Reimbursement for Construction Program for the applicable reporting period.

Further, in accordance with applicable reporting requirements outlined in the grant agreements, the program is required to submit Periodic Performance Report on a quarterly and semi-annual basis for the related grants.

Lastly, based on 2 CFR section 200.330 Reporting on real property, the federal agency or pass-through entity must require the recipient or subrecipient to submit reports on the status of real property in which the Federal Government retains an interest. Such performance technical reports must be submitted at least annually.

Condition:

1. For five (or 63%) of eight SF-425 financial reports tested, CNMI did not provide copies of the reports and supporting underlying accounting records.

Project No.	Grant Award No.	Period End Covered
FG17010001	07-79-07645	09/30/22
FG17010001	07-79-07645	03/31/23
FG26050001	07-79-07631	09/30/22
FG26050006	ED22SEA3070013	09/30/22
FG26050006	ED22SEA3070013	03/31/23

2. Of eight SF-271 Outlay Reports and Requests for Reimbursement for Construction Program tested, the following were noted:

Finding No. 2023-014, continued

Federal Agency:	U.S. Department of Commerce
AL Program:	11.307 Economic Adjustment Assistance
Federal Award No.:	07-79-07645, 07-79-07631, 07-79-07562, ED22SEA3070013
Area:	Reporting
Questioned Costs:	-0-

Condition, continued:

a. For six (or 75%), CNMI did not provide copies of the reports and supporting underlying accounting records.

Project No.	Grant Award No.	Period End Covered
FG17010001	07-79-07645	10/21/22-03/06/23
FG17010001	07-79-07645	08/30/21-04/24/23
FG17010001	07-79-07645	10/20/22-06/21/23
FG17010001	07-79-07645	03/26/23-08/09/23
2605210018	07-79-07562	07/01/22-10/31/22
2605210018	07-79-07562	11/01/22-01/09/23

b. For one (or 13%), CNMI only provided a copy of the report but not the supporting underlying accounting records.

Project No.	Grant Award No.	Period End Covered
2605210018	07-79-07562	08/29/22-04/30/23

3. Of twelve Periodic Performance Reports tested, the following were noted:

a. For six (or 50%), CNMI did not provide copies of the Periodic Performance Reports.

Project No.	Grant Award No.	Period End Covered
FG26050001	07-79-07631	09/30/22
2605210018	07-79-07562	09/30/22
FG17010001	07-79-07645	09/30/22
FG17010001	07-79-07645	12/31/22
FG17010001	07-79-07645	03/31/23
FG17010001	07-79-07645	06/30/23

b. For one (or 8%), CNMI did not submit the Periodic Performance Report on a timely basis.

Finding No. 2023-014, continued

Federal Agency:	U.S. Department of Commerce
AL Program:	11.307 Economic Adjustment Assistance
Federal Award No.:	07-79-07645, 07-79-07631, 07-79-07562, ED22SEA3070013
Area:	Reporting
Questioned Costs:	-0-

Condition, continued:

Project Number	Grant Award Number	Period End Covered	Required Submission Date	Actual Submission Date
2605210018	07-79-07562	12/31/2022	1/31/2023	2/13/2023

4. CNMI did not submit the annual Performance Technical Reports for the following grants:

Project No.	Grant Award No.	Period End Covered
FG17010001	07-79-07645	09/30/22
2605210018	07-79-07562	09/30/22
FG26050001	07-79-07631	09/30/22

Cause:

1. CNMI does not have an established control to ensure that submitted reports are properly maintained and can be extracted in a timely manner.

2. CNMI does not have an established monitoring control to ensure that all the required reports are submitted on a timely basis.

Effect or Possible Effect:

CNMI is in noncompliance with applicable reporting compliance requirements. No questioned costs are presented as the noncompliance is non-monetary in nature.

Identification as a Repeat Finding: This is not a repeat finding.

Recommendation:

CNMI should strengthen and enforce compliance with reporting compliance requirements over the following:

1. Establish policies and procedures for recordkeeping and document retention.

Finding No. 2023-014, continued

Federal Agency:	U.S. Department of Commerce
AL Program:	11.307 Economic Adjustment Assistance
Federal Award No.:	07-79-07645, 07-79-07631, 07-79-07562, ED22SEA3070013
Area:	Reporting
Questioned Costs:	-0-

Recommendation, continued:

2. Establish monitoring procedures to ensure that all the reports required to be submitted are done in a complete and timely manner.

Views of Responsible Officials:

Condition 1 - For project no. FG17010001 (related to the Economic Resiliency Center), CNMI Department of Finance respectfully disagrees with this finding. The Department was not aware that a documentation request had been submitted through the EY portal. This occurred because the ERC project was grouped with other OPD-related projects within the same EY portal request, resulting in the Department not receiving clear notification that additional documents were required. The Department maintains all relevant supporting documentation for these transactions and such documentation is available for review upon request from the Grantor.

The Office of Planning and Development (OPD) partially disagrees with the finding related to Project No. FG26050001 and FG26050006. OPD has located the SF-425 Federal Financial Report for Project No. FG26050001 / Grant Award No. 07-79-07631 for the reporting period ending September 30, 2022, and the report is maintained by OPD and available for review.

With respect to Project No. FG26050006 / Grant Award No. ED22SEA3070013, OPD has been unable to locate the referenced SF-425 reports for the reporting periods ending September 30, 2022, and March 31, 2023. However, although the grant was awarded in 2022, the project was not established until June 12, 2023, and grant activities had not commenced during the reporting periods cited in the finding. OPD will coordinate with the Department of Finance to determine whether reporting requirements applied during the referenced periods. Should additional guidance or clarification indicates that such reporting requirements were applicable, OPD will review the information provided and take appropriate action, as necessary. Correspondence from the Department of Finance confirming the project establishment date is available for review.

Condition 2a - For project no. FG17010001 (related to the Economic Resiliency Center), Department of Finance respectfully disagrees with this finding. The Department was not aware that a documentation request had been submitted through the EY portal. This occurred because the ERC project was grouped with other OPD-related projects within the same EY portal request, resulting in the Department not receiving clear notification that additional documents were required. The Department maintains all relevant supporting documentation for these transactions and such documentation is available for review upon request from the Grantor.

Finding No. 2023-014, continued

Federal Agency:	U.S. Department of Commerce
AL Program:	11.307 Economic Adjustment Assistance
Federal Award No.:	07-79-07645, 07-79-07631, 07-79-07562, ED22SEA3070013
Area:	Reporting
Questioned Costs:	-0-

Views of Responsible Officials, continued:

OPD respectfully disagrees with the finding related to Project No. 2605210018. OPD has located the SF-271 Outlay Reports and Requests for Reimbursement for Construction Program for Project No. 2605210018 / Grant Award No. 07-79-07562 covering the periods July 1, 2022, through October 31, 2022, and November 1, 2022, through January 9, 2023. These records are maintained by OPD and are available for review. No further corrective action is proposed. OPD has located the requested SF-271 reports and confirmed that they are maintained within its grant records and available for review. OPD will continue maintaining grant records in accordance with applicable record-retention requirements.

Condition 2b - OPD respectfully disagrees with the finding. OPD has located supporting accounting records associated with the SF-271 for Project No. 2605210018 / Grant Award No. 07-79-07562 covering the period August 29, 2022, through April 30, 2023, including invoices, purchase orders, and check copies. These records are maintained by OPD and are available for review. No further corrective action is proposed. The requested supporting records have been located and are maintained by OPD for review. OPD will continue maintaining supporting financial documentation in accordance with applicable record-retention requirements.

Condition 3a - For project no. FG17010001 (related to the Economic Resiliency Center), Department of Finance respectfully disagrees with this finding. The Department was not aware that a documentation request had been submitted through the EY portal. This occurred because the ERC project was grouped with other OPD-related projects within the same EY portal request, resulting in the Department not receiving clear notification that additional documents were required. The Department maintains all relevant supporting documentation for these transactions and such documentation is available for review upon request from the Grantor.

OPD respectfully disagrees with the finding. OPD has located the performance reports for Project No. FG26050001 / Grant Award No. 07-79-07631 and Project No. 2605210018 / Grant Award No. 07-79-07562 for the reporting period ending September 30, 2022. OPD believes the reports referenced in the finding as Periodic Performance Reports are maintained and submitted by OPD as Quarterly Progress Reports (QPRs). These records are maintained by OPD and are available for review. No further corrective action is proposed. The requested performance reports have been located and are maintained by OPD for review. OPD will continue maintaining programmatic records in accordance with applicable record-retention requirements.

Finding No. 2023-014, continued

Federal Agency:	U.S. Department of Commerce
AL Program:	11.307 Economic Adjustment Assistance
Federal Award No.:	07-79-07645, 07-79-07631, 07-79-07562, ED22SEA3070013
Area:	Reporting
Questioned Costs:	-0-

Views of Responsible Officials, continued:

Condition 3b - OPD agrees with the finding. The Periodic Performance Report for Project No. 2605210018 / Grant Award No. 07-79-07562 for the reporting period ending December 31, 2022, was submitted after the required due date. Although operational circumstances at the time contributed to the delay, OPD recognizes the importance of timely reporting and will strengthen internal monitoring procedures to improve tracking of reporting deadlines and support timely submission of all required reports. OPD will implement a reporting calendar and periodic internal reviews to monitor upcoming reporting deadlines and ensure timely submission of all required reports.

Condition 4 - For project no. FG17010001 (related to the Economic Resiliency Center), CNMI Department of Finance respectfully disagrees with this finding. Based on the project's Special Award Conditions, the only reporting requirements identified for this award are the submission of Project Progress Reports and Financial Reports (SF-425). No additional reporting or documentation requirements beyond those explicitly stated were communicated to the Department. Accordingly, the Department requests further clarification from the auditor regarding the specific authority or requirement that forms this basis of this finding, including where such a requirement is documented. A copy of the Special Award Conditions is maintained by the Department and is available for review upon request.

OPD respectfully disagrees with the finding. OPD reviewed the grant files, including the applicable Special Award Conditions, for Project No. 2605210018 / Grant Award No. 07-79-07562 and Project No. FG26050001 / Grant Award No. 07-79-07631. OPD was unable to identify a requirement for submission of an Annual Performance Technical Report within the grant terms and conditions governing these awards. The applicable Special Award Conditions have been identified and are available for review. OPD respectfully requests clarification regarding the specific report referenced in the finding and will provide any applicable documentation should an applicable reporting requirement be identified.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

Conditions 1, 2a, 2b and 3a - CNMI states disagreement; however, CNMI also acknowledges that reports and/or underlying accounting records were not provided.

Finding No. 2023-014, continued

Federal Agency:	U.S. Department of Commerce
AL Program:	11.307 Economic Adjustment Assistance
Federal Award No.:	07-79-07645, 07-79-07631, 07-79-07562, ED22SEA3070013
Area:	Reporting
Questioned Costs:	-0-

Auditor Response, continued:

In addition, the setup of ALN 11.307 grouping in the EY portal included the CNMI Department of Finance team, for which the portal triggers email notifications to all individuals that are part of the grouping when new requests are uploaded and/or when due dates are nearing or are overdue.

Condition 4 - In accordance with 2 CFR sections 200.330 Reporting on real property, the Federal agency or pass-through entity must require the recipient or subrecipient to submit reports on the status of real property in which the Federal Government retains an interest. Such reports must be submitted at least annually. Based on our examination of the grant awards, Grant Award Nos. 07-79-07645, 07-79-07562, and 07-79-07631 are related to real property that are required to submit Performance technical Reports including Form SF-429 (Real Property Status Report). Documentation that such reporting requirement is not applicable or was waived for the CNMI, was not provided.

Finding No. 2023-015

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D22AP00279, D21AP10223, D20AP00005
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$4,203

Criteria:

In accordance with 2 CFR 200.303(a), the recipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

In accordance with the grant agreement, costs may not be incurred, and work may not commence on the project until the Office of Insular Affairs (OIA) has issued an Authorization to Proceed (ATP).

Based on 2 CFR 200.403(g), except where otherwise authorized by statute, costs must be adequately documented to be allowable under Federal awards.

Condition:

1. Of thirty-five nonpayroll expenditures tested, aggregating $1,470,476 of a total population of $9,317,282, for four (or 11%), CNMI did not provide evidence of grantor approved ATPs.

Office	Grant Award No.	MUNIS Project No.	Project Title	PA Journal No.	FY2023 Expenditures and Questioned Cost
TAP	D21AP10223	2008210004	EFFICIENT/ENERGY STAR	2596	$ 400
TAP	D21AP10223	2008210004	EFFICIENT/ENERGY STAR	3092	400
TAP	D21AP10223	2008210004	EFFICIENT/ENERGY STAR	2609	300
TAP	D21AP10223	2008210004	EFFICIENT/ENERGY STAR	2603	300
					$1,400

Finding No. 2023-015, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D22AP00279, D21AP10223, D20AP00005
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$4,203

Condition, continued:

2. Of five payroll expenditures tested, aggregating $10,639 of a total population of $1,285,604, for two (or 40%), CNMI did not provide employees' timesheets for the selected pay periods, for which the corresponding directly associated costs are also questioned.

Office	Grant Award Numbers	Project Numbers	Employee Numbers	Pay Periods	Gross Wages	Fringe Benefits	FY2023 Expenditures and Questioned Cost
TAP	D20AP00005	2610210007	4847	22P261	$1,154	$ 82	$1,236
TAP	D22AP00279	FG19080008	1269	23PP06	$1,456	$111	1,567
							$2,803

Cause:

1. CNMI lacks control procedures to ensure that each office receiving federal grants provides a copy of the necessary documentation to the Office of the Grants Management.

2. CNMI did not properly enforce their record-keeping and document retention controls.

Effect or potential effect:

CNMI is in noncompliance with applicable activities allowed or unallowed and allowable costs/cost principles compliance requirements and questioned costs of $4,203 result, as the projected questioned costs exceeds the $25,000 reportable threshold.

Condition	Questioned Costs
1	$1,400
2	2,803
	$4,203

Finding No. 2023-015, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D22AP00279, D21AP10223, D20AP00005
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$4,203

Identification as a Repeat Finding: Finding No. 2022-013

Recommendation:

1. CNMI should improve their record-keeping and document retention policies by properly utilizing the database functionality of their current Enterprise Resources Planning (ERP) software, which is Tyler MUNIS.

2. CNMI should establish controls to ensure that the individual offices who receive grants, process the required documentation timely and upload processed files in MUNIS.

Views of Responsible Officials:

Condition 1 - The Office of Grants Management (OGM) disagrees with this finding and the questioned costs of $1,400. The ATP document is vested with the Division of Energy (DOE) and not OGM. The award is from OIA; however, not all awards are under the possession of OGM. In this matter, CNMI Department of Energy is the recipient. However, OGM was able to obtain a copy of the document after several phone calls to their office. Document is available for review upon request.

Condition 2 - OGM disagrees with this finding and the questioned cost of $2,803. The documents were obtained for both employees and are available for review upon request.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

Condition 1 - It was established during the planning stage of the audit that OGM will be responsible for all grant awards, except for CIP and Compact programs. Additionally, multiple follow up communications were sent for the submission of the ATPs but were not provided. Questioned costs are retained, as costs at the time of the audit were not supported by adequate documentation.

Condition 2 - CNMI states disagreement; however, CNMI also acknowledges that documentation supporting program costs were not provided. Questioned costs are retained, as costs at the time of the audit were not supported by adequate documentation.

Finding No. 2023-016

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D23AF00036, D22AF00299, D22AF00298
Area:	Cash Management
Questioned Costs:	$972,335

Criteria:

In accordance with 2 CFR 200.303(a), the recipient and subrecipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Based on 2 CFR 200.305(b)(3), reimbursement is the preferred method when the non-Federal entity requests payment by reimbursement. Additionally, when the reimbursement is used, Federal awarding agency or pass-through entity must make payment within 30 calendar days after receipt of the billing, unless the Federal awarding agency or pass-through entity reasonably believes the request to be improper.

Condition:

1. Six (or 15%) out of forty expenditures selected for testing, the invoices were dated after the approval of the drawdown request.

Office	Drawdown Nos.	Approval Dates	Invoice Nos.	Invoice Dates	Questioned Costs
Compact	1	12/09/22	86522-09/26/2023	09/26/23	$ 761
Compact	1	12/09/22	78469	06/06/23	720
Compact	1	12/09/22	GS-03F-137DA	05/21/23	223
Compact	1	12/09/22	78278	05/19/23	200
Compact	1	12/09/22	S-005563	02/28/23	35
Compact	1	12/09/22	202307065132301	08/09/23	12
					$1,951

2. Two (or 22%) out of nine subrecipient expenditures drawn during the year that was selected for testing, invoices were dated after the approval date of the drawdown request.

Office	Subrecipients	Drawdown Nos.	Approval Dates	Invoice Nos.	Invoice Dates	Questioned Costs
Compact	D23AF00036	2	12/09/22	105920	01/27/23	$750,000

Finding No. 2023-016, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D23AF00036, D22AF00299, D22AF00298
Area:	Cash Management
Questioned Costs:	$972,335

Condition, continued:

Office	Subrecipients	Drawdown Nos.	Approval Dates	Invoice Nos.	Invoice Dates	Questioned Costs
Compact	D23AF00036	2	12/09/22	105925	01/27/23	220,384
						$970,384

Cause:

CNMI failed to adhere to their current cash management reimbursement method procedures, and requested for the drawdown of all FY2023 Compact allocated budget, prior to incurring any expenditures for each grant, and by subrecipients.

Effect or Potential Effect:

CNMI is in noncompliance with applicable cash management compliance requirements and questioned costs of $972,335 result.

Condition	Questioned Costs
1	$ 1,951
2	970,384
	$972,335

Identification as a Repeat Finding: Finding No. 2022-014

Recommendation:

CNMI should strengthen their monitoring procedures, to ensure that the cash management reimbursement process, is strictly followed, and to ensure that drawdowns are only approved when supported by invoices for transactions that were already incurred, for both their own and subrecipient expenditures.

Finding No. 2023-016, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D23AF00036, D22AF00299, D22AF00298
Area:	Cash Management
Questioned Costs:	$972,335

Views of Responsible Officials:

Conditions 1 to 2 - The Office of Management and Budget (OMB) agrees with this finding. The underlying cause of this issue was the absence of succession planning and cross training, which resulted in a loss of institutional compliance knowledge during a staff transition. When the primary grant administrator unexpectedly left the organization, there was no transition plan, no cross trained backup staff, and no documented standard operating procedure in place. As a result, the departing administrator processed a drawdown request without leaving documentation of the drawdown or the corresponding vendor invoices. The untrained coverage staff, having only been informed that funds were received, subsequently processed the invoices for payment, which led to the timing discrepancy noted in the finding.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-017

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories COVID-19 15.875 Economic, Social, and Political Development of the Territories
Federal Award Nos.:	D18AP00130, D19AP00142, D20AP00005, D20AP00037, D20AP00040, D20AP00117, D20AP00118, D20AP00119, D20AP00120, D20AP00122, D20AP00126, D20AP00127, D20AP00170, D21AP10140, D21AP10141, D21AP10218, D21AX10059, D22AP00236, D22AP00279
Area:	Equipment and Real Property Management
Questioned Costs:	Undeterminable

Criteria:

In accordance with 2 CFR 200.303(a), the recipient and subrecipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Additionally, in accordance with 2 CFR Section 200.313(b), a state must use, manage, and dispose of equipment acquired under a federal award in accordance with state laws and procedures.

The CNMI Property Management Policies and Procedures states that the Division of Procurement & Supply (PS) should conduct an annual inventory of property held by a designated official who has administrative control over the use of personal property within his area of jurisdiction. Also, PS shall perform random audits of property held by each accountable person to validate the integrity of the property control process.

Further, in accordance with 2 CFR Section 200.313(d)(1), property records must be maintained that include a description of the property, a serial number or another identification number, the source of funding for the property (including the Federal award identification number), the title holder, the acquisition date, the cost of the property, the percentage of the Federal agency contribution towards the original purchase, the location, use and condition of the property, and any disposition data including the date of disposal and sale price of the property.

Lastly, 2 CFR 200.313(d)(3) requires that adequate maintenance procedures must be developed to keep the property in good condition.

Condition:

1. CNMI could not provide a capital asset listing that would clearly identify which capital assets were procured using the related federal funding. In addition, the CNMI did not provide the program's schedule of disposals during the fiscal year. Total FY2023 federal capital assets charged to the program amounted to $680,407. No questioned costs are presented as we are not able to quantify the extent of noncompliance.

Finding No. 2023-017, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories COVID-19 15.875 Economic, Social, and Political Development of the Territories
Federal Award Nos.:	D18AP00130, D19AP00142, D20AP00005, D20AP00037, D20AP00040, D20AP00117, D20AP00118, D20AP00119, D20AP00120, D20AP00122, D20AP00126, D20AP00127, D20AP00170, D21AP10140, D21AP10141, D21AP10218, D21AX10059, D22AP00236, D22AP00279
Area:	Equipment and Real Property Management
Questioned Costs:	Undeterminable

Condition, continued:

Project Number	Grant Award No.	PA Journal Number	Amount
8807210001	D21AP10140	738	$153,466
1901210055	D20AP00040	2970	137,509
2701210043	D21AP10141	3612	130,000
1901210069	D20AP00122	2325	80,000
2001210031	D20AP00170	2223	28,764
8807210001	D21AP10141	647	27,825
1901210085	D19AP00142	3151	21,290
1901210052	D20AP00127	1713	15,940
1901210052	D20AP00127	1876	10,344
1901210054	D20AP00037	583	9,000
2619210033	D20AP00005	3742	8,715
1901210067	D20AP00120	3748	7,090
2610210007	D20AP00005	800	6,856
2619210033	D20AP00005	3741	6,215
2619210033	D20AP00005	3744	5,810
2001210031	D20AP00170	1953	5,566
1901210052	D20AP00127	1389	3,860
1901210064	D20AP00119	2647	3,694
FG26100020	D22AP00236	1206	3,585
2619210033	D20AP00005	822	2,996
1901210066	D20AP00118	1627	2,640
1901210062	D20AP00126	1990	1,810
FG19080008	D22AP00279	1828	1,239
2008210003	D21AP10218	2617	1,120
1901210085	D19AP00142	1584	998
1901210063	D20AP00117	918	848
2610210007	D20AP00005	909	740
2008210003	D21AP10218	914	628
2610210007	D20AP00005	2650	599
2001210060	D18AP00130	3074	595
2619210033	D20AP00005	3745	500
2619210033	D20AP00005	3743	165
			$680,407

Finding No. 2023-017, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories COVID-19 15.875 Economic, Social, and Political Development of the Territories
Federal Award Nos.:	D18AP00130, D19AP00142, D20AP00005, D20AP00037, D20AP00040, D20AP00117, D20AP00118, D20AP00119, D20AP00120, D20AP00122, D20AP00126, D20AP00127, D20AP00170, D21AP10140, D21AP10141, D21AP10218, D21AX10059, D22AP00236, D22AP00279
Area:	Equipment and Real Property Management
Questioned Costs:	Undeterminable

Condition, continued:

2. CNMI did not conduct the annual physical inventory count for FY2023 thus, was not able to ascertain if federal capital assets are adequately safeguarded and maintained and are in good working condition.

Cause:

1. CNMI lacks human resources and financial management system structure that ensures all federally funded capital assets are traceable to specific programs used to purchase the equipment or real property and that proper monitoring is done to ensure that a capital asset listing is maintained and updated accordingly.

2. CNMI does not have an established policy and procedure to ensure that an annual physical inventory count is performed to verify that federal capital assets are safeguarded and maintained in good working condition.

Effect or Potential Effect:

CNMI is in noncompliance with applicable equipment and real property management compliance requirements. Questioned costs is undeterminable as CNMI could not provide the program's capital assets listing. See below for the cumulative dollar amount of property equipment acquired with program grant funds over the past five years.

2023	2022	2021	2020	2019	Grand Total
$680,406	$1,068,187	$665,165	$684,611	$855,479	$3,953,848

Identification as a Repeat Finding: Finding No. 2022-015

Finding No. 2023-017, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories COVID-19 15.875 Economic, Social, and Political Development of the Territories
Federal Award Nos.:	D18AP00130, D19AP00142, D20AP00005, D20AP00037, D20AP00040, D20AP00117, D20AP00118, D20AP00119, D20AP00120, D20AP00122, D20AP00126, D20AP00127, D20AP00170, D21AP10140, D21AP10141, D21AP10218, D21AX10059, D22AP00236, D22AP00279
Area:	Equipment and Real Property Management
Questioned Costs:	Undeterminable

Recommendation:

CNMI should strengthen and enforce compliance with equipment and real property management compliance requirements over the following:

1. Consider seeking technical and financial support from Federal agencies to develop human resources and a financial management system capable of effecting compliance with applicable property management policies and procedures.

2. Responsible personnel should establish and implement effective monitoring controls to ensure that property records are accurately segregated by federal funding sources and that they are structured to be in accordance with the provisions of 2 CFR 200.313 (d).

3. Implement more stringent monitoring procedures to ensure that the annual physical inventory count is conducted timely and that part of the procedures performed is to verify if the equipment is safeguarded and maintained in good work condition.

Views of Responsible Officials:

Condition 1 - Division of Procurement Services agrees with this finding. Improvements are needed in the way federally funded assets are tracked and reported. At present, the inventory management system is not configured to readily identify assets by specific federal award number, which makes it difficult to generate reports identifying assets purchased under individual grants. In addition, staffing limitations have affected the Commonwealth's ability to maintain and readily produce this information.

Condition 2 - Procurement Services agrees with this finding. Procurement Services agrees that the annual physical inventory required for FY2023 was not completed. As a result, the existence, location, condition, and accountability of all assets could not be fully verified during the audit period.

Finding No. 2023-017, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories COVID-19 15.875 Economic, Social, and Political Development of the Territories
Federal Award Nos.:	D18AP00130, D19AP00142, D20AP00005, D20AP00037, D20AP00040, D20AP00117, D20AP00118, D20AP00119, D20AP00120, D20AP00122, D20AP00126, D20AP00127, D20AP00170, D21AP10140, D21AP10141, D21AP10218, D21AX10059, D22AP00236, D22AP00279
Area:	Equipment and Real Property Management
Questioned Costs:	Undeterminable

Views of Responsible Officials, continued:

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-018

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D22AF00298, D20AP10168, D17AP00132
Area:	Period of Performance
Questioned Costs:	$-0-

Criteria:

In accordance with 2 CFR 200.303(a), the recipient and subrecipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition:

1. CNMI does not maintain any documentation or evidence that supports transactions are being reviewed to ensure that they are incurred within the period of performance.

Office	Grant Award Numbers
TAP	D17AP00132
TAP	D20AP10168
Compact	D22AF00298

2. CNMI does not properly monitor whether expenditures are paid prior to the end of the liquidation period.

Office	Grant Award Numbers
TAP	D17AP00132
TAP	D20AP10168
Compact	D22AF00298

These conditions do not result in questioned costs as these are all non-monetary findings.

Cause:

1. CNMI's current policy and procedure does not include proper documentation of the review being performed to verify that the transactions are valid and still within the period of performance.

Finding No. 2023-018, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D22AF00298, D20AP10168, D17AP00132
Area:	Period of Performance
Questioned Costs:	$-0-

Cause, continued:

2. CNMI does not have any policies and procedures established to monitor and ensure that payment to vendors is liquidated prior to the end of the liquidation period.

Effect or Potential Effect:

CNMI is in noncompliance with applicable period of performance compliance requirements. No questioned costs identified as the findings are non-monetary in nature.

Identification as a Repeat Finding: Finding No. 2022-016

Recommendation:

1. CNMI should update their current policies and procedures to ensure that part of the documentation of checking the allowability of each transaction includes the verification if the expenditures are still within the period of performance. This can be done by attaching, the copy of the grant award, or a certification from the program administrator, or personnel in-charge of checking the allowability of each transaction, that the grant being charged is in compliance with compliance requirements.

2. CNMI should establish monitoring procedures to ensure that checks issued to vendors are cleared by the banks within the liquidation period. The DOF Financial Services could establish a monitoring log for all checks issued for each vendor and each office. The assigned offices should then request a copy from the DOF Financial Services of the monitoring and conduct timely follow-up to each vendor on ensuring the checks are paid. Lastly, CNMI could also adopt a purely ACH payment to ensure that payments are done real-time.

Views of Responsible Officials:

Conditions 1 to 2 - Capital Improvement Program (CIP) agrees with this finding that a subrecipient expending $750,000 or more in federal awards during its fiscal year was not adequately verified for compliance with Single Audit requirements, including whether corrective actions were implemented to address prior audit findings.

Finding No. 2023-018, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D22AF00298, D20AP10168, D17AP00132
Area:	Period of Performance
Questioned Costs:	$-0-

Views of Responsible Officials, continued:

For Grant Award No. D22AF00298 and D20AP10168, the Office of Grants Management (OGM) is unable to provide a response because the Grant Award # provided cannot be located in the current FMIS, nor does the Division of Financial Services, Federal Section, have records of their existence. Proper searches were conducted in the legacy system and in Tyler-MUNIS but were not successful. We recommend that the auditor provide additional details regarding the specific grant award so that the appropriate responsible office can be accurately identified.

Furthermore, we do not know whether OGM is the responsible party to answer on behalf of these non-titled projects.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

Grant award numbers D22AF00298 and D20AP10168 are indicated at the heading section of the finding, and we have incorporated the respective offices handling the awards within the condition. Further, CNMI provided copies of the grant awards for the audit.

Finding No. 2023-019

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Award Number:	D22AP00308, D22AP00292, D22AP00254, D20AP00170, D20AP00121, D16AP00084
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$270,553

Criteria:

Non-federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR Part 200. CNMI's procurement regulations state the following:

- All government procurement shall be awarded by competitive sealed bidding except under certain circumstances permitting other than full and open competition.

- Bidding is not required but is encouraged for procurement of $2,500 and under $10,000. The individual with the expenditure authority must obtain price quotations from at least three vendors and should base the selection on competitive price and quality for procurement valued at $2,500 to $10,000. Any price quotations must be written, documented, and submitted to the Procurement and Supply (P&S) Director for approval.

- For purchases that exceed $10,000 but which are less than or equal to $50,000, a minimum of three vendors shall be solicited to submit written or electronic quotations. If there are fewer than three vendors, the expenditure authority shall certify, in writing, to the P&S Director that fewer than three vendors responded and shall provide written proof of the request.

In accordance with 2 CFR 180.300, entities that enter into covered transactions must verify that the person with whom they intend to do business is not excluded or disqualified by:

(a) Checking SAM.gov Exclusions; or
(b) Collecting a certification from that person; or
(c) Adding a clause or condition to the covered transaction with that person.

Additionally, according to 2 CFR 180.220(b)(1), a procurement transaction is considered a covered transaction if the contract amount is expected to equal or exceed $25,000.

Finding No. 2023-019, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Award Number:	D22AP00308, D22AP00292, D22AP00254, D20AP00170, D20AP00121, D16AP00084
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$270,553

Condition:

1. Inconsistencies were noted in procurement regulations over local and federal funded transactions. No questioned costs are presented as the extent of noncompliance could not be quantified.

Small Purchase	Dollar Value	CNMI Procurement Regulations
Local funds or combination with federal funds	Greater than $10K but ≤ $50K	A minimum of three vendors shall be solicited.
Federal funds	Greater than $10K, but ≤ $250K	A minimum of three vendors shall be solicited.
Local funds	Greater than $250K	Not stated.
Federal funds	Greater than $250K	At least one quote shall be obtained when purchasing from the General Services Administration (GSA).

2. CNMI did not verify whether a person or a vendor is excluded or disqualified pursuant to the requirements of 2 CFR 180.300 prior to entering into the following covered transactions that exceeded the $25,000 threshold.

Offices	Grant Award Nos.	PO/Contract Numbers	PO/Contract Amounts	FY 2023 Expenditures and Questioned Costs
TAP	FG26100012	22307627	$112,000	$112,000
TAP	FG26100002	22311905	$243,000	60,750
TAP	1901210068	22312831	$ 45,577	45,576
TAP	2001210031	22300281	$ 28,764	28,764
TAP	FG26100021	22310719	$ 60,990	15,248
CIP	FC26050009	32300153	$240,000	8,215
				$270,553

Finding No. 2023-019, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Award Number:	D22AP00308, D22AP00292, D22AP00254, D20AP00170, D20AP00121, D16AP00084
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$270,553

Cause:

1. CNMI does not use the same policies and procedures for procurements under a federal award as with procurements from its non-federal funds under the small purchases method.

2. CNMI does not determine, prior to entering into a covered transaction, whether the potential vendor is disbarred or suspended as required by 2 CFR 180.300.

Effect or potential effect:

CNMI is in noncompliance with applicable procurement and suspension and debarment compliance requirements and questioned costs of $270,553 result for Condition 2.

Identification as a Repeat Finding**:** Finding No. 2022-017.

Recommendation:

1. CNMI should revisit its procurement regulations and consider updating applicable sections of the regulations to comply with federal regulations governing federal funds.

2. Responsible CNMI personnel should periodically monitor updates in federal regulations over procurement and suspension and debarment.

3. Establish and implement effective monitoring control over the verification of excluded or disqualified persons or vendors pursuant to CFR Section 180.300, prior to the CNMI entering into a covered transaction.

Finding No. 2023-019, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Award Number:	D22AP00308, D22AP00292, D22AP00254, D20AP00170, D20AP00121, D16AP00084
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$270,553

Views of Auditee and Corrective Action Plan:

Condition 1 - Division of Procurement Services respectfully disagrees with this finding. Procurement Services agrees that the Commonwealth should periodically review its procurement regulations to ensure continued consistency with applicable federal requirements. However, Procurement Services notes that the procurement regulations currently establish procurement thresholds and procedures for locally funded procurements and procurements funded through a combination of local and federal funds. Procurements exceeding applicable small purchase thresholds are required to proceed through other procurement methods authorized under the Procurement Regulations, including competitive sealed bidding or other approved procurement methods, as applicable.

Procurement Services further notes that procurements exceeding the applicable small purchase thresholds are governed by other provisions of the procurement regulations and are therefore not without regulatory direction. Accordingly, Procurement Services does not fully concur that the regulations are inconsistent as described in the finding.

Condition 2 - For TAP sample selections (FG26100012, FG26100002, 1901210068, 2001210031, and FG26100021), the Office of Grants Management (OGM) agrees with this finding and concurs that a formal procedure for verifying suspension and debarment status was not documented during FY2023, especially as this procurement aspect was not enforced by the Division of Procurement Services. However, management is not aware of any instances in which the listed contracts or subawards were issued to entities that were suspended, debarred, or otherwise excluded from participation in federally funded programs. All goods and services were received, and all expenditures were incurred for allowable program purposes.

Accordingly, OGM believes the finding represents a control and compliance deficiency rather than an instance of unallowable costs. OGM has begun implementing procedures requiring SAM.gov verification and retention of supporting documentation prior to entering into covered transactions, especially due to a more recent procurement purchase.

OGM kindly seeks the auditor’s discretion in changing the questioned costs to the amount of zero, due to it being more of an internal control issue rather than an allowability issue.

Finding No. 2023-019, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Award Number:	D22AP00308, D22AP00292, D22AP00254, D20AP00170, D20AP00121, D16AP00084
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$270,553

Views of Auditee and Corrective Action Plan, continued:

For the CIP sample selection (FC26050009), Capital Improvement Program (CIP) agrees with the finding and that it did not verify if the firm in question was excluded or disqualified at the time of procurement. The Division of Procurement Services has recently begun requiring agencies to provide search results on SAM.gov Exclusions for the processing of contracts moving forward. CIP will follow this new protocol and include it in the standard documents for all construction and non-construction contracts.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

Condition 1 - CNMI procurement regulations for small purchases are not in accordance with 2 CFR Section 200.317, wherein a State must follow the same policies and procedures it uses for procurement with non-Federal funds when conducting procurement transactions under a Federal award.

Condition 2 - The regulations in 2 CFR part 180 restrict making Federal awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from receiving or participating in Federal awards, for which such regulations poses both an internal control and compliance finding. Questioned costs are retained, as costs at the time of the audit were not supported by adequate documentation.

Finding No. 2023-020

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D23AF00036, D23AP00068, D22AF00299, D21AP10043, D21AP10044, D19AP00081, D17AP00132
Area:	Subrecipient Monitoring
Questioned Costs:	$2,399,988

Criteria:

In accordance with 2 CFR 200.303(a), the recipient and subrecipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

As stated in 2 CFR 200.332(a), pass-through entities are required to verify that potential subrecipients are not suspended and debarred prior to awarding the agreements. The verification can be done through methods indicated in 2 CFR § 180.300 as follows:

(a) Checking SAM.gov Exclusions; or
(b) Collecting a certification from that person; or
(c) Adding a clause or condition to the covered transaction with that person.

Additionally, based on 2 CFR 200.332(b), pass-through entities should ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the information provided in 2 CFR 200.322(b)(1) to (6). A pass-through entity must provide the best available information when some of the information below is unavailable. A pass-through entity must provide unavailable information when it is obtained.

Further, in accordance with 2 CFR 200.332(c), a pass-through entity should evaluate each subrecipient's fraud risk and risk of noncompliance with a subaward to determine the appropriate subrecipient monitoring described in 2 CFR 200.322(f).

Lastly, in accordance with 2 CFR 200.332(d)(2), the pass-through entity's monitoring of the subrecipient must include following-up to ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity.

Condition:

1. Of three subrecipients tested, aggregating $970,384 of a total population of $970,384, the following were noted:

Finding No. 2023-020, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D23AF00036, D23AP00068, D22AF00299, D21AP10043, D21AP10044, D19AP00081, D17AP00132
Area:	Subrecipient Monitoring
Questioned Costs:	$2,399,988

Condition, continued:

a. For three (or 100%), CNMI did not verify whether the subrecipient is excluded or disqualified pursuant to the requirements of 2 CFR 180.300 prior to entering into a subaward agreement. The subaward date for D22AF00299 is unknown as the subaward agreement was not provided, as noted at Condition 1b. No questioned cost is presented for D23AP00068 as there was no subaward disbursement made during FY2023.

Offices	Grant Award Nos.	Subaward Dates	FY2023 Expenditures and Questioned Costs
Compact	D23AF00036	01/26/23	$750,000
Compact	D22AF00299	Unknown	220,384
CIP	D23AP00068	04/11/23	---
			$970,384

b. For one (or 33%), CNMI did not provide the signed and approved subaward agreement. No questioned cost is presented as the amount is questioned at Condition 1a.

Office	Grant Award No.	FY2023 Expenditures and Questioned Costs
Compact	D22AF00299	$220,384

c. For three (or 100%), CNMI did not perform the risk assessment prior to issuing the subaward agreements to the subrecipients. The subaward date for D22AF00299 is unknown as the subaward agreement was not provided, as noted at Condition 1b. No questioned costs are presented as amounts are questioned at Condition 1a for D23AF00036 and D22AF00299 and there was no subaward disbursement made during FY2023 for D23AP00068.

Finding No. 2023-020, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D23AF00036, D23AP00068, D22AF00299, D21AP10043, D21AP10044, D19AP00081, D17AP00132
Area:	Subrecipient Monitoring
Questioned Costs:	$2,399,988

Condition, continued:

Offices	Grant Award Nos.	Subaward Dates	FY2023 Expenditures and Questioned Costs
Compact	D23AF00036	01/26/23	$750,000
Compact	D22AF00299	Unknown	220,384
CIP	D23AP00068	04/11/23	---
			$970,384

2. For two (or 100%) of two subrecipients that incurred expenditures above $750,000 during the year, CNMI did not perform proper monitoring to ensure that they are subjected to single audit requirements or if they have taken appropriate actions on all deficiencies detected from previous single audits. No questioned cost is presented for D23AF00036 as the amount is questioned at Condition 1a.

Offices	Subrecipients	Grant Award Nos.	FY2023 Expenditures and Questioned Costs
CIP	1	D17AP00132	$ 700,000
		D21AP10043	378,000
		D19AP00081	231,604
		D21AP10044	120,000
Compact	2	D23AF00036	---
			$1,429,604

Cause:

1. CNMI's current policy and procedures for monitoring the suspension and debarment status of the subrecipient prior to entering a subaward agreement is not tailored to the provisions of 2 CFR 180.300. The currently established procedure of CNMI only identifies suspension or debarment upon occurrences of violation which is an after-the-fact approach rather than a preventive process.

Finding No. 2023-020, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D23AF00036, D23AP00068, D22AF00299, D21AP10043, D21AP10044, D19AP00081, D17AP00132
Area:	Subrecipient Monitoring
Questioned Costs:	$2,399,988

Cause, continued:

2. CNMI lacks proper monitoring procedures to ensure that an agreement is executed for every new subaward between the pass-through entity and a new or existing subrecipient.

3. CNMI does not have an established subrecipient risk assessment policy and procedures prior to entering into the subaward agreement and to identify the type of monitoring procedures required to be performed for the subrecipient.

4. CNMI does not have an established policy or procedure that monitors whether a subrecipient that incurs expenditures above $750,000 during the year, has hired the services of a reputable auditor to conduct a single audit engagement and to ensure that follow-up corrective actions have been performed as regards to the deficiencies identified during the previous audits.

Effect or potential effect:

CNMI is in noncompliance with the subrecipient monitoring compliance requirements and questioned costs of $2,399,988 result.

Condition	Questioned Costs
1a	$ 970,384
2	1,429,604
	$2,399,988

Identification of Repeat Finding: Finding No. 2022-019

Recommendation:

CNMI should strengthen and enforce compliance with subrecipient monitoring compliance requirements over the following:

1. Establish policies and procedures for monitoring suspension and debarment status of each subrecipient prior to granting any subaward. The guidance should be reflective of the provisions set by 2 CFR 180.300.

Finding No. 2023-020, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D23AF00036, D23AP00068, D22AF00299, D21AP10043, D21AP10044, D19AP00081, D17AP00132
Area:	Subrecipient Monitoring
Questioned Costs:	$2,399,988

Recommendation, continued:

2. Improve and strengthen their monitoring procedures to ensure that all subawards are enforced with a properly accomplished agreement that is in accordance with 2 CFR 200.332(a)(1).

3. Establish policies and procedures to ensure that a risk assessment is conducted prior to entering into a subaward agreement with a subrecipient and to identify the level of monitoring required for each type of subrecipient as a result of the risk assessment.

4. Establish policies and procedures to ensure that subrecipient incurring expenditures above $750,000 are properly monitored, that they follow the single audit requirements and that the corrective actions are implemented as a result of prior year audits.

Views of Responsible Officials:

Condition 1a - For Grant Award Nos. D23AF00036 and D22AF00299, Office of Management and Budget (OMB) agrees with the finding and the need for a formally written policy and procedures for subrecipient monitoring. OMB has adopted the Department of Finance's Subrecipient Monitoring Policy and Procedures effective 08/04/25 establishing a formal monitoring suspension and debarment status of each subrecipient prior to granting any subaward. The guidance is reflective of the provisions set by 2 CFR 180.300.

Conditions 1a and 1c - For Grant Award No. D23AP00068, Capital Improvement Program (CIP) disagrees with this finding because the required verification was performed. Although documentation was not retained, CIP verifies that all subrecipients comply with OPA requirements before federal funds are awarded.

Condition 1b - OMB agrees with the finding. OMB fully executed a subrecipient agreement with the subrecipient on 01/27/23, prior to any grant administration taking place. The adoption of the Department of Finance's Subrecipient Monitoring Policy and Procedures effective 08/04/25 also further formalizes the process.

Finding No. 2023-020, continued

Federal Agency:	U.S. Department of the Interior
AL Program:	15.875 Economic, Social, and Political Development of the Territories
Federal Award No.:	D23AF00036, D23AP00068, D22AF00299, D21AP10043, D21AP10044, D19AP00081, D17AP00132
Area:	Subrecipient Monitoring
Questioned Costs:	$2,399,988

Views of Responsible Officials, continued:

Condition 1c - For Grant Award Nos. D23AF00036 and D22AF00299, OMB agrees with the finding and agrees with the need for a formally written policy and procedures for subrecipient monitoring. OMB has adopted the Department of Finance's Subrecipient Monitoring Policy and Procedures effective 08/04/25 establishing a formal subrecipient risk assessment prior to entering into the subaward agreement and identifying the type of monitoring procedures to be performed for the subrecipient.

Condition 2 - For Grant Award No. D23AF00036, OMB agrees with the finding and agree with the need for a formally written policy and procedures for subrecipient monitoring. OMB has adopted the Department of Finance's Subrecipient Monitoring Policy and Procedures effective 08/04/25 to perform proper monitoring to ensure that subrecipients are in compliance with single audits.

For Grant Award No. D17AP00132, D21AP10043, D19AP00081, and D21AP10044, CIP agrees with the finding that a subrecipient with expenditures exceeding $750,000 during the year was not verified for compliance with single audit requirements, including whether corrective actions were taken to address prior audit findings.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

Conditions 1a and 1c - CNMI states disagreement for grant award number D23AP00068; however, CNMI also acknowledges that documentation of its verification performed were not kept on file. In accordance with 2 CFR 200.403, costs must be adequately documented to be allowable under federal awards.

Finding No. 2023-021

Federal Agency:	U.S. Department of Labor
AL Program:	COVID-19 17.225 Unemployment Insurance (UI)
Federal Award No.:	UI-34837-20-55-A-69
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$224,846

Criteria:

In accordance with 2 CFR 200.303(a), the recipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

In accordance with 2 CFR 200.403(g), except where otherwise authorized by statute, costs must be adequately documented to be allowable under Federal awards.

Condition:

1. For six (or 15%) of forty nonpayroll expenditures tested, aggregating $361,973 of total population of $3,763,528, CNMI did not provide the invoices, benefit payment summaries, and check/ACH payments supporting allowability of costs.

MUNIS Project Nos.	Project Titles	PA Journal Numbers	FY2023 expenditures and Questioned Costs
1801210011	FY21 PUA BENEFITS CARE 09/25	2024	$ 68,100
1801210011	FY21 PUA BENEFITS CARE 09/25	3184	57,293
1801210011	FY21 PUA BENEFITS CARE 09/25	3186	53,480
1801210011	FY21 PUA BENEFITS CARE 09/25	3703	37,705
1801210011	FY21 PUA BENEFITS CARE 09/25	3122	7,578
1801210010	FY21 PUA BENEFITS CARE 09/25	3161	690
			$224,846

Finding No. 2023-021, continued

Federal Agency:	U.S. Department of Labor
AL Program:	COVID-19 17.225 Unemployment Insurance (UI)
Federal Award No.:	UI-34837-20-55-A-69
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$224,846

Condition, continued

2. For three (or 15%) of twenty payroll expenditures tested, aggregating $34,219 of a total population of $1,817,923, CNMI failed to reflect the updated hourly rate per Personnel Action Form (PAF) on the payroll register for the weeks selected for testing. No questioned costs are presented as this relates to internal control.

Employee Numbers	Pay Periods	Hourly Rate per PAFs	Hourly Rate per Payroll Registers
2293	10/09/22 - 10/22/22	$61.90	$60.58
4381	05/21/23 - 06/03/23	$15.50	$15.00
5600	05/21/23 - 06/03/23	$16.50	$15.00

Cause:

CNMI did not properly enforce their record-keeping and document retention controls.

Effect or Potential Effect:

CNMI is in noncompliance with applicable activities allowed or unallowed and allowable costs/cost principles compliance requirements and questioned costs of $224,846 result for Condition 1.

Identification as a Repeat Finding: This is not a repeat finding.

Recommendation:

CNMI should improve its record-keeping and document retention policies implemented by properly utilizing MUNIS as a database.

Finding No. 2023-021, continued

Federal Agency:	U.S. Department of Labor
AL Program:	COVID-19 17.225 Unemployment Insurance (UI)
Federal Award No.:	UI-34837-20-55-A-69
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$224,846

Views of Responsible Officials:

Condition 1 - CNMI Department of Labor agrees with this finding, as the supporting documents extracted from Munis were insufficient to support the referenced line items based on the documentation requested. The corresponding payment registers were uploaded on June 8, 2026, to support the entries.

Condition 2 - CNMI partially agrees with this finding. The payroll records for Employee Numbers 4381 and 5600 did not reflect the adjusted hourly rates during the weeks selected for testing because the Requests for Personnel Action (RFPAs) associated with the funding awards could not be finalized until the funding was officially awarded.

The funding awards tied to the employee contracts during that time were provided through funding opportunities made available under UIPL 16-20, Change 7. The initial application was due to the Employment and Training Administration (ETA) on January 6, 2023. Following submission, communication between the CNMI and ETA regarding revisions and clarifications continued through March 26, 2023. The Notices of Award (NOAs) were subsequently issued on May 19 and May 22, 2023. The budget narrative submitted to ETA included position modifications and salary adjustments intended to be effective April 1, 2023. However, because the NOAs and associated funding were received after that effective date, retroactive RFPAs were initiated beginning June 13, 2023, and were not fully completed until mid-July 2023. As a result, the updated hourly rates were not reflected in the payroll registers for the periods selected for testing.

With respect to employee no. 2293, the employee was a regular Department of Labor employee whose employment contract was scheduled to expire on September 30, 2022 and was subsequently renewed to include a salary adjustment. The RFPA for this employee was initiated in September 22, 2022 but did not complete the routing process until late October 2022. As a result, the adjusted hourly rate was not reflected in the payroll registers for the period selected for testing.

All employees received the difference between their adjusted salary and initial salary at a later date in the form of a retroactive lump-sum payment.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-021, continued

Federal Agency:	U.S. Department of Labor
AL Program:	COVID-19 17.225 Unemployment Insurance (UI)
Federal Award No.:	UI-34837-20-55-A-69
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$224,846

Auditor Response:

Condition 2 - We acknowledge CNMI's explanation of the discrepancies in pay rates; however, no documentation was provided to support the difference in pay rates and that employees were retroactively paid. Further, adequate documentation is essential to support internal control procedures over the verification of pay rates, ensuring that the correct rates are paid.

Finding No. 2023-022

Federal Agency:	U.S. Department of Labor
AL Program:	COVID-19 17.225 Unemployment Insurance (UI)
Federal Award No.:	UI-34837-20-55-A-69
Area:	Eligibility
Questioned Costs:	$-0-

Criteria:

In accordance with 42 USC 1302b-7(d) and (e), aliens must show proof that they are authorized to work by the US Citizenship and Immigration Services (USCIS) in order to be eligible to receive a federal public benefit.

Further, a nonfederal entity's records/database should include all individuals receiving benefits during the audit period.

Condition:

CNMI did not provide an accurate population of program benefits for FY2023. The listing generated by the Hire Marianas (HM) portal resulted in a variance of $1,055,199 compared to the expenditures detail report, for which a reconciliation of the variance was not provided. No questioned costs are presented as we are unable to quantify the extent of noncompliance.

Per Expenditures Detail	Per HM Benefit Listing	Variance
$3,057,097	$4,112,291	$(1,055,194)

Cause:

CNMI Department of Labor (DOL) failed to provide an audit-ready benefit payments listing from the HM portal and a reconciliation of the variance.

Effect or Potential Effect:

There is a potential misstatement of benefits paid during the fiscal year due to lack of reconciliation between the HM benefit listing and the recorded benefits paid.

Identification as a Repeat Finding: Finding No. 2022-020

Recommendation:

CNMI DOL should perform reconciliations between the overall benefit payments per expenditure details and the benefit payments listing per HM portal.

Finding No. 2023-022, continued

Federal Agency:	U.S. Department of Labor
AL Program:	COVID-19 17.225 Unemployment Insurance (UI)
Federal Award No.:	UI-34837-20-55-A-69
Area:	Eligibility
Questioned Costs:	$-0-

Views of Responsible Officials:

CNMI agrees with this finding and acknowledges that a variance exists between the expenditure report details and the listing of payments from the HireMarianas Portal. CNMI is currently reviewing and reconciling both records to determine the cause of the variance.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-023

Federal Agency:	U.S. Department of Transportation
AL Program:	20.205 Highway Planning and Construction (Federal-Aid Highway Program)
Federal Award No.:	FY23001, FY21001
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$-0-

Criteria:

In accordance with 2 CFR Section 200.303, non-federal entities receiving federal awards must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition:

Based on test of control procedures performed over:

a. the review of cost allowability, specifically, the process did not include documentation of review and approval of invoices and contracts; and

b. the disbursement process of program funds, specifically, the process did not include documented review or approval demonstrating that checks and ACH disbursements were verified against supporting invoices prior to payment.

As a result, controls designed to ensure the accuracy and validity of disbursements and allowability of costs, are not adequately documented or evidenced.

Cause:

CNMI lacks adequate documentation evidencing its monitoring and review procedures over disbursements of program funds and allowability of costs, including review and approval controls to ensure that checks and ACH payments agree with approved invoice amounts and purchase requisitions are allowed.

Effect or Potential Effect:

CNMI is in noncompliance with 2 CFR Section 200.303 related to internal control requirements. No questioned costs are identified as the projected questioned costs for the identified noncompliance samples is below the $25K reportable finding threshold.

Finding No. 2023-023, continued

Federal Agency:	U.S. Department of Transportation
AL Program:	20.205 Highway Planning and Construction (Federal-Aid Highway Program)
Federal Award No.:	FY23001, FY21001
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$-0-

Identification of a Repeat Finding: This is not a repeat finding.

Recommendation:

CNMI should implement, document and consistently enforce appropriate review and approval controls over disbursements of program funds.

Views of Responsible Officials:

The Department of Public Works agrees with the finding.

The Department of Public Works, Technical Services – Highway Branch agrees to be more vigilant in ensuring that all documents are properly reviewed and approved.

DPW, TSD – Highway utilizes the Master PR20 log sheet for each fiscal year to track all Voucher for Work performed under Provisions of the Federal Aid and Federal Highway Acts as Amended (form PR20), Current Bills (drawdowns), and payments made on each. However, payments are either mailed or electronically transferred directly to the vendors by the CNMI Treasury Office.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-024

Federal Agency:	U.S. Department of Transportation
AL Program:	20.205 Highway Planning and Construction (Federal-Aid Highway Program)
Federal Award Nos.:	3000013, FY10002, 3000003, FY14001
Area:	Equipment and Real Property Management
Questioned Costs:	Undeterminable

Criteria:

In accordance with 2 CFR 200.303(a), the recipient and subrecipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Additionally, in accordance with 2 CFR Section 200.313(b), a state must use, manage, and dispose of equipment acquired under a federal award in accordance with state laws and procedures.

The CNMI Property Management Policies and Procedures states that the Division of Procurement & Supply (PS) should conduct an annual inventory of property held by a designated official who has administrative control over the use of personal property within his area of jurisdiction. Also, PS shall perform random audits of property held by each accountable person to validate the integrity of the property control process.

Further, in accordance with 2 CFR Section 200.313(d)(1), property records must be maintained that include a description of the property, a serial number or another identification number, the source of funding for the property (including the Federal award identification number), the title holder, the acquisition date, the cost of the property, the percentage of the Federal agency contribution towards the original purchase, the location, use and condition of the property, and any disposition data including the date of disposal and sale price of the property.

Lastly, 2 CFR 200.313(d)(3) requires that adequate maintenance procedures must be developed to keep the property in good condition.

Condition:

1. CNMI's capital asset listing is not prepared in accordance with 2 CFR 200.313(d)(1) and does not contain accurate information regarding the state or condition of the capital assets. Based on the physical inspection performed, some assets are already disposed but still included in the capital asset listing, resulting in the inability to ascertain the completeness of the population. In addition, CNMI did not provide the program's schedule of disposals during the fiscal year. There was no federal capital assets charged to the program for FY2023.

Finding No. 2023-024, continued

Federal Agency:	U.S. Department of Transportation
AL Program:	20.205 Highway Planning and Construction (Federal-Aid Highway Program)
Federal Award Nos.:	3000013, FY10002, 3000003, FY14001
Area:	Equipment and Real Property Management
Questioned Costs:	Undeterminable

Condition, continued:

2. CNMI did not provide the result of the physical inventory count. Accordingly, we were unable to verify if all capital assets are safeguarded and maintained properly as we did not receive both a capital asset listing that is complete and accurate and a supporting physical inventory count result that would include information of all existing assets.

Cause:

1. CNMI lacks human resources and financial management system structure that would ensure all federally funded capital assets are traceable to specific programs used to purchase the equipment or real property and that proper monitoring is done to ensure that a capital asset listing is maintained and updated accordingly.

2. CNMI does not have an established policy and procedure to ensure that the annual physical inventory count is performed and to verify during the count that the federal capital asset is safeguarded and maintained in good working condition.

Effect of Potential Effect:

CNMI is in noncompliance with applicable equipment and real property management compliance requirements. Questioned costs cannot be determined as CNMI could not provide the program's capital assets listing.

Recommendation:

CNMI should strengthen and enforce compliance with equipment and real property management compliance requirements over the following:

1. Consider seeking technical and financial support from Federal agencies to develop human resources and a financial management system capable of effecting compliance with applicable property management policies and procedures.

2. Responsible personnel should establish and implement effective monitoring controls to ensure that property records are accurately segregated by federal funding sources and that it is structured to be in accordance with the provisions of 2 CFR 200.313 (d).

Finding No. 2023-024, continued

Federal Agency:	U.S. Department of Transportation
AL Program:	20.205 Highway Planning and Construction (Federal-Aid Highway Program)
Federal Award Nos.:	3000013, FY10002, 3000003, FY14001
Area:	Equipment and Real Property Management
Questioned Costs:	Undeterminable

Recommendation, continued:

3. Implement more stringent monitoring procedures to ensure that the annual physical inventory count is timely conducted and that part of the procedures performed is to verify if the equipment is safeguarded and maintained in good working condition.

Identification as a Repeat Finding: This is not a repeat finding.

Views of Responsible Officials:

Condition 1 - DPW, TSD - Highway Branch agrees with this finding. Highway Branch has consistently tried to work with Procurement Services to update its yearly inventory records to remove all transferred and disposed properties from its inventory record to no avail. Additionally, Procurement Services Division agrees with this finding. Improvements are needed in the way federally funded assets are tracked and reported. At present, the inventory management system is not configured to readily identify assets by specific federal award number, which makes it difficult to generate reports identifying assets purchased under individual grants. In addition, staffing limitations have affected the Commonwealth's ability to maintain and readily produce this information.

Condition 2 - DPW, TSD - Highway Branch agrees with this finding. The Highway Branch has updated its Inventory Form to include the required information such as date acquired, item number, property/tag number, description of property, manufacturer, model, serial number, purchase order number/contract number, condition code, project number, FHWA project number, percentage of federal participation, location, person assigned and the date the inventory was conducted. Additionally, Division of Procurement Services agrees with this finding. The Division agrees that the annual physical inventory required for FY2023 was not completed. As a result, the existence, location, condition, and accountability of all assets could not be fully verified during the audit period.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-025

Federal Agency:	U.S. Department of Transportation
AL Program:	20.205 Highway Planning and Construction (Federal-Aid Highway Program)
Federal Award No.:	0302301, 0103101, 0033301
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$-0-

Criteria:

Non-federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR Part 200. CNMI's procurement regulations state the following:

- All government procurement shall be awarded by competitive sealed bidding except under certain circumstances permitting other than full and open competition.

- Bidding is not required but is encouraged for procurement of $2,500 and under $10,000. The individual with the expenditure authority must obtain price quotations from at least three vendors and should base the selection on competitive price and quality for procurement valued at $2,500 to $10,000. Any price quotations must be written, documented, and submitted to the Procurement and Supply (P&S) Director for approval.

- For purchases that exceed $10,000 but which are less than or equal to $50,000, a minimum of three vendors shall be solicited to submit written or electronic quotations. If there are fewer than three vendors, the expenditure authority shall certify, in writing, to the P&S Director that fewer than three vendors responded and shall provide written proof of the request.

In accordance with 2 CFR 200.303(a), the recipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

CNMI procurement regulation § 70-30.3-205(f)(5) states that the Division of Procurement Services shall prepare a written summary of each bid opening.

Condition:

1. Inconsistencies were noted in procurement regulations over local and federal funded transactions. No questioned costs are presented as the extent of noncompliance could not be quantified.

Finding No. 2023-025, continued

Federal Agency:	U.S. Department of Transportation
AL Program:	20.205 Highway Planning and Construction (Federal-Aid Highway Program)
Federal Award No.:	0302301, 0103101, 0033301
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$-0-

Condition, continued:

Small Purchase	Dollar Value	CNMI Procurement Regulations
Local funds or combination with federal funds	Greater than $10K but ≤ $50K	A minimum of three vendors shall be solicited.
Federal funds	Greater than $10K, but ≤ $250K	A minimum of three vendors shall be solicited.
Local funds	Greater than $250K	Not stated.
Federal funds	Greater than $250K	At least one quote shall be obtained when purchasing from the General Services Administration (GSA).

2. For one (or 13%) of eight current year completed procurements tested, aggregating $601,371 of a total population of $641,920, CNMI did not provide the Bid Opening Summary Sheet. No questioned cost is presented as there were no expenditures incurred during FY2023 for this procurement.

Grant Award Number	PO/Contract Number	PO/Contract Amount
0302301	32300794	$7,188,088

Cause:

1. CNMI does not use the same policies and procedures for procurements under a federal award as with procurements from its non-federal funds under the small purchases method.

2. CNMI did not properly enforce their recordkeeping and document retention policies and controls.

Finding No. 2023-025, continued

Federal Agency:	U.S. Department of Transportation
AL Program:	20.205 Highway Planning and Construction (Federal-Aid Highway Program)
Federal Award No.:	0302301, 0103101, 0033301
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$-0-

Effect or Potential Effect:

CNMI is in noncompliance with applicable procurement and suspension and debarment compliance requirements. No questioned costs are presented as the extent of noncompliance for Condition 1 could not be quantified and there were no expenditures incurred during FY2023 for the procured transactions at Condition 2.

Identification as a Repeat Finding: This is not a repeat finding.

Recommendation:

1. The CNMI should revisit its procurement regulations and consider updating applicable sections of the regulations to comply with federal regulations governing federal funds.

2. Responsible CNMI personnel should periodically monitor updates in federal regulations over procurement and suspension and debarment.

3. CNMI should improve their record-keeping and document retention policies implementation by properly utilizing MUNIS as a database.

Views of responsible officials:

Condition 1 - Division of Procurement Services respectfully disagrees with this finding. Procurement Services agrees that the Commonwealth should periodically review its procurement regulations to ensure continued consistency with applicable federal requirements. However, Procurement Services notes that the procurement regulations currently establish procurement thresholds and procedures for locally funded procurements and procurements funded through a combination of local and federal funds. Procurements exceeding applicable small purchase thresholds are required to proceed through other procurement methods authorized under the procurement regulations, including competitive sealed bidding or other approved procurement methods, as applicable.

Finding No. 2023-025, continued

Federal Agency:	U.S. Department of Transportation
AL Program:	20.205 Highway Planning and Construction (Federal-Aid Highway Program)
Federal Award No.:	0302301, 0103101, 0033301
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$-0-

Views of Responsible Officials, continued:

Condition 2 - DPW, TSD-Highway Branch and the Division of Procurement Services respectfully disagrees with this finding. A review of the procurement file confirmed that the Bid Opening Summary Sheet was maintained as part of the official bid package and procurement record for this solicitation. Procurement Services has located the bid opening summary sheet and confirmed that it accurately documents the bid opening results in accordance with applicable procurement requirements. The document remains in the procurement file and is available for review. A copy has been provided for reference.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

Condition 1- CNMI procurement regulations for small purchases are not in accordance with 2 CFR Section 200.317, wherein a State must follow the same policies and procedures it uses for procurement with non-Federal funds when conducting procurement transactions under a Federal award.

Condition 2- CNMI states disagreement; however, CNMI also acknowledges that documentation supporting program costs were not provided.

Finding No. 2023-026

Federal Agency:	U.S. Department of Transportation
AL Program:	20.205 Highway Planning and Construction (Federal-Aid Highway Program)
Federal Award Nos.:	0036004, 3000301, 0030301, 0033301, 0317101
Area:	Special Tests and Provisions - Quality Assurance Program
Questioned Costs:	$-0-

Criteria:

In accordance with 2 CFR 200.303(a), the recipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

As stated in 23 CFR 637.205(a), each State Transportation Department (STD) shall develop a quality assurance program which will assure that materials and workmanship incorporated into each Federal-aid highway construction project on the NHS are in conformity with the requirements of the approved plans and specifications, including approved changes. The program must meet the criteria in 23 CFR 637.207.

Additionally, in accordance with 23 CFR 637.207(a), each STD's quality assurance program shall provide for an acceptance program and an independence assurance (IA) program.

Further, in accordance with 23 CFR 637.207(a)(1)(i)(A), each STD's acceptance program shall consist a frequency guide schedules for verification sampling and testing which will have general guidance to personnel responsible for the program and allow adaptation to specific project conditions and needs.

Lastly, based on 23 CFR 637.207(a)(2), the IA program shall evaluate the qualified sampling and testing personnel and the testing equipment.

Condition:

1. CNMI does not have a Quality Assurance (QA) program that is in accordance with 23 CFR 637.207 and approved by FHWA.

2. CNMI did not provide the listing of verification of sampling activities performed by qualified testing personnel. Accordingly, we were not able to select samples for testing.

Cause:

1. CNMI does not have an established quality assurance program that is approved by the FHWA and is in accordance with the requirements of 23 CFR 637.207.

Finding No. 2023-026, continued

Federal Agency:	U.S. Department of Transportation
AL Program:	20.205 Highway Planning and Construction (Federal-Aid Highway Program)
Federal Award Nos.:	0036004, 3000301, 0030301, 0033301, 0317101
Area:	Special Tests and Provisions - Quality Assurance Program
Questioned Costs:	$-0-

Cause, continued:

2. CNMI did not properly document the results of the verification sampling and testing by the assigned inspector to the project.

Effect or Potential Effect:

CNMI is in noncompliance with the special test and provisions - quality assurance program compliance requirements. No questioned costs are presented as the noncompliance is non-monetary in nature.

Identification of a Repeat Finding: This is not a repeat finding.

Recommendation:

CNMI should strengthen and enforce compliance with special tests and provisions compliance requirements over the following:

1. Develop, document, and implement formal Quality Assurance Program policies and procedures that is in accordance with 23 CFR 637.207 and approved by FHWA.

2. Consider employing qualified personnel or train an employee and assign as designated agent to perform the verification sampling and testing of existing construction contracts that is in accordance with the Quality Assurance Program.

Views of Responsible Officials:

Condition 1: The Department of Public Works (DPW), Transportation Services Division (TSD) - Highway Branch agrees with the conclusions presented in this finding. In accordance with 23 CFR 637.207, the DPW, TSD – Highway Branch will develop a QA program, policies and procedures that is approved by FHWA; and train employees and assign as designated agent to perform the functions of the QA Program.

Finding No. 2023-026, continued

Federal Agency:	U.S. Department of Transportation
AL Program:	20.205 Highway Planning and Construction (Federal-Aid Highway Program)
Federal Award Nos.:	0036004, 3000301, 0030301, 0033301, 0317101
Area:	Special Tests and Provisions - Quality Assurance Program
Questioned Costs:	$-0-

Views of Responsible Officials, continued:

Condition 2: DPW, TSD – Highway Branch agrees with the conclusions presented in this finding and will develop a log sheet to document the results of the sampling and testing performed to include contractor and sub-contractor (if applicable), project numbers, project titles, date and time, location, and the name of the Highway Inspector/Engineer monitoring the project.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-027

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	20010001/000021, ERAE0528
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$53,435

Criteria:

1. In accordance with 2 CFR Part 200, Subpart E, cost must be necessary and reasonable for the performance of the federal award and be allocable thereto. Further costs must conform to any limitations or exclusions and be adequately documented in order to be allowable under federal awards.

2. In accordance with the U.S. Department of the Treasury's revised Frequently Asked Questions (FAQ 8), dated May 10, 2023, the statutes establishing ERA1 and ERA2 permit the enrollment of households for only prospective benefits. ERA2 funding does not allow for commitments for rental arrears.

3. In accordance with the U.S. Department of the Treasury's revised FAQ 10, dated May 10, 2023, ERA1 financial assistance for prospective rent payments is limited to three months based on any application by or on behalf of the household, except that the household may receive assistance for prospective rent payments for additional months (i) subject to the availability of remaining funds currently allocated to the grantee, and (ii) based on a subsequent application for additional assistance. In no case may an eligible household receive more than 18 months of assistance under ERA1 and ERA2, combined.

Condition:

1. Of thirty-six nonpayroll expenditures tested, aggregating $70,291 of a total population of $3,273,446, the following were noted:

   a. For twenty-five (or 69%), ERA2 financial assistance funding provided to households included rental arrears.

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Amounts of Rental Arrears and Questioned Costs
AR26100001	02/01/23	153	$ 1,180
AR26100001	11/17/22	1111	1,100
FG26100034	04/11/23	2551	850
FG26100034	04/18/23	2684	480
FG26100034	03/30/23	3486	750

Finding No. 2023-027, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	20010001/000021, ERAE0528
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$53,435

Condition, continued:

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Amounts of Rental Arrears and Questioned Costs
FG26100034	03/21/23	3519	250
FG26100034	04/17/23	2638	450
FG26100034	04/17/23	2653	350
AR26100001	10/05/22	386	1,000
AR26100001	12/30/22	2919	500
AR26100001	10/20/22	2210	3,200
FG26100034	04/18/23	2664	1,662
FG26100034	04/06/23	2197	1,350
AR26100001	12/28/22	2680	2,830
FG26100034	03/21/23	3518	700
FG26100034	04/11/23	2324	500
AR26100001	11/17/22	1118	1,800
FG26100034	04/11/23	2554	510
AR26100001	11/16/22	1124	350
FG26100034	06/23/23	1559	4,800
AR26100001	01/06/23	302	100
FG26100034	07/20/23	2272	4,500
AR26100001	10/27/22	2453	24
FG26100034	06/30/23	2227	650
FG26100034	05/26/23	2837	450
			$30,336

b. For six (or 17%), ERA financial assistance funding provided to the households exceeded the maximum three months allowed for prospective rental assistance.

Finding No. 2023-027, continued

Federal Agency: U.S. Department of the Treasury
AL Program: COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.: 20010001/000021, ERAE0528
Area: Allowable Costs/Cost Principles
Questioned Costs: $53,435

Condition, continued:

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Number of Months Exceeded	Amounts of Rental Assistance and Questioned Costs
AR26100001	02/01/23	153	1	$ 590
AR26100001	11/17/22	1111	2	2,200
AR26100001	10/27/22	2301	3	1,050
AR26100001	10/20/22	2210	1	400
FG26100034	06/23/23	1559	2	1,200
AR26100001	10/27/22	2453	1	12
				$5,452

c. For one (or 3%), the purchase requisition or equivalent documentation, evidencing approval of the expenditures by the Official with Expenditure Authority, was not provided, to substantiate the allowability of the expenditures.

Project Number	Project Accounting Journal Effective Date	Project Accounting Journal Number	Amount and Questioned Costs
FG26100033	09/30/23	3556	$3,485

2. Of four payroll expenditures tested, aggregating $10,932 of a total population of $344,616, for two (or 50%), the following were noted:

   a. For one (or 25%), the employee's time sheet was not provided, for which the corresponding directly associated payroll costs are also questioned.

Project Number	Project Accounting Journal Effective Date	Project Accounting Journal Number	Pay Period Ended	Employee Number	Gross Pay	Fringe Benefit	Amount and Questioned Cost
FG26100033	03/27/23	2657	03/11/23	3156	$1,077	$ 82	$1,159

Finding No. 2023-027, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	20010001/000021, ERAE0528
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$53,435

Condition, continued:

b. For one (or 25%), no employee was selected for testing as the payroll cost was not traceable on the breakdown of payroll costs provided.

Project Number	Project Accounting Journal Effective Date	Project Accounting Journal Number	Amount and Questioned Costs
8813210003	04/19/23	1243	$658

Test of grant awards noted the following:

3. Cumulative expenditures of $10,413,014 exceeded the ERA 1 grant award funding limit of $10,400,669 (project numbers 2610210020 and 2610210021), resulting in an excess amount of $12,345. Documentation of any increase in funding limit was not provided, for which the excess amount of $12,345 is questioned.

Cause:

CNMI lacks monitoring internal controls over the following:

1. ERA 2 funding is not used for rental arrear payments;

2. Expenditures charged to grant awards are not in excess of funding limits; and

3. Inadequate documentation and systematic filing of relevant documentation supporting program costs.

Effect or Potential Effect:

CNMI is in noncompliance with applicable allowable costs/cost principles compliance requirements and questioned costs of $53,435 result.

Finding No. 2023-027, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	20010001/000021, ERAE0528
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$53,435

Effect or Potential Effect, continued:

Condition	Questioned Costs
1a	$30,336
1b	5,452
1c	3,485
2a	1,159
2b	658
3	12,345
	$53,435

Identification as a Repeat Finding: Finding No. 2022-022

Recommendation:

CNMI should strengthen and enforce compliance with applicable allowable costs/cost principles compliance requirements and implement and enforce effective monitoring controls over the following:

1. Use of ERA 2 funding is only for allowable program costs;

2. Expenditures charged to the program are within the grant awards funding limits; and

3. Establish and maintain effective systematic filing of relevant documentation to support program costs and for easier retrieval.

Views of Responsible Officials:

Condition 1a - Office of Grants Management (OGM) respectfully disagrees with this finding. Under the U.S. Department of the Treasury's Emergency Rental Assistance Program 2 (ERA2), states, territories, and other eligible grantees were expressly authorized to pay rental arrears (past-due rent) on behalf of eligible households. Treasury guidance states that ERA2 financial assistance could include current rent, rental arrears (back rent), utility and home energy costs, utility and home energy arrears, and other housing-related expenses.

Finding No. 2023-027, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	20010001/000021, ERAE0528
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$53,435

Views of Responsible Officials, continued:

U.S. Department of the Treasury's FAQ further clarifies that a grantee may provide assistance for rental arrears that accrued on or after March 13, 2020. A grantee was not required to pay the full amount of arrears and could structure the program to provide partial assistance if desired. For the CNMI specifically, if ERA2 award was active during the period of performance, payment of eligible rental arrears was an allowable use of funds. However, the U.S. Department of the Treasury closed the ERA2 program on September 30, 2025, and ERA2 funds may no longer be used to provide new rental assistance, including rental arrears.

As a practical matter, many ERA programs adopted policies of paying up to three months of future rent at a time, but that was often a program design choice or carried over from ERA1 administration rather than a statutory ERA2 limitation. The controlling U.S. Department of the Treasury guidance limits total assistance to 18 months combined across ERA1 and ERA2. CNMI followed the U.S. Department of the Treasury guidelines and pushed for a combined 18-month max limit, if financially needed, across ERA1 and ERA2. Therefore, the Office disagrees with the $30,336 questioned costs and is requesting that this finding be removed based on our explanation above.

Condition 1b - OGM respectfully disagrees with this finding. Under the U.S. Department of the Treasury's Emergency Rental Assistance Program 2 (ERA2), states, territories, and other eligible grantees were expressly authorized to pay rental arrears (past-due rent) on behalf of eligible households. The U.S. Department of the Treasury guidance states that ERA2 financial assistance could include current rent, rental arrears (back rent), utility and home energy costs, utility and home energy arrears and other housing-related expenses.

U.S. Department of the Treasury's FAQ further clarifies that a grantee may provide assistance for rental arrears that accrued on or after March 13, 2020. A grantee was not required to pay the full amount of arrears and could structure the program to provide partial assistance if desired. For the CNMI specifically, if ERA2 award was active during the period of performance, payment of eligible rental arrears was an allowable use of funds. However, the U.S. Department of the Treasury closed the ERA2 program on September 30, 2025, and ERA2 funds may no longer be used to provide new rental assistance, including rental arrears.

Finding No. 2023-027, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	20010001/000021, ERAE0528
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$53,435

Views of Responsible Officials, continued:

As a practical matter, many ERA programs adopted policies of paying up to three months of future rent at a time, but that was often a program design choice or carried over from ERA1 administration rather than a statutory ERA2 limitation. The controlling U.S. Department of the Treasury guidance limits total assistance to 18 months combined across ERA1 and ERA2. Therefore, the Office disagrees with the $5,452 questioned costs and is requesting that this finding be removed based on our explanation above.

Condition 1c - OGM respectfully disagrees with the findings because using the purchase requisition or purchase order methodology is not the only method of obtaining goods or services in the CNMI Government. In this situation, the Office opted to use the Invoice Central method in MUNIS. Items for purchase were specifically identified in the portal and it was approved by the Division of Financial Services.

Items being purchased are allowable items (office supplies); however, the method used by the Office may not be acceptable by the auditor. Again, the Office disagrees as DOF officials approved the transaction and paid the item out with check number 619104. The invoice number for this transaction is 739384-0. If the transaction is not allowable, then DOF should update their SOPs or not allow the Invoice Entry module to be used. Again, OGM disagrees with the finding and questioned costs amounting to $3,485. Therefore, the Office disagrees with the $3,485 questioned costs and we are requesting that this finding be removed based on our explanation above.

Condition 2a - OGM respectfully disagrees with this finding. After the audit inquiry, the supporting timesheet associated with the questioned payroll costs was located and is available for review. The documentation substantiates the payroll charges previously questioned. Accordingly, the Office respectfully disagrees with the questioned costs of $1,159 and requests removal of this finding.

Condition 2b - OGM respectfully disagrees with this finding. The payroll costs in question are traceable within the financial management system; however, the reporting format aggregates payroll and fringe benefit expenditures in a manner that may make individual employee costs difficult to identify without familiarity with the system's reporting structure.

Finding No. 2023-027, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	20010001/000021, ERAE0528
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$53,435

Views of Responsible Officials, continued:

The questioned amount of $658 can be reconciled to supporting payroll records and underlying accounting data. The Office is prepared to provide additional supporting documentation and reconciliation schedules to demonstrate the traceability of these costs. Accordingly, the Office respectfully disagrees with the questioned costs of $658 and requests removal of this finding.

Condition 3 - OGM respectfully disagrees with the findings and questioned costs of $12,345. According to our records and using budgetary print template reports, the following have been spent:

FMIS	Benefits	Admin Expenditures	Total
JDE Edwards	$3,680,786	$395,199	$ 4,075,985
MUNIS	5,935,331	387,614	6,322,945
Total	$9,616,117	$782,813	$10,398,930

CCERA Program spent in total $10,398,930 out of the total award of $10,400,669, leaving an unspent balance of $1,739. This is also reported in the final submitted report to the U.S. Department of the Treasury. U.S. Department of the Treasury accepted the report and advised us to return the unused funds plus 5% interest, which changed the total owed to $1,746. This is substantiated by a notice from the U.S. Department of the Treasury to Collect for Delinquent Indebtedness under Invoice number OCAERA0411A, dated March 11, 2025. Thus, confirming that the CNMI only spent $10,398,930 under ERA1.

Furthermore, there are internal controls built into the MUNIS System that will not allow us to exceed the budgeted amount, so we are not able to exceed the budgeted amount. Thus, the Office disagrees with the $12,345 questioned costs and is requesting that this finding be removed based on our explanation above.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-027, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	20010001/000021, ERAE0528
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$53,435

Auditor Response:

Condition 1a - Documentation that ERA2 funding can be used to provide financial assistance for rental arrears was not provided. Finding and questioned costs are retained, as costs at the time of the audit were not supported by adequate documentation.

Condition 1b - In accordance with FAQ 10, prospective rent payments is limited to three months based on any application by or on behalf of the household, except that the household may receive assistance for prospective rent payments for additional months based on a subsequent application for additional assistance. Documentation evidencing excess prospective rent payments pertain to subsequent application for additional assistance was not provided. Finding and questioned costs are retained, as costs at the time of the audit were not supported by adequate documentation.

Condition 1c - In accordance with the Planning and Budgeting Act or under any annual appropriation act, Official with expenditure authority is the public official who may expend, obligate, encumber, or otherwise commit public funds. Equivalent documentation evidencing approval of the expenditure by the Expenditure Authority was not provided. Finding and questioned costs are retained, as costs at the time of the audit were not supported by adequate documentation.

Conditions 2a and 2b - CNMI states disagreement; however, CNMI also acknowledges that documentation supporting program costs were not provided. Finding and questioned costs are retained, as costs at the time of the audit were not supported by adequate documentation.

Condition 3 - As discussed with the program personnel on 06/05/26, total cumulative expenditures as of FY2023 charged to ERA 1 grant award, exceeded the funding limit by $12,344, which were based on CNMI's underlying accounting records provided for the audit. We also recommended for the program personnel to discuss the discrepancy between the program's records with the CNMI SOF Team, for which no further updates were provided to evidence that ERA 1 grant award was not overcharged. Finding and questioned costs are retained, as reconciliation and/or adjusting journal entry for the $12,344 in excess program costs charged to the ERA 1 grant award were not provided.

Finding No. 2023-028

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	ERAE0528
Area:	Eligibility
Questioned Costs:	$99,935

Criteria:

1. 15 U.S. Code § 9058c(f)(2) defines an eligible household as one or more individuals who are obligated to pay rent on a residential dwelling to which the CNMI has determined the following:

   (A) One or more individuals within the household has:

      1. Qualified for unemployment benefits; or

      2. Experienced a reduction in household income, incurred significant costs, or experienced other financial hardship during or due, directly or indirectly, to the coronavirus pandemic;

   (B) One or more individuals within the household can demonstrate a risk of experiencing homelessness or housing instability; and

   (C) The household is a low-income family (as such term is defined in section 1437a(b) of title 42.

2. Per the U.S. Department of Treasury's Frequently Asked Questions (FAQ 1), grantees must maintain records of their eligibility determinations.

Condition:

1. Of forty eligibility case files selected for testing, aggregating $99,935 in total benefits paid of a total population of $2,957,793, the following were noted:

   a. For four (or 10%), documentation supporting eligibility determinations were not provided.

Item Number	Label Number	Benefits Paid and Questioned Costs
1	ROP-0004	$ 717
2	SPN-0960	3,600

Finding No. 2023-028, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	ERAE0528
Area:	Eligibility
Questioned Costs:	$99,935

Condition, continued:

Item Numbers	Label Numbers	Benefits Paid and Questioned Costs
3	SPN-4115	3,360
4	SPN-4426	660
		$8,337

b. For thirty-six (or 90%), approved direct financial rental assistance certifications, and corresponding invoices supporting amounts of rental assistance, were not provided.

Item Numbers	Label Numbers	Benefits Paid and Questioned Costs
1	SPN-0112	$ 6,600
2	SPN-0200	4,500
3	SPN-0349	1,956
4	SPN-0551	660
5	SPN-0735	4,734
6	SPN-1129	1,200
7	SPN-1320	2,085
8	SPN-1490	1,725
9	SPN-1659	2,367
10	SPN-1775	1,500
11	SPN-1887	900
12	SPN-2003	795
13	SPN-2105	1,575
14	SPN-2329	2,100
15	SPN-2514	1,650
16	SPN-2686	1,980
17	SPN-2871	3,000
18	SPN-3112	4,560
19	SPN-3213	4,200
20	SPN-3398	2,367
21	SPN-3599	1,200

Finding No. 2023-028, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	ERAE0528
Area:	Eligibility
Questioned Costs:	$99,935

Condition, continued:

Item Numbers	Label Numbers	Benefits Paid and Questioned Costs
22	SPN-3828	2,367
23	SPN-4017	1,440
24	SPN-4271	2,085
25	SPN-4571	7,200
26	SPN-4686	2,367
27	SPN-4898	2,880
28	SPN-5039	2,400
29	SPN-5131	5,400
30	SPN-5198	1,500
31	SPN-6006	2,700
32	SPN-7148	1,350
33	SPN-7227	3,156
34	SPN-7452	2,049
35	SPN-7540	1,050
36	SPN-7640	2,000
		$91,598

c. For twenty-three (or 58%), recertification checklists supporting eligibility redeterminations for direct financial rental assistance provided during FY2023, were not provided. No questioned costs are presented as amounts are questioned at Condition 1b.

Item Numbers	Label Numbers	Benefits Paid
1	SPN-0112	$ 6,600
2	SPN-0200	4,500
3	SPN-0349	1,956
4	SPN-0735	4,734
5	SPN-1129	1,200

Finding No. 2023-028, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	ERAE0528
Area:	Eligibility
Questioned Costs:	$99,935

Condition, continued:

Item Numbers	Label Numbers	Benefits Paid
6	SPN-1490	1,725
7	SPN-1659	2,367
8	SPN-1775	1,500
9	SPN-1887	900
10	SPN-2105	1,575
11	SPN-2329	2,100
12	SPN-2514	1,650
13	SPN-2686	1,980
14	SPN-2871	3,000
15	SPN-3112	4,560
16	SPN-3213	4,200
17	SPN-3398	2,367
18	SPN-3599	1,200
19	SPN-3828	2,367
20	SPN-4571	7,200
21	SPN-5039	2,400
22	SPN-5131	5,400
23	SPN-6006	2,700
		$68,181

d. For one (or 3%), the applicant's employment verification or equivalent documentation, was not provided. No questioned cost is presented as the amount is questioned at Condition 1b.

Label Number	Benefits Paid
SPN-0200	$4,500

Finding No. 2023-028, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	ERAE0528
Area:	Eligibility
Questioned Costs:	$99,935

Condition, continued:

e. For seven (or 18%), eligibility determination forms (Form 3), were not provided. No questioned costs are presented as amounts are questioned at Condition 1b.

Label Numbers	Benefits Paid
SPN-1659	$ 2,367
SPN-2329	2,100
SPN-2686	1,980
SPN-3213	4,200
SPN-3599	1,200
SPN-3828	2,367
SPN-5131	5,400
	$19,614

Cause:

CNMI did not provide complete documentation supporting eligibility determinations.

Effect or Potential Effect:

CNMI is in noncompliance with applicable eligibility compliance requirements and questioned costs of $99,935 result.

Condition	Questioned Costs
1a	$ 8,337
1b	91,598
	$99,935

Finding No. 2023-028, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	ERAE0528
Area:	Eligibility
Questioned Costs:	$99,935

Identification as a Repeat Finding: Finding No. 2022-023

Recommendation:

CNMI should strengthen and enforce compliance with applicable eligibility compliance requirements and implement and establish systematic filing of relevant documentation for easy retrieval.

Views of Responsible Officials:

Condition 1a - The Office of Grants Management (OGM) respectfully disagrees with the finding and questioned costs of $8,337 because assigned personnel were not made aware to supply supporting documents for the following questioned costs. Possible communication breakdown may exist as per OGM staff and OGM staffer reported a different request list was furnished at different times.

However, OGM is pleased to provide you with copies of the documents for these questioned costs items. OGM believes that the timing played a major role with the release of this draft document, but OGM should not be penalized. OGM is requesting this finding be removed based on the explanation provided above.

Condition 1b - The Office of Grants Management respectfully disagrees with the finding and questioned costs of $91,598 because assigned personnel were not made aware to supply supporting documents for the following questioned costs. Possible communication breakdown may exist as per OGM staff and OGM staffer reported a different request list was furnished at different times.

However, OGM is pleased to provide you with copies of the documents for these questioned costs items. OGM believes that the timing played a major role with the release of this draft document, but OGM should not be penalized. OGM is requesting this finding be removed based on the explanation provided above.

Condition 1c - The Office of Grants Management disagrees with the finding and questioned costs of $68,181 because assigned personnel were not made aware to supply supporting documents for the following questioned costs. Possible communication breakdown may exist as per OGM staff and OGM staffer reported a different request list was furnished at different times.

Finding No. 2023-028, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	ERAE0528
Area:	Eligibility
Questioned Costs:	$99,935

Views of Responsible Officials, continued:

However, OGM is pleased to provide you with copies of the documents for these questioned costs items. OGM believes that the timing played a major role with the release of this draft document, but OGM should not be penalized. OGM is requesting this finding be removed based on the explanation provided above.

Condition 1d - The Office of Grants Management disagrees with the finding and questioned costs of $4,500 because assigned personnel were not made aware to supply supporting documents for the following questioned costs. Possible communication breakdown may exist as per OGM staff and OGM staffer reported a different request list was furnished at different times. For this particular finding, the client was unemployed and thus could not provide an employment verification.

However, OGM is pleased to provide you with copies of the documents for these questioned costs items. OGM believes that the timing played a major role with the release of this draft document, but OGM should not be penalized. OGM is requesting this finding be removed based on the explanation provided above.

Condition 1e - The Office of Grants Management disagrees with the finding and questioned costs of $19,614 because assigned personnel were not made aware to supply supporting documents for the following questioned costs. Possible communication breakdown may exist as per OGM staff and OGM staffer reported a different request list was furnished at different times.

However, OGM is pleased to provide you with copies of the documents for these questioned costs items. OGM believes that the timing played a major role with the release of this draft document, but OGM should not be penalized. OGM is requesting this finding be removed based on the explanation provided above.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

Condition 1a, 1b, 1c, 1d, and 1e - CNMI states disagreement; however, CNMI also acknowledges that documentation supporting eligibility were not provided. Findings and questioned costs are retained, as documentation substantiating eligibility determination to support program costs at the time of the audit were not supported by adequate documentation.

Finding No. 2023-028, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	ERAE0528
Area:	Eligibility
Questioned Costs:	$99,935

Auditor Response, continued:

In addition, we requested from the program to provide all documentation supporting the case files selected for eligibility compliance testing.

Finding No. 2023-029

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	20010001/000021, ERAE0528
Area:	Reporting
Questioned Costs:	$-0-

Criteria:

In accordance with the Emergency Rental Assistance (ERA) program reporting guidance Version 3.4, all ERA 1 and ERA 2 Recipients (State, Local, and Territorial Recipients and all Tribe, TDHE, and the DHHL Recipients) must submit the Federal Financial Report, Standard Form 425 (SF-425) and the ERA 1 and ERA 2 Performance Reports (1505-0266 for ERA 1 and 1505-0270 for ERA 2), on a quarterly basis and a final report. Recipients must provide all required reports on each ERA 1 and ERA 2 award separately.

Condition:

1. Of eight quarterly SF-425 federal financial reports for ERA 1 and ERA 2 grant awards that were due for submission during FY2023, all eight (or 100%) quarterly reports for the following reporting periods were not provided.

Quarter	Reporting Period
Q4 2022	07/01/22 - 09/30/22
Q1 2023	10/01/22 - 12/31/22
Q2 2023	01/01/23 - 03/31/23
Q3 2023	04/01/23 - 06/30/23

2. Of eight quarterly performance reports for ERA 1 and ERA 2 grant awards that were due for submission during FY2023, the following were noted:

   a. For four (or 50%), ERA 1 performance reports for the following reporting periods were not provided:

Quarter	Reporting Period
Q4 2022	07/01/22 - 09/30/22
Q1 2023	10/01/22 - 12/31/22
Q2 2023	01/01/23 - 03/31/23
Q3 2023	04/01/23 - 06/30/23

Finding No. 2023-029, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	20010001/000021, ERAE0528
Area:	Reporting
Questioned Costs:	$-0-

Condition, continued:

b. For one (or 13%), the ERA 2 performance report for the quarter ended 09/30/22 reporting period was not provided.

c. For three (or 38%), underlying accounting records supporting the narratives reported on ERA 2 performance reports for the following reporting periods, were not provided.

Quarter	Reporting Period
Q1 2023	10/01/22 - 12/31/22
Q2 2023	01/01/23 - 03/31/23
Q3 2023	04/01/23 - 06/30/23

Cause:

CNMI lacks monitoring controls over adequate documentation and systematic filing of relevant documentation supporting the program's reporting compliance requirements.

Effect or Potential Effect:

CNMI is in noncompliance with applicable reporting compliance requirements. No questioned costs are presented as the noncompliance is non-monetary in nature.

Identification as a Repeat Finding: Finding No. 2022-025

Recommendation:

CNMI should strengthen and enforce compliance with the applicable reporting requirements and implement and establish systematic filing of relevant documentation for easy retrieval.

Finding No. 2023-029, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	20010001/000021, ERAE0528
Area:	Reporting
Questioned Costs:	$-0-

Views of Responsible Officials:

Condition 1 - Office of Grants Management (OGM) respectfully disagrees with this finding. The Office believes that it was difficult to submit accurate financial reports because expenses and final totals kept shifting with the transition of the CNMI financial management system from JD Edwards to Tyler-Munis. In addition, checks were being cancelled or returned by landlords because tenants were opting to move to better living conditions, making the financial figures fluctuate each month. OGM mentioned to EY of these movements in expenses and the shifts in the SF-425. It was only months after the closing of the fiscal year whereby the expenses stabilized. As such, OGM should not be penalized for the difference in the SF-425.

OGM did provide the narrative report to EY for that reporting period. Furthermore, the Department of Finance had the responsibility in reporting of this program's activities. OGM did not have access to the U.S. Department of the Treasury portal. This further made it more difficult to catch up with the reporting of items. Subsequently, U.S. Department of the Treasury started requesting for different metrics or evidence to which our office was not prepared because we were operating under a set of understood deliverables, making it again difficult to report succinctly and accurately for the program. OGM was tasked by the former Governor last minute to handle this program because the state housing program did not want to manage this emergency rental assistance program due to the overload in workload brought on by the CDBG-Disaster program. Furthermore, OGM did provide EY with complete listing of expenses that matched the FMIS generated ending fund balance for this business unit.

Regarding ERA1, U.S, Department of the Treasury accepted the full report inclusive of SF-425. For ERA2, a final report has been provided and is under full review.

Condition 2a - OGM disagrees with this finding. For ERA1 reports, U.S. Department of the Treasury has accepted the final report and has closed all matters pertaining to this grant and this is substantiated by the return of funds amounting to $1,746.41. As noted, reports are very difficult to generate without full access to real-time data and the lack of software. The immense load and pressure to execute welfare assistance can be very overwhelming. OGM asks that this finding be removed as all reports have been accepted by U.S. Department of the Treasury for ERA 1.

Condition 2b - OGM disagrees with this finding. For ERA 2, reports are very difficult to generate without full access to real-time data and the lack of software. The immense load and pressure to execute welfare assistance can be very overwhelming.

Finding No. 2023-029, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.023 Emergency Rental Assistance Program
Federal Award No.:	20010001/000021, ERAE0528
Area:	Reporting
Questioned Costs:	$-0-

Views of Responsible Officials, continued:

Condition 2c - OGM disagrees with this finding. OGM believes this condition is substantially related to the reporting concerns identified under Condition 2b and reflects the same underlying reporting and documentation challenges. Because the supporting accounting records and narrative reporting requirements are interconnected, the Office respectfully requests consideration of consolidating this condition with Condition 2b to avoid duplication of findings addressing the same underlying issue.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

Conditions 1, 2a, 2b, and 2c - While OGM provided an explanation of the challenges on the submission of the quarterly SF-425 and performance reports, the quarterly reports and/or underlying accounting records were not provided. Accordingly, we were unable to test the accuracy of any amounts and/or data reported. Further, Conditions 2b and 2c are two separate compliance findings. Findings are retained as amounts and/or data reported, were not supported by adequate documentation.

Finding No. 2023-030

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$17,671,782

Criteria:

1. Recipients may use the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) payments for any eligible expenses subject to the restrictions set forth in Sections 602 and 603 of the Social Security Act as added by Section 9901 of the American Rescue Plan Act of 2021 codified at 42 USC Sections 802 and 803, respectively. Recipients may also use payments subject to the restrictions set forth Division LL, Section 103 of the Consolidated Appropriations Act, 2023, U.S. Treasury's Interim Final Rule and Final Rule at 31 CFR Part 35, and Frequently Asked Questions (FAQs).

2. SLFRF is considered "other financial assistance" per 2 CFR Section 200.1 and is administered as direct payments for specified use. The 2 CFR Part 200, Subpart E is applicable to expenditures under SLFRF unless stated otherwise; and

3. In accordance with 2 CFR Part 200, Subpart E, cost must be necessary and reasonable for the performance of the federal award and be allocable thereto. Further costs must conform to any limitations or exclusions and be adequately documented.

Condition:

Of thirty-two nonpayroll expenditures tested, aggregating $9,044,957 of a total population of $57,129,124, the following were noted:

1. For eleven (or 34%), travel authorizations, travel vouchers, boarding passes and trip reports were not provided.

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Travel Authorization Numbers	Amounts	Directly Associated Costs	Total and Questioned Costs
4001210001	10/31/22	4167	No TA	$ 33	Undeterminable	$ 33
8815210001	10/14/22	3991	6223784	$ 99	$2,441	2,540
1102210001	11/30/22	3618	6230726	$ 7	$1,019	1,026
1301210001	11/14/22	2671	6230271	$ 14	$6,724	6,738
1505210002	10/31/22	3123	6223989	$3,084	$2,412	5,496

Finding No. 2023-030, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$17,671,782

Condition, continued:

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Travel Authorization Numbers	Amounts	Directly Associated Costs	Total and Questioned Costs
7101210001	01/31/23	2777	6231307	$ 13	$2,270	2,283
1505210002	12/14/22	3214	6230019	$ 40	$6,307	6,347
7101210001	12/31/22	3017	6231087	$ 25	$ 547	572
2618210001	11/14/22	3587	No TA	$ 121	Undeterminable	121
2613210001	04/30/23	1225	6222714	$ 17	$ 91	108
1901210001	10/31/22	2881	6223753	$ 65	$ 848	913
						$26,177

2. For eight (or 25%), receipts for travel-related meals were not provided while the airline ticket for travel authorization number TA6223989 was not provided. No questioned costs are presented as amounts are questioned at Condition 1.

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Travel Authorization Numbers	Amounts
4001210001	10/31/22	4167	No TA	$ 33
8815210001	10/14/22	3991	6223784	99
1102210001	11/30/22	3618	6230726	7
1301210001	11/14/22	2671	6230271	14
1505210002	10/31/22	3123	6223989	3,084
2618210001	11/14/22	3587	No TA	121
2613210001	04/30/23	1225	6222714	17
1901210001	10/31/22	2881	6223753	65
				$3,440

Finding No. 2023-030, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$17,671,782

Condition, continued:

3. For fifteen (or 47%), purchase requisitions or equivalent documentation, evidencing approval of the expenditures by the Officials with Expenditure Authority, were not provided. In addition, approval of the purchase requisition by the Official with Expenditure Authority for project number Tinian, was not evident. Further, purchase orders or equivalent obligating documents for Project Account Journal Numbers 3039, 3341, 2325 and 809, were not provided.

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Amounts and Questioned Costs
2701210012	04/26/23	2179	$ 423
2701210003	01/05/23	209	5,231
2002210001	01/20/23	743	150
8825210001	10/21/22	1664	2,562
Tinian	08/10/23	None	4,554
5101210001	04/17/23	1161	4,521
1102210001	07/28/23	2386	1,337
2614210001	10/31/22	3039	120
1201210001	11/14/22	640	410
1501210002	01/05/23	320	152
8825210001	05/01/23	59	378
8825210001	05/12/23	3341	11,914
8825210001	12/21/22	2325	1,063
8825210001	06/15/23	809	2,000
2701210012	04/26/23	2374	100
			$34,915

4. For three (or 9%), invoices were not provided. No questioned costs are presented as amounts are questioned at Condition 3.

Finding No. 2023-030, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$17,671,782

Condition, continued:

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Amounts
2614210001	10/31/22	3039	$ 120
8825210001	12/21/22	2325	1,063
8825210001	06/15/23	809	2,000
			$3,183

5. For one (or 3%), the receiving report or equivalent documentation, evidencing receipt of the item purchased, was not provided. No questioned cost is presented as the amount is questioned at Condition 3.

Project Number	Project Accounting Journal Effective Date	Project Accounting Journal Number	Amount
2614210001	10/31/22	3039	$120

6. For twelve (or 38%), cancelled checks/ACH payments were not provided to evidence payments were properly authorized, made to eligible parties and did not constitute improper payments. No questioned costs are presented as amount for Project Accounting Journal Number 3039 is questioned at Condition 3 while all other transactions are questioned at Condition 1.

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Amounts
4001210001	10/31/22	4167	$ 33
8815210001	10/14/22	3991	99
1102210001	11/30/22	3618	7

Finding No. 2023-030, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$17,671,782

Condition, continued:

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Amounts
2614210001	10/31/22	3039	120
1301210001	11/14/22	2671	14
1505210002	10/31/22	3123	3,084
7101210001	01/31/23	2777	13
1505210002	12/14/22	3214	40
7101210001	12/31/22	3017	25
2618210001	11/14/22	3587	121
2613210001	04/30/23	1225	17
1901210001	10/31/22	2881	65
			$3,638

Of twenty-eight payroll expenditures tested, aggregating $5,072,171 of a total population of $49,399,329, the following were noted:

7. For five (or 18%) pay periods, no employee was selected for testing as the payroll reports could not be located. The general ledger distribution payroll reports supporting the payroll costs were also not provided.

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Amounts and Questioned Costs
2007210001	10/08/22	1760	$ 443
6205210007	12/14/22	2001	768
1404210001	10/08/22	1760	94
2611210002	02/22/23	2473	8
2001210058	05/03/23	391	1
			$1,314

Finding No. 2023-030, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$17,671,782

Condition, continued:

8. For five (or 18%), notices of personnel action forms (NOPA) were not provided. Accordingly, we could not determine whether the employees were paid with the correct pay rates, for which the corresponding directly associated costs are also questioned.

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Employee Numbers	Gross Pay	Fringe Benefits	Total Amount and Questioned Costs
1709210001	01/18/23	612	4016	$ 602	$ 46	$ 648
1708210003	11/04/22	189	1665	$ 173	$ 13	186
1402210001	04/19/23	1243	3101	$2,513	$192	2,705
1709210003	11/16/22	1347	1722	$1,781	$136	1,917
2606210001	12/14/22	2001	2385	$1,206	$ 92	1,298
						$6,754

9. For two (or 7%), payroll costs are part of a journal entry amounting to $11,329,855, to transfer various general fund payroll costs to ALN 21.027. No payroll reports were provided and were only supported with a reprogramming adjustments memorandum along with a manually prepared listing of payroll costs. The listing also did not reflect the payroll periods covered or the names of employees, for which the entire amount of $11,329,855 charged to the program are questioned.

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Amounts
1805210001	09/30/23	5438	$887
1209210001	09/30/23	5438	$481

Finding No. 2023-030, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$17,671,782

Condition, continued:

10. For one (or 4%), the transaction pertains to general fund expenditures related to CNMI's employer share for group health and life insurance premiums for active employees and retirees that was transferred to ALN 21.027. The supporting invoices and payments were not provided, and the transaction was only supported with manually prepared adjusting journal entries.

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Amount and Questioned Costs
8817210002	09/30/23	5580	$5,055,671

Tests of large transfers to program accounts noted the following:

11. Transaction pertains to general fund expenditures related to professional fees that were transferred to ALN 21.027. The supporting invoices and payments were not provided and was only supported with a list of check payments.

Project Numbers	Project Accounting Journal Effective Dates	Project Accounting Journal Numbers	Amount and Questioned Costs
1701210001	09/18/23	4060	$1,217,096

Cause:

CNMI did not enforce compliance with applicable activities allowed or unallowed and allowable costs/cost principles compliance requirements and lacks monitoring controls over adequate documentation and systematic filing of relevant documentation supporting program costs.

Effect or Potential Effect:

CNMI is in noncompliance with applicable activities allowed or unallowed and allowable costs/cost principles compliance requirements and questioned costs of $17,671,782 result.

Finding No. 2023-030, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$17,671,782

Effect or Potential Effect, continued

Condition	Questioned Costs
1	$ 26,177
3	34,915
7	1,314
8	6,754
9	11,329,855
10	5,055,671
11	1,217,096
	$17,671,782

Identification as a Repeat Finding: Finding No. 2022-028

Recommendation:

CNMI should strengthen and enforce compliance with applicable activities allowed or unallowed and allowable costs/cost principles compliance requirements, develop and implement effective monitoring controls over the following:

1. Program costs are adequately documented and supported;

2. Establish and maintain effective systematic filing of relevant documentation to support program costs and for easier retrieval; and

3. Effective monitoring controls over compliance with Sections 602 and 603 of the Social Security Act (the “Act”) requirements, 2 CFR section 200.1 and 2 CFR Part 200, Subpart E.

Finding No. 2023-030, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$17,671,782

Views of Responsible Officials:

Conditions 1 and 2 - CNMI Department of Finance (DOF) agrees with this finding. These transactions were subsequently closed and finalized and CNMI can provide documents upon request. CNMI was still familiarizing itself with the financial management system implemented in FY2022, as well as a new mechanism of "travel cards" for employee travel. Effective in February 2023, CNMI ceased using the travel cards as we had determined that it was difficult to maintain effective monitoring. Also, subsequently in 2025, SOPs were formally effective. Throughout the SOP development, CNMI DOF learned best practices to effectively monitor travel transactions. No further action is needed.

Conditions 3 to 6 - CNMI Department of Finance agrees with this finding. Due to operational inefficiencies present in FY2023, document archives were not maintained; and effectively were not provided to auditors in the time allotted. In addition, this transaction related to a purchasing card mechanism, and the CNMI did not maintain proper controls and monitoring. CNMI DOF has since stopped using purchasing cards broadly across the CNMI government, it is allowed on a case-by-case basis so that the CNMI can monitor purchases more effectively. With standardization of processes and additional training, CNMI has since maintained its records and documents for improved financial accountability and transparency. CNMI can provide documents upon request. No action is needed at this time.

Conditions 7 and 8 - CNMI Department of Finance agrees with this finding. The Payroll and HR management modules of Munis went live in October 2022, and early implementation challenges affected payroll distribution reporting and documentation gaps. CNMI worked with Munis implementation consultants to correct issues and has since implemented SOPs to ensure proper payroll documentation, reporting and reconciliation. This prevents recurrence.

Conditions 9 to 11 - CNMI Department of Finance agrees with this finding. Due to the large nature of the transaction, and the limited time available during the audit review, CNMI was unable to provide details of the transaction. CNMI can provide documents upon request.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-031

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Matching, Level of Effort, Earmarking
Questioned Costs:	Undeterminable

Criteria:

In accordance with the U.S. Treasury 2022 Final Rule and the Frequently Asked Questions (FAQ 3.1), the Final Rule offers a standard allowance for revenue loss of up to $10 million, not to exceed a recipient's State and Local Fiscal Recovery Funds (SLFRF) award amount, allowing recipients to select between a standard amount of revenue loss or complete a full revenue loss calculation. Recipients that select the standard allowance may use that amount for government services. Recipients were able to indicate this choice in their Project and Expenditure Reports due April 30, 2022, and recipients may update their revenue loss election, as appropriate, in future reporting cycles through the April 2023 reporting period. Upon update, any prior revenue loss election will be superseded.

For recipients not electing the $10 million standard allowance, recipients calculate revenue loss at four distinct points in time, either at the end of each calendar year (e.g., December 31 for years 2020, 2021, 2022, and 2023) or the end of each fiscal year of the recipient. Under the flexibility provided in the 2022 Final Rule, recipients can choose whether to use calendar or fiscal year dates but must be consistent throughout the period of performance.

The CNMI Central Government elected to complete a full revenue loss calculation at the end of each of its September 30 fiscal years and also elected not to adjust actual revenue totals for the effect of tax cuts and tax increases, while the Saipan and Tinian Municipalities elected the standard allowance for revenue loss of up to $10 million, not to exceed their SLFRF award amounts.

Condition:

1. CNMI did not calculate its revenue loss for the 09/30/23 calculation date.

2. Earmarking requirements for the Rota Municipality are undeterminable as documentation of the option elected was not provided.

Cause:

1. Management lacked new processes to extract the necessary data to perform the earmarking revenue loss calculation after its transition from its legacy JD Edwards financial system to the Tyler Munis Financial Management Information System (FMIS) effective October 1, 2021.

Finding No. 2023-031, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Matching, Level of Effort, Earmarking
Questioned Costs:	Undeterminable

Cause, continued:

2. There are no internal control processes in place over the Rota Municipality's earmarking compliance requirements. This is due to confusion as to who is responsible for overseeing the Municipality's SLFRF funding, as while the Municipality separately received its own funding, such is being maintained by the CNMI Central Government and many of the processes were guided by the CNMI Department of Finance.

Effect or Potential Effect:

CNMI is unable to substantiate amount drawn under the revenue loss category. Questioned costs is undeterminable as the Program's FY2023 project expenditures detail schedule did not specify which of the expenditures pertain to the revenue loss eligible use category.

Identification as a Repeat Finding: This is not a repeat finding.

Recommendation:

1. CNMI should develop and have processes in place to extract the necessary data to be able to perform its earmarking revenue loss calculation.

2. CNMI and the Rota Municipality should verify their records on file and determine as to which option it elected for earmarking requirements.

3. CNMI should assist and provide necessary further guidance to the Rota Municipality, including determining as to who is responsible in overseeing the Municipality's earmarking compliance requirements.

Views of Responsible Officials:

Conditions 1 and 2 - CNMI Department of Finance agrees with this finding. The issues stemmed from staff turnover and reorganization following a change in administration, which exposed gaps in internal capacity to perform required earmarking and revenue loss analyses.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-032

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Criteria:

1. In accordance with 2 CFR Section 200.317, when conducting procurement transactions under a Federal award, a State must follow the same policies and procedures it uses for procurements with non-Federal funds. CNMI procurement regulation states the following:

- § 70-30.3-201 Requirements for Competition:

  (a) Officials with expenditure authority shall provide for full and open competition through use of the competitive procedure that is best suited to the circumstances of the procurement action.

  (b) Public Notice.

    (1) The Director of Procurement Services shall provide public notice of a proposed procurement that will use any of the procedures identified in subsection (a).

  (c) Dissemination of Public Notice.

    (a) For purchases estimated to exceed $25,000, public notice shall be provided by advertisement of the procurement in a newspaper of general circulation in the Commonwealth.

  (d) Advertisement Period. An advertisement period of at least 30 days shall be provided unless the Director of Procurement Services determines that a shorter time is reasonable and necessary. A shorter advertisement period shall afford vendors a reasonable opportunity to respond considering the circumstances of the procurement, such as its complexity and urgency. The advertisement period shall never be less than 7 days.

- § 70-30.3-205 Competitive Sealed Bidding:

  (a) Public Notice shall be provided for in the manner prescribed by § 70-30.3-201.

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Criteria, continued:

(b) Award.

(1) A contract shall be awarded with reasonable promptness by written notice to the responsible bidder who submitted the lowest-responsive bid.

(2) A notice of award is made only by the presentation of a contract to the successful bidder that contains all required signatures. No other notice of award may be made. No acceptance of an offer may occur nor may any contract be formed until a Government contract is written and approved by all the officials required by law and regulation.

(3) The Director of Procurement Services' signature shall be the last in time to be affixed to a contract. Contracts shall contain a clause stating that the signature of the Director of Procurement Services shall be the last in time to be affixed and that no contract can be formed before the approval of all required Government officials.

(c) Notice to Unsuccessful Bidders. The Director of Procurement Services shall promptly notify unsuccessful bidders in writing. Notification shall include the name of the successful bidder and the total price offered in the successful bid.

- § 70-30.3-115 Contract Review, Processing and Oversight:

(a) The fourth review is that of the Attorney General or his designee who shall certify the contract as to form and legal capacity.

(b) The contract shall then be approved by the Governor.

(c) After the Governor's approval, the Director of Procurement Services shall forward the contract to the contractor for his approval and signature.

(d) After the signature of the contractor, the Director of Procurement Services shall review the contract documents for completeness. If he is satisfied, he shall sign in the appropriate space and shall:

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Criteria, continued:

(1) Inform in writing the official with expenditure authority that the contract has been signed by all parties and that he may proceed with contract implementation according to the terms contained therein.

- § 70-30.3-220 Small Purchases:

(a) Purchases that use Government-sourced funds (local funds), or any combination of both local and federal funds, may be made according to the small purchase procedures of this subsection:

(1) For purchases that do not exceed $10,000, at least one price quote shall be obtained. However, the Director of Procurement Services may require the expenditure authority to obtain more than one price quote.

(2) A blanket purchase order may be used to make purchases without securing a price quote when the purchases do not exceed $1,000. The goods or services that may be purchased under a blanket purchase order must be defined (i.e. office supplies) and shall not be used for equipment.

(3) For purchases that exceed $10,000, but which are less than or equal to $50,000, a minimum of three vendors shall be solicited to submit written or electronic quotations.

(b) Purchases that use only federal funds may be made according to the small purchase procedures of this subsection:

(1) For purchases that do not exceed $10,000, at least one price quote shall be obtained. However, the Director of Procurement Services may require the expenditure authority to obtain more than one price quote.

(2) For purchases that exceed $10,000, but which are less than or equal to $250,000, a minimum of three vendors shall be solicited to submit written or electronic quotations.

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Criteria, continued:

(c) A purchase order may be used to make purchases from the United States General Services Administration (GSA), including purchases that exceed $250,000. When purchasing from GSA, at least one quote shall be obtained.

(d) Procurement requirements shall not be artificially divided so as to constitute a small purchase.

- § 70-30.3-225 Sole-Source Procurement:

(a) A contract may be awarded for a supply, service, or construction without competition when:

(1) The Director of Procurement Services determines in writing, after reviewing the expenditure authority's written justification pursuant to § 70-30.3-215(b), that there is only one source for the required supply, service, or construction.

(2) The purpose is to obtain legal services.

(b) For any sole-source procurement pursuant to subsection (a)(1), a written justification for sole-source procurement shall be prepared by the official with expenditure authority and submitted to the Director of Procurement Services. This written justification shall contain the specific unique capabilities required; the specific unique capabilities of the contractor; the efforts made to obtain competition; and the specific considerations given to alternative sources and specific reasons why alternative sources were not selected.

- § 70-30.3-760 Debarment and Suspension:

(a) The official with expenditure authority may file a dispute with the Director of Procurement Services against an existing contractor for any failures of performance related to a contract governed by this subchapter.

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Criteria, continued:

2. In accordance with 2 CFR §180.220 and §180.300, entities that enter into a covered transaction with another person at the next lower tier for a contract amount that is expected to equal or exceed $25,000, entities must verify that the person with whom they intend to do business is not excluded or disqualified by:

   (a) Checking SAM.gov Exclusions; or
   (b) Collecting a certification from that person; or
   (c) Adding a clause or condition to the covered transaction with that person.

Condition:

Of sixty expenditures tested, aggregating $5,867,581 of a total population of $23,593,051 in nonpayroll expenditures subject to procurement, the following were noted:

1. For two (or 3%), contracts were procured through Competitive Sealed Biddings procurement, for which public notices of the Invitation for Bid for contract number 32300191 were not provided. Of the contract amount of $19,788,188, the cost share for ALN 21.027 amounted to $5,778,188. For contract number 32300062, copies of public notices of the Invitation for Bid were not sufficient to evidence that the Invitation for Bid was published in a newspaper of general circulation. Copies did not reflect the name of the newspaper company and the dates of when the notices were published. Further, the publication request was for once a week during a span of three weeks rather than the 30-day advertisement period requirement.

Project Numbers	Contract Numbers	Project Accounting Journal Effective Dates	Contract / Program Cost Share Amounts	FY2023 Expenditures and Questioned Costs
8899210028	32300191	11/01/22	$5,778,188	$644,436
2001210001	32300062	10/01/22	$ 35,100	11,700
				$656,136

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Condition, continued:

2. For one (or 2%), the established official notice to proceed date was 06/01/22; however, the certification of contract completion by the Director of Procurement Services was on 10/17/22 while the notice to proceed was dated 11/21/22. Per Section IX of the contract agreement, the service will begin within 5 days of the notice to proceed. Further, notices to the three unsuccessful bidders were not provided. No questioned cost is presented as the amount is questioned at Condition 1.

Project Number	Contract Number	Project Accounting Journal Effective Date	Contract Amount	FY2023 Expenditures
2001210001	32300062	10/01/22	$35,100	$11,700

3. For one (or 2%), the contract was procured through the Sole Source procurement; however, documentation that the official with expenditure authority provided a written copy of the applicable federal grant or act under which the services are authorized or required, was not provided. In addition, the contract agreement was not signed by the Director of Procurement Services, the Attorney General and the Governor. Further, the notice from the Director of Procurement Services for the Expenditure Authority to proceed with the contract implementation including the notice to proceed, was also not provided.

Project Number	Contract Number	Project Accounting Journal Effective Date	Contract Amount	FY2023 Expenditures and Questioned Costs
Tinian	TM-23-01	04/11/23 & 08/29/23	$72,000	$57,833

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Condition, continued:

4. For one (or 2%), the transaction was incurred outside of the normal procurement procedures. Despite the subsequent issuance of the purchase order on 12/29/23 and the preparation of the contract agreement in March 2024 to ratify the vendor with procurement regulations, concurrence by the Attorney General of the ratification request was not evident. In addition, the contract agreement was not signed by the Attorney General, the Governor and the vendor. Further, certification of contract completion by the Director of Procurement Services was also not evident. Missing required signatures and approvals prevents the vendor from being ratified with procurement regulations.

Project Number	Purchase Order Number	Project Accounting Journal Effective Date	Contract Amount	FY2023 Expenditures and Questioned Costs
AR27010004	22313799-002	09/30/23	$7,571	$7,571

5. For eighteen (or 30%), expenditures or portion of the expenditures were incurred prior to the approval of either the purchase requisitions and/or purchase orders.

Project Numbers	Purchase Order Numbers	Project Accounting Journal Effective Dates	Purchase Requisition Approval Dates	Purchase Order Approval Dates	Date Incurred On or Between	FY2023 Expenditures and Questioned Costs
Tinian	TMT-ARP-23-182	07/14/23	07/13/23	07/14/23	12/23/22 & 07/07/23	$ 280
Tinian	TMT-ARP-23-029	04/20/23	04/20/23	04/20/23	09/16/21 & 04/18/23	580
Tinian	TMT-ARP-23-047	05/01/23	04/26/23	05/01/23	01/03/23 - 03/31/23	1,438
1201210001	22309186	05/31/23	Not provided	06/21/23	05/01/23 - 05/31/23	160
1102210001	22306338	03/31/23	Not provided	03/31/23	10/01/22 - 10/29/22	663
Tinian	TMT/ARP-23-234	08/04/23	07/26/23	08/04/23	07/12/23 - 07/19/23	480
2701210012	22307746	05/09/23	Not provided	05/09/23	04/04/23 - 04/25/23	455
2701210012	22311362	08/11/23	07/27/23	08/11/23	08/01/23	50
1102210001	22303626	01/18/23	Not provided	01/18/23	09/06/22 - 09/25/22	374
2701210012	22305551	03/13/23	Not provided	03/13/23	11/29/22 & 11/30/22	553
2606210001	22301302	11/15/22	Not provided	11/15/22	10/01/22 - 10/31/22	8,844
Tinian	TMT/ARP-23-166	07/11/23	07/07/23	07/11/23	06/02/23 - 06/24/23	850
7101210003	22307185	04/25/23	Not provided	04/25/23	03/01/23 - 03/24/23	187
7101210003	22307607	05/04/23	Not provided	05/04/23	04/01/23 - 04/30/23	36

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Condition, continued:

Project Numbers	Purchase Order Numbers	Project Accounting Journal Effective Dates	Purchase Requisition Approval Dates	Purchase Order Approval Dates	Date Incurred On or Between	FY2023 Expenditures and Questioned Costs
2701210012	22311352	08/11/23	Not provided	08/11/23	07/01/23 - 07/31/23	1,145
8805210001	22300909-001	10/31/22	Not provided	10/31/22	10/01/22 - 10/31/22	804
Tinian	TMT/ARP-23-135	06/23/23	06/22/23	06/23/23	06/11/23 & 06/19/23	80
6202210011	22307219-001	04/26/23	04/11/23	04/26/23	04/16/23 - 04/30/23	650
						17,629
Less amounts questioned at either Conditions 6, 7 or 12 except for purchase order number TMT-ARP-23-182						(17,349)
						$ 280

6. For thirty-seven (or 62%), purchase requisitions were not provided. No questioned costs are presented for purchase order numbers 22311609 and 22302296, as there were no corresponding FY2023 recorded expenditures.

Project Numbers	Purchase Order Numbers	Project Accounting Journal Effective Dates	Amounts and Questioned Costs
2701210012	22304687	02/16/23	$ 691
1201210001	22309186	05/31/23	160
1102210001	22306338	03/31/23	663
8802210006	22300595	10/20/22	33
2609210001	22304111-001	02/16/23	125
2601210001	22303048	12/30/22	1,859
2701210012	22309122	05/31/23	595
2701210012	22307746	05/09/23	455
1102210001	22300304	10/14/22	997
1710210001	22307252	04/27/23	23
2701210003	22301725	11/29/22	130
2616210001	22300731	10/26/22	328
2701210012	22311609	08/21/23	-

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Condition, continued:

Project Numbers	Purchase Order Numbers	Project Accounting Journal Effective Dates	Amounts and Questioned Costs
1907210003	22302317	12/12/22	115
2701210012	22311239	08/09/23	8,794
1102210001	22303626	01/18/23	374
2701210012	22305551	03/13/23	553
2606210001	22301302	11/15/22	8,844
2601210001	22300278	10/13/22	180
1107210001	22301886	12/01/22	1,375
2701210003	22302296	12/12/22	-
2612210001	22302941	12/28/22	1,628
7101210003	22307185	04/25/23	187
7101210003	22307607	05/04/23	36
2701210012	22302783	12/21/22	1,875
2610210001	22301964	12/05/22	1,171
2701210012	22311352	08/11/23	1,145
8805210001	22300909-001	10/31/22	804
2701210003	22301025	11/02/22	492
2701210012	22304697	02/16/23	1,560
1301210001	22303250	01/05/23	80
1904210001	22303360	01/09/23	887
8802210006	22300182	10/11/22	45
2608210001	22301192	11/10/22	673
8834210001	22300656	10/24/22	552
1905210001	22305016	02/27/23	40
2701210012	22311475	08/16/23	99
			37,568
Less amounts questioned at Condition 12 for purchase order numbers 22309186 and 22311352			(1,305)
			$36,263

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Condition, continued:

7. For fifteen (or 25%), approval of the purchase requisitions by the Officials with Expenditure Authority were not evident.

Project Numbers	Purchase Requisition Numbers	Project Accounting Journal Effective Dates	Purchase Requisition Amounts	FY2023 Expenditures and Questioned Costs
Tinian	TALDR/ARP23-026	04/20/23	$ 580	$ 580
Tinian	TALDR/ARP23-039	05/01/23	$1,438	1,438
Tinian	TALDR/ARP23-203	08/04/23	$ 480	480
Tinian	MOT-TLL23-089	02/08/23	$ 166	166
2701210012	PRO23-061	08/11/23	$ 50	50
Tinian	TALDR/ARP23-335	08/29/23	$3,610	3,610
Tinian	TALDR/ARP23-131	09/07/23	$ 242	242
2701210012	OPS 23 012	05/25/23	$ 70	70
2701210012	OPS 23 051	07/18/23	$ 831	831
Tinian	TALDR/ARP23-162	07/11/23	$ 850	850
Tinian	MOT/TLL23-321	04/11/23	$1,682	1,682
Tinian	TALDR/ARP23-210	08/08/23	$ 950	950
Tinian	TALDR/ARP23-135	06/23/23	$1,500	1,500
2701210012	23-018	05/01/23	$ 307	307
5101210001	2023/12312359	08/23/23	$3,354	723
				13,479
Less amounts questioned at Condition 3 for purchase requisition numbers TALDR/ARP23-335 and MOT/TLL23-321 which relates to contract number TM-23-01 and at Condition 12 for purchase order number TALDR/ARP23-162				(6,142)
				$ 7,337

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Condition, continued:

8. For two (or 3%), purchase order amounts fall within the $1,001 to under $10,000 threshold, for which one price quotation shall be obtained. However, no price quotation was obtained. No questioned costs are presented as amounts are questioned at Condition 6 for purchase order number 22301302 and at Condition 7 for purchase order number TMT-ARP-23-047, which relates to purchase requisition number TALDR/ARP23-039.

Project Numbers	Purchase Order Numbers	Project Accounting Journal Effective Dates	Purchase Order Amounts	FY2023 Expenditures
Tinian	TMT-ARP-23-047	05/01/23	$1,438	$ 1,438
2606210001	22301302	11/15/22	$8,844	8,844
				$10,282

9. For one (or 2%), the purchase order amount falls within the $10,001 to $250,000 threshold, for which three price quotations shall be obtained. Only one price quotation was obtained.

Project Number	Purchase Order Number	Project Accounting Journal Effective Date	Purchase Order Amount	FY2023 Expenditures and Questioned Costs
2606210001	22304468	02/09/23	$18,112	$7,000

10. For one (or 2%), items procured were for donation. However, the beneficiary and purpose of the donation was not documented on the purchase order. No questioned cost is presented as the amount is questioned at Condition 6.

Project Number	Purchase Order Number	Project Accounting Journal Effective Date	FY2023 Expenditures
2701210012	22309122	05/31/23	$595

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Condition, continued:

11. For one (or 2%), the purchase order pertains to an annual renewal of the monthly maintenance fee for twenty copier machines, amounting to $3,354; however, the price quotation only reflected the increase in monthly maintenance fees for ten copier machines, amounting to $857. No questioned cost is presented as the transaction relates to purchase requisition number 2023/12312359, for which the amount is questioned at Condition 7.

Project Number	Purchase Order Number	Project Accounting Journal Effective Date	Purchase Order Amount	FY2023 Expenditures
5101210001	22311267-003	08/23/23	$3,354	$723

12. For four (or 7%), transactions pertain to repetitive services with combined FY2023 expenditures that either falls within the $1,001 to under $10,000 or within the $10,001 to $250,000 small purchases threshold, for which at least one price quotation or three price quotations, respectively, shall be obtained. However, separate purchase orders were issued and no price quotations were obtained.

Project Numbers	Purchase Order Numbers	Project Accounting Journal Effective Dates	Purchase Order Amounts	FY2023 Expenditures and Questioned Costs
1201210001	22309186	05/31/23	$ 160	$ 2,980
Tinian	TMT/ARP-23-166	07/11/23	$ 850	5,525
2701210012	22311352	08/11/23	$1,145	15,080
6202210011	22307219-001	04/26/23	$ 650	6,700
				$30,285

13. For one (or 2%), the transaction was procured through a blanket purchase order to prepay for fuel, oil and lubricants worth $1,500. The amount exceeded the $1,000 blanket purchase order threshold and thus, a price quotation was required. However, no price quotation was obtained. No questioned cost is presented as the transaction relates to purchase requisition number TALDR/ARP23-135, for which the amount is questioned at Condition 7.

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Condition, continued:

Project Number	Purchase Order Number	Project Accounting Journal Effective Date	FY2023 Expenditures
Tinian	TMT/ARP-23-135	06/23/23	$1,500

14. CNMI does not verify whether a person or a vendor is excluded or disqualified pursuant to the requirements of 2 CFR §180.220 and §180.300, prior to entering into covered transactions for amounts equal to or that exceeded the $25,000 threshold. In addition, the Municipality of Tinian does not maintain documentation on file to evidence its verification:

Project Numbers	Purchase Order / Contract Numbers	Project Accounting Journal Effective Dates	Purchase Order / Contract Amounts	FY2023 Expenditures and Questioned Costs
1102210001	22300207	10/12/22	$ 27,500	$ 27,500
1102210001	22301538	11/21/22	$ 27,500	27,500
1102210001	22300207	11/22/22	$ 27,500	27,500
1204210003	22302721	12/19/22	$ 40,999	40,999
1501210002	22300865	10/28/22	$ 64,071	64,071
1501210002	22301275	11/15/22	$ 58,579	58,579
1501210002	22301851	12/01/22	$ 62,415	62,415
1501210002	22303542	01/13/23	$ 56,961	56,961
1501210002	22309746	05/31/23	$ 35,063	35,063
1501210002	22311368	08/11/23	$ 29,413	29,413
1701210001	32300032	10/01/22	$ 681,600	340,800
1701210001	22300157	10/11/22	$ 138,680	138,680
1701210001	32300355	02/01/23	$ 302,000	120,800
1702210002	22300728	10/25/22	$ 68,750	68,750
1702210002	22300730	10/25/22	$ 124,867	124,867
1702210002	22300728	11/01/22	$ 68,750	68,750

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Condition, continued:

Project Numbers	Purchase Order / Contract Numbers	Project Accounting Journal Effective Dates	Purchase Order / Contract Amounts	FY2023 Expenditures and Questioned Costs
1702210002	22301536	11/21/22	$ 30,670	30,670
1702210002	22304049	02/02/23	$ 249,735	249,735
1702210002	22306771	04/13/23	$ 82,229	82,229
2001210059	22302321	12/12/22	$ 27,495	27,495
2006210001	22301262	11/15/22	$ 200,000	199,900
2601210001	22301076	11/03/22	$ 27,888	27,888
2623210001	32300176	11/01/22	$ 28,301	28,301
2623210001	32300174	11/01/22	$ 44,990	44,990
2690210001	22300600	10/20/22	$ 51,995	51,995
2690210001	22300863	10/28/22	$ 125,450	125,450
2690210001	22300954	11/01/22	$ 45,990	45,990
2690210001	22300955	11/01/22	$ 45,990	45,990
2690210001	22301086	11/07/22	$ 63,941	63,941
2690210001	22302057	12/06/22	$ 95,400	95,400
2690210001	22302065	12/06/22	$ 95,400	95,400
2690210001	22302307	12/12/22	$ 58,995	58,995
2690210001	22302313	12/12/22	$ 87,734	87,734
2690210001	22302314	12/12/22	$ 196,995	104,997
2690210001	22302940	12/28/22	$ 100,990	100,990
2690210001	22303392	01/09/23	$ 35,200	35,200
2690210001	22303436	01/10/23	$ 52,995	52,995
2690210001	22303446	01/11/23	$ 59,526	59,526
2701210012	22301537	11/21/22	$ 39,150	39,150
2701210012	32300264	12/01/22	$ 121,708	96,392
2701210012	22302174	12/07/22	$ 104,425	104,425
2701210012	22303297	01/06/23	$ 31,200	30,688
2701210012	22303407	01/10/23	$ 39,730	39,730

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Condition, continued:

Project Numbers	Purchase Order / Contract Numbers	Project Accounting Journal Effective Dates	Purchase Order / Contract Amounts	FY2023 Expenditures and Questioned Costs
5101210001	32300167	11/01/22	$ 143,843	143,843
5101210001	32300653	06/01/23	$ 92,400	23,100
6207210001	22300233	10/13/22	$ 55,000	27,500
7101210003	22303349	01/06/23	$ 40,000	40,000
8899210028	32300191	11/01/22	$5,778,188	644,436
Tinian	TM-23-01	02/08/23	$ 72,000	57,833
Tinian	TM-23-02	03/03/23	$ 165,954	119,487
Tinian	TM-23-03	08/23/23	$ 57,600	2,400
				4,377,443
Less amounts questioned at Condition 1 for Contract Number 32300191 and at Condition 3 for Contract Number TM-23-01				(702,269)
				$3,675,174

Questioned costs for the following covered transactions are undeterminable as the purchase order numbers or other unique identifiers were not reflected on the project expenditures detail schedules; thus, the corresponding FY2023 expenditures could not be identified.

Project Numbers	Purchase Order Numbers	Project Accounting Journal Effective Dates	Purchase Order Amounts
1501210002	22301535	11/21/22	$ 48,000
1501210002	22309191	05/31/23	38,074
1505210003	22302645	12/16/22	39,990
1701210001	32300269	12/01/22	390,000

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Condition, continued:

Project Numbers	Purchase Order Numbers	Project Accounting Journal Effective Dates	Purchase Order Amounts
1701210001	32300032	07/31/23	470,332
1701210001	32300742	08/01/23	1,655,700
1708210001	22301131	11/09/22	46,500
1901210014	32300682	05/01/23	646,000
2690210001	22302308	12/12/22	95,000
2690210001	22302309	12/12/22	74,390
2701210012	32300473	03/01/23	36,000
2701210012	32300571	05/01/23	38,400
4001210001	32300008	10/01/22	42,990
5101210001	22302694	12/19/22	45,512
5101210001	32300167	01/19/23	157,814
5101210001	32300127	05/15/23	37,800
AR51010001	32300127	10/21/22	853,485
AR51010001	32300127	11/03/22	873,485
			$5,589,472

Cause:

1. Lack of monitoring control procedures to ensure CNMI meets the minimum requirements as required by § 70-30.3-201 *Requirements for Competition*, § 70-30.3-205 *Competitive Sealed Bidding*, § 70-30.3-115 *Contract Review, Processing and Oversight*, § 70-30.3-220 *Small Purchases* and § 70-30.3-225 *Sole-Source Procurement*;

2. CNMI's procurement regulations are not in accordance with 2 CFR §180.220 and §180.300; and

3. Inadequate documentation and systematic filing of relevant documentation supporting program costs.

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Effect or Potential Effect:

CNMI is in noncompliance with applicable procurement and suspension and debarment regulations and questioned costs total $4,477,879, which were computed based on recorded FY2023 expenditures.

Condition	Questioned Costs
1	$ 656,136
3	57,833
4	7,571
5	280
6	36,263
7	7,337
9	7,000
12	30,285
14	3,675,174
	$4,477,879

Identification as a Repeat Finding: Finding No. 2022-029

Recommendation:

1. Responsible CNMI personnel should ensure compliance with the CNMI procurement regulations;

2. CNMI should implement effective monitoring controls over the following:

   - Purchase requisitions and purchase orders are approved by the Official with expenditure authority and Director of Procurement Services, respectively, prior to incurring expenditures; and

   - The Official with expenditure authority and Director of Procurement Services follow through with the required contract review, processing and oversight to comply with § 70-30.3-115 of the procurement regulation.

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Recommendation, continued:

3. Procurement activities for all the CNMI Mayoral Municipalities be centralized at the CNMI Division of Procurement Services for consistency and compliance with the CNMI procurement regulations;

4. CNMI should revisit its procurement regulations and consider updating applicable sections of the regulations to comply with 2 CFR §180.220 and §180.300.

5. Establish and implement effective monitoring controls over the verification of excluded or disqualified persons or vendors pursuant to 2 CFR §180.220 and §180.300, prior to the CNMI entering into a covered transaction; and

6. Establish and maintain effective systematic filing of relevant documentation to support program costs and for easier retrieval.

Views of Responsible Officials:

Condition 1 - Division of Procurement Services respectfully disagrees with this finding. With respect to Contract No. 32300191, Procurement Services acknowledges that only one newspaper advertisement was located within the procurement file during the audit review. Procurement Services believes this was primarily the result of recordkeeping deficiencies that occurred during a period of significant staffing shortages, staff transitions, and limited knowledge transfer between outgoing and incoming personnel. At the time, Procurement Services experienced turnover among key staff responsible for maintaining procurement files, and sufficient training and transition of responsibilities did not occur. Procurement Services acknowledges that the supporting documentation maintained within the file was insufficient to fully demonstrate compliance with the newspaper advertisement requirements.

With respect to Contract No. 32300062, Procurement Services respectfully disagrees with the finding. At the time of the procurement, it was the Commonwealth's practice to publicly post solicitations through the Munis Vendor Self-Service system and utilize newspaper advertisements as a supplemental means of notifying vendors and the public of procurement opportunities.

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Views of Responsible Officials, continued:

For Contract No. 32300062, the solicitation was publicly posted and continuously available through the Munis Vendor Self-Service system for a period of 30 days prior to bid opening. Munis served as the Commonwealth's primary electronic procurement platform and provided vendors with access to the solicitation and related procurement documents throughout the advertisement period. The newspaper notices were intended as supplemental public notice to increase awareness of the solicitation and direct interested vendors to the Munis platform, where the complete solicitation package remained available throughout the solicitation period.

Condition 2 - Division of Procurement Services agrees with this finding. Procurement Services acknowledges that, at the time of this procurement, there was a misunderstanding regarding the respective responsibilities of the procuring agency and Procurement Services for certain procurement functions, including responsibility determinations, award notifications, non-award notifications, issuance of Notices to Proceed, and other procurement administration activities. As a result, some actions that should have been handled through Procurement Services were instead performed by the procuring agency.

Condition 3 - Division of Procurement Services agrees with this finding to the extent that the documentation identified by the auditors, could not be provided for review. Based on the information, Procurement Services was unable to locate the procurement file or supporting documentation associated with the procurement identified in the finding, including documentation necessary to verify the approvals, signatures, determinations, notices, and other records referenced by the auditors.

Condition 4 - Division of Procurement Services partially agrees with this finding. Procurement Services notes that the transaction was subsequently reviewed for ratification and that a ratification package was prepared. Based on documentation available to Procurement Services, former Director of Procurement Service referenced a Legal Sufficiency Review (LSR) from the Office of the Attorney General in his recommendation. Procurement Services is currently attempting to locate a copy of the referenced LSR for inclusion in the procurement file.

Procurement Services further understands that the Office of the Attorney General determined that the matter fell below its review threshold and advised that concurrence by the Secretary of Finance would be sufficient. As a result, the transaction proceeded through the Secretary of Finance for concurrence, and a purchase order was subsequently issued rather than execution of a formal contract agreement.

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Views of Responsible Officials, continued:

Because Procurement Services has not yet located the referenced Legal Sufficiency Review and supporting correspondence, it is unable to verify the basis for the absence of the Attorney General's signature on the ratification documents. Procurement Services will continue efforts to locate and retain all supporting documentation associated with the transaction.

Condition 5 - Division of Procurement Services agrees with this finding. Procurement Services acknowledges that certain expenditures were incurred before the related purchase requisitions and/or purchase orders were approved. Procurement Services agrees that procurement approvals should be obtained before purchases are made or services are performed to ensure compliance with procurement requirements and established internal controls.

Condition 6 - Division of Procurement Services agrees with this finding. Procurement Services acknowledges the auditors' observation that purchase requisitions could not be provided for certain transactions reviewed during the audit. Procurement Services recognizes the importance of maintaining complete procurement files and ensuring that all supporting documentation is properly retained and readily available for review.

Condition 7 - Division of Procurement Services agrees with this finding. Procurement Services acknowledges that approval of the purchase requisitions by the Officials with Expenditure Authority was not evident for certain transactions reviewed during the audit. Procurement Services agrees that purchase requisitions should be approved by the appropriate Official with Expenditure Authority prior to the processing of a procurement transaction to ensure proper authorization and compliance with established procurement requirements.

Condition 8 - Division of Procurement Services partially agrees with this finding. Procurement Services acknowledges that documentation supporting the required quotation was not evident for one of the transactions identified by the auditors. Based on our review, purchase order number TMT-ARP-23-047 appears to have been processed through Tinian (constitutionally separated government office) during a period when certain procurement activities were administered locally. Because Procurement Services was not directly involved in processing this transaction, we are unable to determine the specific circumstances surrounding the absence of the quotation documentation.

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Views of Responsible Officials, continued:

Procurement Services respectfully disagrees with the finding as it relates to Purchase Order No. 22301302. Based on the information available, the purchase was made under an existing fuel contract that was already in place. As such, obtaining an additional quotation was not necessary because the expenditure did not constitute a separate procurement requiring competition. Rather, the purchase order was used as an administrative mechanism to process payment under the existing fuel contract instead of processing the payment through an invoice entry.

Condition 9 - Division of Procurement Services partially agrees with this finding. Procurement Services acknowledges that only one quotation was maintained in the procurement file for the transaction identified by the auditors. However, Procurement Services respectfully disagrees that the procurement was necessarily subject to the requirement to obtain three quotations under the small purchase provisions of the Procurement Regulations.

Based on the documentation available, the procurement involved the acquisition of commercial software licenses, including RM Demand and RM Mobile licenses, together with related software implementation services consisting of configuration, training, project management, support, and maintenance services. The procurement was conducted through RouteMatch Software, LLC (TripSpark), the provider of the software platform and related services. Documentation within the procurement file indicates that the purchase consisted of software licenses and software implementation services associated with the deployment and use of the RouteMatch software system.

Procurement Services notes that § 70-30.3-320 of the Procurement Regulations provides specific procurement provisions applicable to commercial software, including Software-as-a-Service and related software acquisitions, under which competitive bidding or competitive procurement may not be required when the applicable regulatory conditions are satisfied.

Condition 10 - Division of Procurement Services agrees with this finding. Procurement Services acknowledges the auditors' observation that the beneficiary and purpose of the donation were not documented for the procurement identified in the finding. Procurement Services recognizes the importance of maintaining sufficient documentation to demonstrate the public purpose and intended use of items purchased with public funds.

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Views of Responsible Officials, continued:

Condition 11 - Division of Procurement Services agrees with this finding. Procurement Services acknowledges that approval of the purchase requisitions by the Officials with Expenditure Authority was not evident for certain transactions reviewed during the audit. Procurement Services agrees that purchase requisitions should be approved by the appropriate Official with Expenditure Authority prior to the processing of a procurement transaction to ensure proper authorization and compliance with established procurement requirements.

Condition 12 - Division of Procurement Services agrees with this finding. Procurement Services agrees that recurring services should be evaluated collectively to determine the appropriate procurement method and quotation requirements based on the total value of the services during the fiscal year. Procurement Services recognizes the importance of ensuring that recurring procurements are not processed in a manner that bypasses applicable quotation or competition requirements.

Condition 13 - Division of Procurement Services agrees with this finding. Procurement Services acknowledges that a price quotation was not evident for the blanket purchase order identified in the finding. Based on our review, the transaction relates to a Tinian (constitutionally separated government office) procurement and appears to have been processed during a period when certain procurement activities on Tinian were administered locally.

Condition 14 - Division of Procurement Services agrees with this finding. Procurement Services agrees that vendor eligibility was not verified in accordance with 2 CFR Part 180 prior to the covered transactions identified by the auditors. As a result, the Commonwealth was not fully compliant with the federal suspension and debarment requirements applicable to these procurements.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

Condition 1 - CNMI states disagreement; however, CNMI also acknowledges that only one newspaper advertisement was located within the procurement file for Contract No. 32300191. For Contract No. 32300062, documentation evidencing that the solicitation was publicly posted and continuously was available through the Munis Vendor Self-Service system prior to bid opening was not provide.

Finding No. 2023-032, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879

Auditor Response, continued:

Condition 4 - CNMI states partial agreement; however, CNMI also acknowledges that the LSR documentation from the CNMI Attorney General's determination could not be located to verify the basis for the absence of the CNMI Attorney General's signature on the ratification documents.

Condition 8 - CNMI states partial agreement related to purchase order number TMT-ARP-23-047; however, CNMI also acknowledges that Procurement Services is unable to determine the specific circumstances surrounding the absence of the quotation documentation as Procurement Services was not directly involved in the processing of the transaction.

In addition, CNMI states disagreement related to purchase order number 22301302. While we understand that an additional quotation was not necessary as the expenditure was made under an existing fuel contract that was already in place, the quotations obtained prior to the award of the fuel contract were not provided. Accordingly, finding and the related questioned costs are retained as costs at the time of the audit were not supported by adequate documentation.

Condition 9 - CNMI states partial agreement; however, CNMI also acknowledges that the procurement file does not contain sufficient documentation for Procurement Services to determine whether all requirements of § 70-30.3-320 were fully documented at the time of procurement; thus, Procurement Services is unable to conclusively determine whether the procurement qualified for the commercial software exception.

Finding No. 2023-033

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Reporting
Questioned Costs:	$-0-

Criteria:

In accordance with the U.S. Treasury Compliance and Reporting Guidance for State and Local Fiscal Recovery Funds (SLFRF) and the May 2023 Compliance Supplement, States and U.S. territories are required to submit quarterly Project and Expenditure Reports to the U.S. Treasury by the last day of the month following the end of the period covered and annual reports for non-entitlement units that are allocated less than $10 million in SLFRF funding.

Condition:

Of ten Project and Expenditure Reports selected for testing, the following were noted:

1. For three (or 30%) reports due for submission during CNMI's fiscal year ended September 30, 2023, the reports were not submitted.

	Reporting Period
CNMI (Central Government)	Quarter Ended 09/30/22
Municipality of Saipan	Quarter Ended 09/30/22
Municipality of Rota	Annual (04/01/22 - 03/31/23)

2. For six (or 60%) quarterly reports, underlying accounting records supporting the data in the Project and Expenditure Reports were not provided.

CNMI (Central Government)

Quarter Ended 12/31/22:

Project Identification Number	Current Period Obligation	Cumulative Obligation	Current Period Expenditure	Cumulative Expenditure
AR88990002	$ -	$ 8,000,000	$ -	$ 2,381,891
8899210032	$ -	$ 1,500,000	$ -	$ 1,500,000
CNMI22047	$ -	$ 873,485	$ -	$ 414,950
AR88990003	$1,365,292	$ 1,365,292	$1,365,292	$ 1,365,292
8899210031	$ -	$ 17,000,000	$ -	$ 15,037,992
M1210254-2	$ -	$ 1,200,038	$ -	$ 1,200,038

Finding No. 2023-033, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Reporting
Questioned Costs:	$-0-

Condition, continued:

Project Identification Number	Current Period Obligation	Cumulative Obligation	Current Period Expenditure	Cumulative Expenditure
CNMI22016	$ -	$ 1,335,000	$ -	$ 1,335,000
CNMI22023	$ -	$ 5,200,000	$ -	$ 5,200,000
MI210255	$ -	$ 12,483,846	$ -	$ 12,483,846
CNMI22027	$ -	$ 990,000	$ -	$ 990,000
MI210243	$ -	$ 48,540,580	$ -	$ 48,540,580
MI210243-2	$ -	$ 25,940,000	$ -	$ 25,940,000
MI210229	$ -	$ 22,659,830	$ -	$ 22,659,830
CNMI22028	$ -	$ 2,200,000	$ -	$ 2,200,000
CNMI22018	$ -	$ 100,000	$ -	$ 100,000
MI210245	$ -	$ 5,783,400	$ -	$ 3,915,721
MI210001	$ -	$177,933,021	$ -	$177,933,021
CNMI22002	$ -	$ 13,883,664	$ -	$ 13,883,664
MI210254	$ -	$ 960,000	$ -	$ 960,000
AR88990004	$ -	$ 1,737,975	$ -	$ 1,737,975
CNMI22041	$5,454,390	$ 5,454,390	$5,454,390	$ 5,454,390
CNMI22042	$ -	$ 2,045,350	$ -	$ 2,045,350

Quarter Ended 03/31/23:

Project Identification Number	Current Period Obligation	Cumulative Obligation	Current Period Expenditure	Cumulative Expenditure
AR88990002	$ -	$ 8,000,000	$ -	$ 2,381,891
8899210032	$ -	$ 1,500,000	$ -	$ 1,500,000
CNMI22047	$ -	$ 873,485	$ -	$ 414,950
AR88990003	$ -	$ 1,365,292	$ -	$ 1,365,292
8899210031	$ -	$ 14,075,809	$ -	$ 14,059,992
CNMI22045	$ -	$ 100,000	$ -	$ 100,000
MI210255-MVA	$ -	$ 110,000	$ -	$ 110,000
MI210255-NMC	$ -	$ 233,000	$ -	$ 233,000
MI210255-CEDA	$ -	$ 12,000	$ -	$ 12,000
MI210254-1	$ -	$ 163,996	$ -	$ 163,996
M1210254-2	$ -	$ 1,200,038	$ -	$ 1,200,038
CNMI22016	$ -	$ 1,335,000	$ -	$ 1,335,000
CNMI22023	$ -	$ 5,200,000	$ -	$ 5,200,000
MI210255	$ 11,459	$ 8,904,955	$ 11,459	$ 8,904,955

Finding No. 2023-033, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Reporting
Questioned Costs:	$-0-

Condition, continued:

Project Identification Number	Current Period Obligation	Cumulative Obligation	Current Period Expenditure	Cumulative Expenditure
CNMI22027	$ -	$ 990,000	$ -	$ 990,000
MI210243	$ -	$ 49,416,080	$ -	$ 49,416,080
MI210243-2	$ -	$ 25,940,000	$ -	$ 25,940,000
MI210229	$ -	$ 26,004,250	$ -	$ 22,661,257
CNMI22028	$ -	$ 2,200,000	$ -	$ 2,200,000
CNMI22018	$ -	$ 100,000	$ -	$ 100,000
MI210245	$ -	$ 4,020,221	$ -	$ 3,915,721
MI210001	$22,719,240	$204,194,129	$22,719,240	$195,637,243
CNMI22002	$ -	$ 17,661,852	$ -	$ 11,883,664
MI210254	$ -	$ 960,000	$ -	$ 960,000
AR88990004	$ -	$ 1,737,975	$ -	$ 1,737,975
CNMI22041	$ -	$ 6,317,851	$ -	$ 6,317,851
CNMI22042	$ -	$ 2,045,350	$ -	$ 2,045,350

Quarter Ended 06/30/23:

Project Identification Number	Current Period Obligation	Cumulative Obligation	Current Period Expenditure	Cumulative Expenditure
AR88990002	$ -	$ 8,000,000	$ -	$ 2,381,891
8899210032	$ -	$ 1,500,000	$ -	$ 1,500,000
CNMI22047	$ -	$ 873,485	$ -	$ 414,950
AR88990003	$ -	$ 1,365,292	$ -	$ 1,365,292
8899210031	$ -	$ 14,009,992	$ -	$ 14,009,992
CNMI22045	$ -	$ 100,000	$ -	$ 100,000
MI210255-MVA	$ -	$ 110,000	$ -	$ 110,000
MI210255-NMC	$ -	$ 233,000	$ -	$ 233,000
MI210255-CEDA	$ -	$ 12,000	$ -	$ 12,000
MI210254-1	$ -	$ 163,996	$ -	$ 163,996
CNMI22023	$ -	$ 5,200,000	$ -	$ 5,200,000
MI210255	$ -	$ 8,904,955	$ -	$ 8,904,955
CNMI22027	$ -	$ 990,000	$ -	$ 990,000
MI210243	$ -	$ 49,416,080	$ -	$ 49,416,080
MI210243-2	$ -	$ 25,940,000	$ -	$ 25,940,000
MI210229	$ 754	$ 26,004,250	$ 754	$ 22,661,257

Finding No. 2023-033, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Reporting
Questioned Costs:	$-0-

Condition, continued:

Project Identification Number	Current Period Obligation	Cumulative Obligation	Current Period Expenditure	Cumulative Expenditure
CNMI22028	$ -	$ 2,200,000	$ -	$ 2,200,000
CNMI22018	$ -	$ 100,000	$ -	$ 100,000
MI210245	$ -	$ 4,020,221	$ -	$ 3,915,721
MI210001	$ -	$209,359,469	$ -	$195,015,098
CNMI22002	$ -	$ 17,661,852	$ -	$ 11,883,664
MI210254	$ -	$ 960,000	$ -	$ 960,000
AR88990004	$ -	$ 1,737,975	$ -	$ 1,737,975
CNMI22041	$ -	$ 6,317,851	$ -	$ 6,317,851
CNMI22042	$ -	$ 2,045,350	$ -	$ 2,045,350
MI210254-2	$ -	$ 1,200,038	$ -	$ 1,200,038
CNMI22016	$ -	$ 1,335,000	$ -	$ 1,335,000

Saipan Municipality

Quarter Ended 12/31/22:

Project Identification Number	Current Period Obligation	Cumulative Obligation	Current Period Expenditure	Cumulative Expenditure
Project No RR	$ 880,690	$5,000,000	$ 880,690	$ 5,000,000
No. ASB	$ 574,500	$ 574,500	$ 574,500	$ 574,500
Project No. ANP	$ 23,000	$ 23,000	$ 23,000	$ 23,000
Project No. PP	$1,023,925	$1,023,925	$ 1,023,925	$ 1,023,925
Project No. TOUG	$ 212,708	$ 328,661	$ 212,708	$ 328,661

Quarter Ended 03/31/23:

Project Identification Number	Current Period Obligation	Cumulative Obligation	Current Period Expenditure	Cumulative Expenditure
Project No RR	$2,040,831	$5,000,000	$ 2,040,831	$ 5,000,000
No. ASB	$ 574,500	$ 574,500	$ 574,500	$ 574,500
Project No. ANP	$ 23,500	$ 23,500	$ 23,500	$ 23,500
Project No. PP	$1,023,925	$1,023,925	$ 1,023,925	$ 1,023,925
Project No. TOUG	$ 328,661	$ 328,661	$ 328,661	$ 328,661

Finding No. 2023-033, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Reporting
Questioned Costs:	$-0-

Condition, continued:

Quarter Ended 06/30/23:

Project Identification Number	Current Period Obligation	Cumulative Obligation	Current Period Expenditure	Cumulative Expenditure
Project No RR	$3,317,452	$8,000,000	$ 3,317,452	$ 8,000,000
No. ASB	$ 574,500	$ 574,500	$ 574,500	$ 574,500
Project No. ANP	$ 25,630	$ 25,630	$ 25,630	$ 25,630
Project No. PP	$1,023,925	$1,023,925	$ 1,023,925	$ 1,023,925
Project No. TOUG	$ 96,638	$ 328,661	$ 96,638	$ 328,661

3. The revenue loss calculations supporting the actual general revenue and estimated revenue loss due to COVID-19 Public Health Emergency for the 09/30/21 and 09/30/22 calculation dates were not provided. Accordingly, we are unable to verify accuracy of the amounts reported under the revenue replacement section of the Quarterly Projects and Expenditures reports.

   Amounts reported for the Quarters Ended 12/31/22, 03/31/23 and 06/30/23:

Total Estimated Revenue Loss	$249,232,064	
	2021	2022
Actual General Revenue	$175,711,059	$175,711,059
Estimated Revenue Loss Due to COVID-19 Public Health Emergency	$103,969,328	$103,969,328

Cause:

1. Management lacked new processes to extract the necessary data to submit the Project and Expenditure Reports after transition from its legacy JD Edwards financial system to the Tyler Munis Financial Management Information System (FMIS) effective October 1, 2021.

2. Underlying accounting records supporting the data included in the reports could not be located.

3. Inadequate documentation and systematic filing of relevant documentation supporting program costs.

Finding No. 2023-033, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Reporting
Questioned Costs:	$-0-

Cause, continued:

4. There is no internal control process in place over the Rota Municipality's reporting requirements. This is due to confusion as to who is responsible in overseeing the Municipality's SLFRF funding, as while the Municipality separately received its own funding, such is being maintained by the CNMI Central Government and many of the processes were guided by the CNMI Department of Finance. Further, the Municipality's access to the MUNIS system was limited and were notified by the CNMI Department of Finance that project inquiry in MUNIS was no longer to be used. Thus, the Municipality could not provide accurate accounting of its SLFRF funding.

Effect or Potential Effect:

CNMI is in noncompliance with the quarterly and annual Project and Expenditure reporting requirements. No questioned costs are presented as the noncompliance is non-monetary in nature.

Identification as a Repeat Finding: Finding No. 2022-030

Recommendation:

CNMI should establish and implement effective monitoring control procedures to ensure all required reports are submitted and ensure the following:

1. Easy retrieval of relevant documentation supporting all the data reported in the Quarterly Projects and Expenditures reports.

2. Assist and provide necessary guidance to the Rota Municipality over its reporting compliance requirements, including determining as to who is responsible in overseeing the Municipality's reporting requirements.

Finding No. 2023-033, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Reporting
Questioned Costs:	$-0-

Views of Responsible Officials:

Conditions 1 to 3 - CNMI Department of Finance agrees with this finding. Required Project and Expenditure Reports were not submitted for certain periods and supporting documentation and revenue loss calculations were unavailable for audit review. The primary cause was staff turnover and reorganization following a change in administration in FY2023, which highlighted gaps in reporting capacity. This occurred alongside issues identified in the finding, including insufficient processes following CNMI's transition from JD Edwards to Tyler Munis, missing supporting documentation, and lack of structured reporting controls.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-034

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Subrecipient Monitoring
Questioned Costs:	$15,640,541

Criteria:

Per the U.S. Treasury Interim and Final Rules, the U.S. Treasury is aligning the definition of subrecipient in the final rule with the definition of subrecipient in the Uniform Guidance, wherein, subrecipients are entities that receive a subaward from a recipient to carry out a program or project on behalf of the recipient with the recipient's Federal award funding but does not include an individual that is a beneficiary of such award. The recipient remains responsible for monitoring and overseeing the subrecipient's use of State and Local Fiscal Recovery Funds (SLFRF) and other activities related to the award to ensure that the subrecipient complies with the statutory and regulatory requirements and the terms and conditions of the award. Recipients also remain responsible for reporting to the U.S. Treasury on their subrecipients' use of payments from the SLFRF funds for the duration of the award.

Accordingly, in accordance with 2 CFR §200.332, a pass-through entity (PTE) must:

1. Verify that the subrecipient is not excluded or disqualified in accordance with §180.300. Verification methods are provided in §180.300, which include confirming in SAM.gov that a potential subrecipient is not suspended, debarred, or otherwise excluded from receiving Federal funds.

2. Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the information provided below. A PTE must provide the best available information when some of the information below is unavailable. A PTE must provide the unavailable information when it is obtained. One of the required information includes:

   (1) Federal award identification:

   (i) Subrecipient's unique entity identifier;

   (ii) Federal Award Identification Number (FAIN);

   (iii) Federal Award Date;

   (iv) Subaward Period of Performance Start and End Date;

   (v) Total Amount of Federal Funds Obligated to the subrecipient by the PTE, including the current financial obligation;

Finding No. 2023-034, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Subrecipient Monitoring
Questioned Costs:	$15,640,541

Criteria, continued:

(vi) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;

(vii) Name of the Federal agency; and

(viii) Assistance Listings title and number; the PTE must identify the dollar amount made available under each Federal award and the Assistance Listings Number at the time of disbursement.

(2) All requirements of the subaward, including requirements imposed by Federal statutes, regulations, and the terms and conditions of the Federal award;

(3) Any additional requirements that the PTE imposes on the subrecipient for the PTE to meet its responsibilities under the Federal award. This includes information and certifications (see §200.415) required for submitting financial and performance reports that the PTE must provide to the Federal agency;

(4) A requirement that the subrecipient permits the PTE and auditors to access the subrecipient's records and financial statements for the PTE to fulfill its monitoring requirements; and

(5) Appropriate terms and conditions concerning the closeout of the subaward.

3. Evaluate each subrecipient’s fraud risk and risk of noncompliance with a subaward to determine the appropriate subrecipient monitoring described in paragraph (f) of this section. When evaluating a subrecipient’s risk, a PTE should consider the following:

   (1) The subrecipient’s prior experience with the same or similar subawards;

   (2) The results of previous audits. This includes considering whether or not the subrecipient receives a Single Audit in accordance with subpart F and the extent to which the same or similar subawards have been audited as a major program;

   (3) Whether the subrecipient has new personnel or new or substantially changed systems; and

Finding No. 2023-034, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Subrecipient Monitoring
Questioned Costs:	$15,640,541

Criteria, continued:

(4) The extent and results of any Federal agency monitoring (for example, if the subrecipient also receives Federal awards directly from the Federal agency).

4. If appropriate, consider implementing specific conditions in a subaward as described in §200.208 and notify the Federal agency of the specific conditions.

5. Monitor the activities of a subrecipient as necessary to ensure that the subrecipient complies with Federal statutes, regulations, and the terms and conditions of the subaward. The PTE is responsible for monitoring the overall performance of a subrecipient to ensure that the goals and objectives of the subaward are achieved. In monitoring a subrecipient, a PTE must:

(1) Review financial and performance reports.

(2) Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward. Significant developments include Single Audit findings related to the subaward, other audit findings, site visits, and written notifications from a subrecipient of adverse conditions which will impact their ability to meet the milestones or the objectives of a subaward. When significant developments negatively impact the subaward, a subrecipient must provide the pass-through entity with information on their plan for corrective action and any assistance needed to resolve the situation.

(3) Issue a management decision for audit findings pertaining only to the Federal award provided to the subrecipient from the PTE as required by §200.521.

(4) Resolve audit findings specifically related to the subaward. However, the PTE is not responsible for resolving cross-cutting audit findings that apply to the subaward and other Federal awards or subawards. If a subrecipient has a current Single Audit report and has not been excluded from receiving Federal funding (meaning, has not been debarred or suspended), the PTE may rely on the subrecipient's cognizant agency for audit or oversight agency for audit to perform audit follow-up and make management decisions related to cross-cutting audit findings in accordance with section § 200.513(a)(4)(viii). Such reliance does not eliminate the responsibility of the pass-through entity to issue subawards that conform to agency and award-specific requirements, to manage risk through ongoing subaward monitoring, and to monitor the status of the findings that are specifically related to the subaward.

Finding No. 2023-034, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Subrecipient Monitoring
Questioned Costs:	$15,640,541

Criteria, continued:

6. Depending upon the pass-through entity's assessment of the risk posed by the subrecipient (as described in paragraph (c) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

   (1) Providing subrecipients with training and technical assistance on program-related matters;

   (2) Performing site visits to review the subrecipient's program operations; and

   (3) Arranging for agreed-upon-procedures engagements as described in § 200.425.

7. Verify that a subrecipient is audited as required by subpart F of this part.

8. Consider whether the results of a subrecipient's audit, site visits, or other monitoring necessitate adjustments to the pass-through entity's records.

9. Consider taking enforcement action against noncompliant subrecipients as described in §200.339 and in program regulations.

Condition:

1. Of four new subawards made during FY2023, aggregating $5,450,541 of a total population of $5,450,541, the following were noted:

   a. For four (or 100%), documentation of the risk assessments performed and verification as to whether the subrecipients are not suspended, debarred, or otherwise excluded from receiving Federal funds, were not provided.

Award Date	Award Number	FY2023 Expenditures and Questioned Costs
Unknown	CNMI22051	$162,880
10/27/22	CNMI22054	750,000

Finding No. 2023-034, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Subrecipient Monitoring
Questioned Costs:	$15,640,541

Condition, continued:

Award Date	Award Number	FY2023 Expenditures and Questioned Costs
12/01/22	CNMI22044A	2,946,661
10/14/22	CNMI22046A/CNMI22046B	1,591,000
		$5,450,541

b. For two (or 50%), subaward agreements provided were incomplete (pages missing). Accordingly, we could not determine if the subawards:

(1) Were clearly identified to the subrecipients as subawards;
(2) Included the following required information:
  (a) Federal award identification numbers (FAIN);
  (b) Federal award date;
  (c) Subaward period of performance start and end dates;
  (d) Total amount of federal funds obligated to the subrecipient by the pass-through entity including the current financial obligation for subaward number CNMI22046A/CNMI22046B, which has multiple subawards;
  (e) Total amount of the federal award committed to the subrecipient by the pass-through entity for subaward number CNMI22046A/CNMI22046, which has multiple subawards;
  (f) Name of Federal awarding agency;
  (g) Assistance Listing number for subaward number CNMI22046A/CNMI22046B);
  (h) Identification of the dollar amount made available under each Federal award at the time of disbursements;
(3) Included all requirements of the subawards, including requirements imposed by Federal statutes, regulations, and the terms and conditions of the Federal award;
(4) Included any additional requirements that the pass-through entity imposes on the subrecipient for the pass-through entity to meet its responsibilities under the Federal award. This includes information and certifications (see §200.415) required for submitting financial and performance reports that the pass-through entity must provide to the Federal agency;

Finding No. 2023-034, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Subrecipient Monitoring
Questioned Costs:	$15,640,541

Condition, continued:

(5) Included requirements that the subrecipients permit the pass-through entity and auditors to access the subrecipients' records and financial statements for the pass-through entity to fulfill its monitoring requirements; and
(6) Included appropriate terms and conditions concerning the closeout of the subaward.

Award Date	Award Number	FY2023 Expenditures
Unknown	CNMI22051	$ 162,880
10/14/22	CNMI22046A/CNMI22046B	1,591,000
		$1,753,880

In addition, the page reflecting the award date for subaward number CNMI22051 was also not provided; thus, the award date is presented as Unknown. No questioned costs are presented as amounts are questioned at Condition 1a.

c. For two (or 50%), subaward agreements did not include the following required information:

(1) Subrecipients' unique entity identifiers;
(2) Federal award identification numbers (FAIN);
(3) Federal award date;
(4) Total amount of federal funds obligated to the subrecipient by the pass-through entity including the current financial obligation for subaward number CNMI22044A, which has two subawards;
(5) Total amount of the federal award committed to the subrecipient by the pass-through entity for subaward number CNMI22044A, which has two subawards;
(6) Identification of the dollar amount made available under each Federal award at the time of disbursements;
(7) Appropriate terms and conditions concerning the closeout of the subaward

No questioned costs are presented as amounts are questioned at Condition 1a.

Finding No. 2023-034, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Subrecipient Monitoring
Questioned Costs:	$15,640,541

Condition, continued:

Award Date	Award Number	FY2023 Expenditures
10/27/22	CNMI22054	$ 750,000
12/01/22	CNMI22044A	2,946,661
		$3,696,661

2. Of seven subrecipients tested for monitoring compliance requirements, aggregating $15,640,541 of a total population of $15,640,541, documentation on monitoring procedures performed during FY2023 for the seven (or 100%) subrecipients, including documentation of the verification as to whether the subrecipients are subject to the audit requirements, were not provided. In addition, other than Award Number CNMI22044, subaward agreements for six subrecipients were not provided; accordingly, award dates were presented as unknown. No questioned costs are presented for six subrecipients as there were no subaward disbursements made during FY2023.

Award Date	Award Number	FY2023 Expenditures and Questioned Costs
09/23/22	CNMI22044	$9,000,000
Unknown	MI210243	-
Unknown	CNMI22002	-
Unknown	CNMI22005	-
Unknown	CNMI22041	-
Unknown	CNMI22042	-
Unknown	CNMI22016	-
		$9,000,000

Finding No. 2023-034, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Subrecipient Monitoring
Questioned Costs:	$15,640,541

Condition, continued:

3. Of nine monitoring procedure requirements tested at the invoice/disbursement level, aggregating $16,693,880 of a total population of $16,693,880, for five (or 56%) disbursements, review and approval of either the invoices, drawdowns and/or payment requests to ensure that subrecipients used the subaward for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the subawards, were not evident.

Award Number	Project Number	Project Accounting Journal Effective Date	Project Accounting Journal Number	Project Accounting Journal Check	Amount and Questioned Costs
CNMI22044	8899210031	10/25/22	2037	23004719	$ 2,000,000
CNMI22044	8899210031	10/19/22	1364	23004537	2,000,000
CNMI22042A/CNMI22042B	8899210028	11/15/22	1110	81805	1,190,000
CNMI22046A/CNMI22046B	8899210003	11/18/22	1411	81853	1,591,000
CNMI22051	AR88990003	10/31/22	2716	23004897	162,880
					6,943,880
Less amounts questioned at Condition 2 for Award Number CNMI22044 and at Condition 1a for Award Numbers CNMI22046A/CNMI22046B and CNMI22051					(5,753,880)
					$ 1,190,000

Cause:

1. CNMI does not have approved/adopted written subrecipient monitoring policies and procedures;

2. Documentation of the risks assessments and the monitoring procedures performed, including verifications as to whether the subrecipients are subject to the audit requirements and are not suspended, debarred, or otherwise excluded from receiving Federal funds, could not be located on file and/or were not performed;

3. CNMI failed to enforce compliance with subrecipient monitoring compliance requirements and lacks monitoring controls over the subrecipient monitoring compliance requirements.

Finding No. 2023-034, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Subrecipient Monitoring
Questioned Costs:	$15,640,541

Cause:

4. Inadequate documentation and systematic filing of relevant documentation supporting program costs.

In addition, for award numbers CNMI22044 and CNMI22044A, the Entity's management has determined that it should be classified as a contractor under the agreement as the Entity's role is to promote the program within CNMI, develop a marketing and promotional campaign and disburse the award to the recipients identified by the CNMI. The Entity was not involved in reviewing and deciding which grant applicant is eligible to receive the grant. CNMI's role in the review of grant applications and eligibility determination may have caused confusion as to whether the Entity that received the funds is a subrecipient or a contractor. As of the auditor's report date, CNMI and the Entity have yet to conclude whether the Entity received the funds in the role of a subrecipient or a contractor.

Effect or Potential Effect:

CNMI is in noncompliance with applicable subrecipient monitoring compliance requirements and questioned costs of $15,640,541 result.

Condition	Questioned Costs
1a	$ 5,450,541
2	9,000,000
3	1,190,000
	$15,640,541

Identification as a Repeat Finding: Finding No. 2022-031

Recommendation:

We recommend CNMI establish approved/adopted written subrecipient monitoring policies and procedures and an approved template that includes all required clauses needed for subrecipient agreements. In addition, CNMI should implement and enforce monitoring internal control procedures over the following:

Finding No. 2023-034, continued

Federal Agency:	U.S. Department of the Treasury
AL Program:	COVID-19 21.027 Coronavirus State and Local Fiscal Recovery Funds
Federal Award No.:	COVID-19
Area:	Subrecipient Monitoring
Questioned Costs:	$15,640,541

Recommendation, continued:

1. Verification as to whether the subrecipients are not suspended, debarred, or otherwise excluded from receiving Federal funds;

2. Evaluation over each subrecipient's fraud risk and risk of noncompliance with a subaward to determine the appropriate subrecipient monitoring;

3. Monitoring procedures to ensure that all subaward agreements include the required information in accordance with 2 CFR §200.332(b)(1);

4. Monitoring activities of a subrecipient to ensure that the subrecipient complies with Federal statutes, regulations, and the terms and conditions of the subaward;

5. Verification that subrecipients are audited as required by 2 CFR Part 200 Subpart F; and

6. Adequate documentation and systematic filing of relevant documentation supporting program costs.

Views of Responsible Officials:

Conditions 1 to 3 - CNMI Department of Finance agrees with this finding. During FY2023, the Department of Finance became aware that existing practices for subrecipient monitoring did not fully meet federal requirements under 2 CFR 200.331–200.332. DOF began implementing corrective actions in the latter part of FY2023 and continued strengthening procedures throughout FY2024, including improvements in documentation, SAM.gov verification, and basic risk assessment elements.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-035

Federal Agency:	U.S. Department of Education
AL Program:	COVID-19 84.425H Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)
Federal Award No.:	S425H210001
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$-0-

Criteria:

In accordance with 2 CFR Section 200.303, non-federal entities receiving federal awards must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition:

Based on walkthrough procedures performed over:

a. the review of cost allowability, specifically, the process did not include documentation of review and approval of purchase requisitions, invoices, payment requests; and

b. the disbursement process of program funds, specifically, the process did not include documented review or approval demonstrating that checks and ACH disbursements were verified against supporting invoices prior to payment.

As a result, controls designed to ensure the accuracy and validity of disbursements and allowability of costs, are not adequately documented or evidenced.

Cause:

CNMI lacks adequate documentation evidencing its monitoring and review procedures over disbursements of program funds and allowability of costs, including review and approval controls to ensure that checks and ACH payments agree with approved invoice amounts and purchase requisitions are allowed.

Effect or Potential Effect:

CNMI is in noncompliance with 2 CFR Section 200.303 related to internal control requirements. No questioned costs are identified as testing did not disclose noncompliance with allowable costs/cost principles compliance requirements.

Identification as a Repeat Finding: This is not a repeat finding.

Finding No. 2023-035, continued

Federal Agency:	U.S. Department of Education
AL Program:	COVID-19 84.425H Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)
Federal Award No.:	S425H210001
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$-0-

Recommendation:

CNMI should implement, document and consistently enforce appropriate review and approval controls over disbursements of program funds.

Views of Responsible Officials:

CNMI Department of Finance agrees with this finding. While approval controls are implemented within the Munis financial system and, since the FY2022 system migration, all federal expenditure approvals have been processed in Munis, the supporting evidence was provided to the auditors on April 9, 2026, after the agreed documentation deadline of February 19, 2026, resulting in evidence timing deficiency. CNMI established a Standard Operating Procedure for Internal Control for Federal Grants Management on May 1, 2025, to govern these processes, and management will ensure that going forward the expenditure workflow, not solely the journal entry workflow, is attached to documentation submitted with audit requests and will be included in the required documents checklist; documents of approval are available upon request.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-036

Federal Agency:	U.S. Department of Education
AL Program:	COVID-19 84.425H Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)
Federal Award No.:	S425H210001
Area:	Matching, Level of Effort, Earmarking
Questioned Costs:	$-0-

Criteria:

In accordance with 2 CFR Section 200.303, non-federal entities receiving federal awards must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition:

Based on walkthrough procedures performed over the maintenance of effort compliance requirements, CNMI lacks documented evidence of review and approval controls over the verification and accuracy of the required financial data used in computing its maintenance of effort compliance requirements.

Cause:

CNMI lacks documented evidence of review and approval controls over the verification and accuracy of the financial data used in computing its maintenance of effort for compliance with program requirements, which indicates that the internal controls may not be effectively designed or implemented to ensure the accuracy and completeness of the financial data necessary for compliance.

Effect or Potential Effect:

CNMI is in noncompliance with 2 CFR Section 200.303 related to internal control requirements. No questioned costs are identified as testing did not disclose noncompliance with the maintenance of efforts compliance requirements.

Identification as a Repeat Finding: This is not a repeat finding.

Recommendation:

CNMI should implement, document and consistently enforce appropriate review and approval controls over the maintenance of efforts compliance requirements.

Finding No. 2023-036, continued

Federal Agency:	U.S. Department of Education
AL Program:	COVID-19 84.425H Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)
Federal Award No.:	S425H210001
Area:	Matching, Level of Effort, Earmarking
Questioned Costs:	$-0-

Views of Responsible Officials:

CNMI Department of Finance agrees with this finding. CNMI acknowledges the absence of documented standard operating procedures and internal controls governing the review and approval of financial data used to compute maintenance of effort (MOE) requirements. Upon completion of the MOE report, CNMI worked closely with the grantor and the state educational agency to compile the required information. Because CNMI does not customarily receive this type of U.S. Department of Education award and received these funds only as part of the COVID 19 relief program, formal procedures were not previously in place. The grant covered by this finding is now closed. Should CNMI receive future awards from this grantor, CNMI will adopt and implement a formal SOP for MOE calculations and related review and approval controls prior to preparing any MOE reports.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-037

Federal Agency:	U.S. Department of Education
AL Program:	COVID-19 84.425H Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)
Federal Award No.:	S425H210001
Area:	Reporting
Questioned Costs:	$-0-

Criteria:

Per U.S. Department of Education (ED), the OMB No. 1810-0748 or the Education Stabilization Fund - Governor's Emergency Education Relief Fund (GEER I and GEER II) Recipient Data Collection Form, which is a special annual performance report, must be submitted with data on expenditures, planned expenditures, subrecipients, and uses of funds, including for mandatory reservations. Local educational agencies (LEAs)/subrecipients must submit data to the state educational agency (SEA)/Governor for the SEA's/Governor's report. These annual reports are due each spring for the previous reporting period.

Additionally, in accordance with 2 CFR Part 170 and the Federal Funding Accountability and Transparency Act (FFATA), recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more in federal funds to the FFATA Subaward Reporting System (FSRS). For subaward information, recipients are required to report no later than the end of the month following the month in which the subaward was issued.

Condition:

1. For the annual performance report required to be submitted in FY2023 (covering the period October 1, 2021 through September 30, 2022), CNMI did not provide the underlying accounting records supporting the reported data.

2. For FFATA reporting requirements, CNMI did not report the subaward information for the following subawards with $30,000 or more in Federal funds to the FFATA SRS in fiscal year 2023:

Subaward Number	Subaward Date	Subawardee Name	Subaward Amount
Not stated	05/12/2023	Northern Marianas College	$10,408,341
Not stated	05/12/2023	Northern Marianas Technical Institute	$ 1,349,781

Finding No. 2023-037, continued

Federal Agency:	U.S. Department of Education
AL Program:	COVID-19 84.425H Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)
Federal Award No.:	S425H210001
Area:	Reporting
Questioned Costs:	$-0-

Cause:

CNMI did not effectively monitor compliance with applicable reporting compliance requirements since FY2023 is the initial year of Education Stabilization fund (ESF) implementation.

Effect or Potential Effect:

CNMI is in noncompliance with the reporting compliance requirements. No questioned costs are presented as the noncompliance is non-monetary in nature.

Identification as a Repeat Finding: This is not a repeat finding.

Recommendation:

1. CNMI should establish and implement effective monitoring control procedures to ensure all data elements for the required reports are properly documented.

2. CNMI should establish policies and procedures to verify that the required FFATA reports are prepared and submitted to the SRS.

Views of Responsible Officials:

Conditions 1 and 2 - CNMI Department of Finance agrees with this finding. CNMI acknowledges that, while the ED annual performance report (APR) for FY2023 was submitted, the underlying accounting records supporting the reported data were not included, and CNMI was not fully aware of the FFATA subaward reporting requirement for this program. To address these deficiencies, CNMI will (1) ensure that all future APR submissions include the complete supporting accounting documentation and that such documentation is retained and made available to auditors upon request; and (2) incorporate FFATA/FSRS reporting requirements into the CNMI Internal Control SOP for federal grants and implement procedures to verify timely submission of all first tier subawards of $30,000 or more.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-038

Federal Agency:	U.S. Department of Education
AL Program:	COVID-19 84.425H Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)
Federal Award No.:	S425H210001
Area:	Subrecipient Monitoring
Questioned Costs:	$6,641,757

Criteria:

Per 2 CFR § 200.1, a subrecipient in the Uniform Guidance are entities that receive a subaward from a recipient to carry out a program or project on behalf of the recipient with the recipient's Federal award funding but does not include an individual that is a beneficiary of such award. The U.S. Department of Education engages with non-Federal entities by awarding federal funds in the form of a subaward as an extension of its services. The recipient remains responsible for monitoring and overseeing the use of federal funds and other activities related to the award to ensure that the subrecipient complies with the statutory and regulatory requirements and the terms and conditions of the award. Recipients also remain responsible for reporting to the U.S. Department of Education on their subrecipients' use of payments from the ESF-Governor funds for the duration of the award.

Accordingly, in accordance with 2 CFR §200.332, a pass-through entity (PTE) must:

(a) Verify that the subrecipient is not excluded or disqualified in accordance with §180.300. Verification methods are provided in §180.300, which include confirming in SAM.gov that a potential subrecipient is not suspended, debarred, or otherwise excluded from receiving Federal funds.

(b) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the information provided below. A PTE must provide the best available information when some of the information below is unavailable. A PTE must provide the unavailable information when it is obtained. One of the required information includes:

(1) Federal award identification:

(i) Subrecipient's unique entity identifier;

(ii) Federal Award Identification Number (FAIN);

(iii) Federal Award Date;

(iv) Subaward Period of Performance Start and End Date;

(v) Total Amount of Federal Funds Obligated to the subrecipient by the PTE, including the current financial obligation;

Finding No. 2023-038, continued

Federal Agency:	U.S. Department of Education
AL Program:	COVID-19 84.425H Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)
Federal Award No.:	S425H210001
Area:	Subrecipient Monitoring
Questioned Costs:	$6,641,757

Criteria, continued:

(vi) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;

(vii) Name of the Federal agency; and

(viii) Assistance Listings title and number; the PTE must identify the dollar amount made available under each Federal award and the Assistance Listings Number at the time of disbursement.

(2) All requirements of the subaward, including requirements imposed by Federal statutes, regulations, and the terms and conditions of the Federal award;

(3) Any additional requirements that the PTE imposes on the subrecipient for the PTE to meet its responsibilities under the Federal award. This includes information and certifications (see §200.415) required for submitting financial and performance reports that the PTE must provide to the Federal agency;

(4) A requirement that the subrecipient permits the PTE and auditors to access the subrecipient's records and financial statements for the PTE to fulfill its monitoring requirements; and

(5) Appropriate terms and conditions concerning the closeout of the subaward.

(c) Evaluate each subrecipient’s fraud risk and risk of noncompliance with a subaward to determine the appropriate subrecipient monitoring described in paragraph (f) of this section. When evaluating a subrecipient’s risk, a PTE should consider the following:

(1) The subrecipient’s prior experience with the same or similar subawards;

(2) The results of previous audits. This includes considering whether or not the subrecipient receives a Single Audit in accordance with subpart F and the extent to which the same or similar subawards have been audited as a major program;

(3) Whether the subrecipient has new personnel or new or substantially changed systems; and

Finding No. 2023-038, continued

Federal Agency:	U.S. Department of Education
AL Program:	COVID-19 84.425H Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)
Federal Award No.:	S425H210001
Area:	Subrecipient Monitoring
Questioned Costs:	$6,641,757

Criteria, continued:

(4) The extent and results of any Federal agency monitoring (for example, if the subrecipient also receives Federal awards directly from the Federal agency).

(d) If appropriate, consider implementing specific conditions in a subaward as described in §200.208 and notify the Federal agency of the specific conditions.

(e) Monitor the activities of a subrecipient as necessary to ensure that the subrecipient complies with Federal statutes, regulations, and the terms and conditions of the subaward. The PTE is responsible for monitoring the overall performance of a subrecipient to ensure that the goals and objectives of the subaward are achieved. In monitoring a subrecipient, a PTE must:

(1) Review financial and performance reports.

(2) Ensure that the subrecipient takes corrective action on all significant developments that negatively affect the subaward. Significant developments include Single Audit findings related to the subaward, other audit findings, site visits, and written notifications from a subrecipient of adverse conditions which will impact their ability to meet the milestones or the objectives of a subaward. When significant developments negatively impact the subaward, a subrecipient must provide the pass-through entity with information on their plan for corrective action and any assistance needed to resolve the situation.

(3) Issue a management decision for audit findings pertaining only to the Federal award provided to the subrecipient from the PTE as required by §200.521.

(4) Resolve audit findings specifically related to the subaward. However, the PTE is not responsible for resolving cross-cutting audit findings that apply to the subaward and other Federal awards or subawards. If a subrecipient has a current Single Audit report and has not been excluded from receiving Federal funding (meaning, has not been debarred or suspended), the PTE may rely on the subrecipient's cognizant agency for audit or oversight agency for audit to perform audit follow-up and make management decisions related to cross-cutting audit findings in accordance with section § 200.513(a)(4)(viii). Such reliance does not eliminate the responsibility of the pass-through entity to issue subawards that conform to agency and award-specific requirements, to manage risk through ongoing subaward monitoring, and to monitor the status of the findings that are specifically related to the subaward.

Finding No. 2023-038, continued

Federal Agency:	U.S. Department of Education
AL Program:	COVID-19 84.425H Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)
Federal Award No.:	S425H210001
Area:	Subrecipient Monitoring
Questioned Costs:	$6,641,757

Criteria, continued:

(f) Depending upon the pass-through entity's assessment of the risk posed by the subrecipient (as described in paragraph (c) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

(1) Providing subrecipients with training and technical assistance on program-related matters;

(2) Performing site visits to review the subrecipient's program operations; and

(3) Arranging for agreed-upon-procedures engagements as described in § 200.425.

(g) Verify that a subrecipient is audited as required by subpart F of this part.

(h) Consider whether the results of a subrecipient's audit, site visits, or other monitoring necessitate adjustments to the pass-through entity's records.

(i) Consider taking enforcement action against noncompliant subrecipients as described in §200.339 and in program regulations.

Condition:

1. For two (or 100%) new subawards made during FY2023, aggregating $6,641,757 of a total population of $6,641,757, there was no documentation of the risk assessments performed and verification as to whether the subrecipients are not suspended, debarred, or otherwise excluded from receiving Federal funds.

Award Date	Award Number	FY2023 Expenditures and Questioned Costs
05/12/23	S425H210001	$5,798,317
05/12/23	S425H210001	843,440
		$6,641,757

Finding No. 2023-038, continued

Federal Agency:	U.S. Department of Education
AL Program:	COVID-19 84.425H Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)
Federal Award No.:	S425H210001
Area:	Subrecipient Monitoring
Questioned Costs:	$6,641,757

Condition, continued:

Further, the subaward agreements did not include the following required information:

(1) Subrecipients' unique entity identifiers; and
(2) Appropriate terms and conditions concerning the closeout of the subaward.

2. For two (or 100%) subrecipients subject to monitoring compliance requirements, aggregating $6,641,757 of a total population of $6,641,757, there was no documentation on monitoring procedures performed during FY2023, and no documentation of the verification as to whether the subrecipients are subject to the audit requirements. CNMI did not provide evidence of procedures used to determine that the subrecipients (which expended more than $750,000 in Federal awards) have met the audit requirement of 2 CFR part 200, subpart F and that the required audits are completed within nine months of the end of the subrecipient's audit period. No questioned costs are presented as amounts are questioned at Condition 1.

Award Date	Award Number	FY2023 Expenditures
05/12/23	S425H210001	$5,798,317
05/12/23	S425H210001	843,440
		$6,641,757

Cause:

1. CNMI does not have an established subrecipient risk assessment policy and procedures prior to entering into the subaward agreement and to identify the type of monitoring procedures required to be performed for the subrecipient.

2. CNMI does not have an established policy or procedure that monitors whether a subrecipient that incurs expenditures above $750,000 during the year, has hired the services of a reputable auditor to conduct a single audit engagement and to ensure that follow-up corrective actions have been performed as regards to the deficiencies identified during the previous audits.

3. Inadequate documentation and systematic filing of relevant documentation supporting program costs.

Finding No. 2023-038, continued

Federal Agency:	U.S. Department of Education
AL Program:	COVID-19 84.425H Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)
Federal Award No.:	S425H210001
Area:	Subrecipient Monitoring
Questioned Costs:	$6,641,757

Effect or Potential Effect:

CNMI is in noncompliance with applicable subrecipient monitoring compliance requirements and questioned costs of $6,641,757 result for Condition 1.

Identification as a Repeat Finding: This is not a repeat finding.

Recommendation:

We recommend CNMI establish approved/adopted written subrecipient monitoring policies and procedures and an approved template that includes all required clauses needed for subrecipient agreements. In addition, CNMI should implement and enforce monitoring internal control procedures over the following:

a. Evaluation over each subrecipient's fraud risk and risk of noncompliance with a subaward to determine the appropriate subrecipient monitoring;

b. Monitoring procedures to ensure that all subaward agreements include the required information in accordance with 2 CFR §200.332(b)(1);

c. Monitoring activities of a subrecipient to ensure that the subrecipient complies with Federal statutes, regulations, and the terms and conditions of the subaward;

d. Verification that subrecipients are audited as required by 2 CFR Part 200 Subpart F; and

e. Adequate documentation and systematic filing of relevant documentation supporting program costs.

Finding No. 2023-038, continued

Federal Agency:	U.S. Department of Education
AL Program:	COVID-19 84.425H Education Stabilization Fund - Governors (Outlying Areas) (ESF-Governor)
Federal Award No.:	S425H210001
Area:	Subrecipient Monitoring
Questioned Costs:	$6,641,757

Views of Responsible Officials:

Conditions 1 and 2 - CNMI Department of Finance agrees with this finding. CNMI submitted risk assessment and monitoring compliance documentation to the auditor on February 26, 2026, after the agreed February 19, 2026 deadline, resulting in evidence timing deficiency. CNMI established Standard Operating Procedures for subrecipient monitoring effective October 28, 2026. Management will implement standardized file labeling and retention procedures in accordance with the SOP so that each subrecipient file contains the subrecipient determination, required subaward clauses, the unique entity identifier, documented SAM.gov exclusion checks, and verification of audit requirements. In alignment with 2 CFR §200.332, CNMI will review financial and performance reports quarterly, conduct an annual performance assessment using a standardized checklist (updated annually or upon project completion), maintain documentation of all monitoring activities, and verify audit status for entities subject to the Single Audit Act. The risk assessment and monitoring compliance documentation for this grant is available to the auditor upon request.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-039

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.575/93.596 CCDF Cluster COVID-19 93.575/93.596 CCDF Cluster
Federal Award No.:	2201MPCCDD, 2101MPCCC5, 2001MPCCDD
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$71,972

Criteria:

In accordance with 2 CFR 200.303(a), the recipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Additionally, based on 2 CFR 200.403(g), except where otherwise authorized by statute, costs must be adequately documented to be allowable under Federal awards.

Condition:

For seven (or 18%) out of the forty nonpayroll expenditures tested, aggregating $845,463 of a total population of $18,417,064, CNMI did not provide the purchase orders, contracts, and/or invoice(s) supporting the allowability of the costs.

Grant Award Number	MUNIS Project Number	Project Title	PA Journal Number	FY 2023 Expenditures and Questioned Costs
2101MPCCC5	FG12130004	FY21CCDF-CRRSA Cert	2393	$31,100
2001MPCCDD	FG12130001	FY 2020 CCDF CERTIFICATES	3013	28,550
2101MPCCC5	FG12130004	FY21CCDF-CRRSA Cert	128	7,400
2201MPCCDD	FG12130016	CCDF-ADMINISTRATION	705	2,322
2101MPCCC5	FG12130004	FY21CCDF-CRRSA Cert	2521	1,000
2101MPCCC5	FG12130004	FY21CCDF-CRRSA Cert	1568	820
2101MPCCC5	FG12130004	FY21CCDF-CRRSA Cert	2595	780
				$71,972

Cause:

CNMI did not properly enforce their record-keeping and document retention controls.

Effect or Potential Effect:

CNMI is in noncompliance with applicable activities allowed or unallowed and allowable costs/cost principles compliance requirement and questioned costs of $71,972 result.

Finding No. 2023-039, continued

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.575/93.596 CCDF Cluster COVID-19 93.575/93.596 CCDF Cluster
Federal Award No.:	2201MPCCDD, 2101MPCCC5, 2001MPCCDD
Area:	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs:	$71,972

Identification as a Repeat Finding: This is not a repeat finding.

Recommendation:

CNMI should improve their record-keeping and document retention policies implementation by properly utilizing the database functionality of their current Enterprise Resources Planning (ERP) software, which is Tyler MUNIS.

Views of Responsible Officials:

CNMI CCDF Program agrees with this finding. For seven (or 18%) out of the forty samples tested, CNMI did not provide the purchase order, contract, and/or invoice(s) supporting the allowability of the costs.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-040

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.575/93.596 CCDF Cluster COVID-19 93.575/93.596 CCDF Cluster
Federal Award No.:	2101MPCDC6, 2101MPCCC5, 2001MPCCC3, 2101MPCCDF, 2001MPCCDD, 1901MPCCDD
Area:	Eligibility
Questioned Costs:	$12,490

Criteria:

Section 3.1.8 of the CCDF FY2023 State Plan dictates that to be eligible for childcare services, a parent must have a current and valid CW-1 permit at the time of eligibility determination/ redetermination.

Further, based on Section 4.3.1 of the CCDF FY2023 State Plan, the calculation of the base payment rates applicable to each eligible child is based on their age, and the rates applied to the child depends on the age bracket they fall under.

Condition:

Of forty applicants tested, aggregating $217,320 of a total population of $6,140,523, the following were noted:

1. For two (or 5%), CNMI did not obtain valid work permits for the non-US citizen parents.

Case ID	Certification Effective Dates	Visa Category	Questioned Costs
3288 C	10/01/22 to 03/31/24	CW-1	$ 7,200
3743 A	03/06/23 to 02/29/24	CW-1	4,900
			$12,100

2. For five (or 13%), CNMI made inconsistent monthly benefit payments. The identified questioned cost is for the overpayment made to the beneficiary. No questioned costs were identified for case IDs that were undercharged as there are no excess charges to the program; however, these are identified as an internal control finding.

Case ID	Certification Effective Dates	Total Expected Benefits	Total Actual Benefits Paid	Overcharge (Undercharge)	Questioned Costs
3040 B	10/1/2022 to 3/31/2024	$8,580	$8,970	$ 390	$390
3275 B	3/1/2022 to 2/28/2023	$3,000	$2,800	$(200)	---
3275 C	3/1/2022 to 2/28/2023	$3,500	$3,300	$(200)	---
3600 C	5/13/2022 to 4/30/2023	$3,850	$3,700	$(150)	---
3174 A	10/1/2022 to 3/31/2024	$6,600	$6,600	$ ---	---
					$390

Finding No. 2023-040, continued

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.575/93.596 CCDF Cluster COVID-19 93.575/93.596 CCDF Cluster
Federal Award No.:	2101MPCDC6, 2101MPCCC5, 2001MPCCC3, 2101MPCCDF, 2001MPCCDD, 1901MPCCDD
Area:	Eligibility
Questioned Costs:	$12,490

Cause:

1. CNMI failed to properly monitor adherence to the CCDF State Plan requirements of the required documents to support the applicant's eligibility.

2. CNMI lacks proper monitoring controls to ensure that approved pay rates are consistently applied and paid to the applicants throughout the duration of the eligibility period.

Effect or Potential Effect:

CNMI is in noncompliance with applicable eligibility requirements and questioned costs of $12,490 result.

Condition	Questioned Costs
1	$12,100
2	390
	$12,490

Identification as a Repeat Finding: Finding No. 2022-032

Recommendation:

CNMI should strengthen and enforce compliance with applicable eligibility compliance requirements over the following:

1. Improve the current monitoring procedures to ensure that responsible personnel should utilize the application checklist and review it against the applicant's files to verify all required forms and information are completed, valid, and filed accordingly.

2. Establish monitoring and review procedures to ensure that the benefits paid for the applicants per month are in accordance with the established approved rates by CCDF and consistently applied.

Finding No. 2023-040, continued

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.575/93.596 CCDF Cluster COVID-19 93.575/93.596 CCDF Cluster
Federal Award No.:	2101MPCDC6, 2101MPCCC5, 2001MPCCC3, 2101MPCCDF, 2001MPCCDD, 1901MPCCDD
Area:	Eligibility
Questioned Costs:	$12,490

Recommendation, continued:

3. CCDF can consider adopting more sophisticated software that would enable them to automatically calculate the benefits, and which has more functions that could help them streamline and improve their current procedures.

Views of Responsible Officials:

Condition 1 - CNMI CCDF Program respectfully disagrees with this finding. During the audit period, the CNMI CCDF State Plan for FY 2022–2024, Section 3.1.8, Employment Requirements, permitted the acceptance of a USCIS receipt notice (WAC receipt number) as documentation of employment authorization when applicable. Specifically, the State Plan states that a USCIS receipt indicating a WAC number may be requested when necessary and that additional documentation may be requested to identify applicants who meet the long-term employment criteria.

Based on the policies in effect during the certification periods cited above, the CCDF Program determined eligibility using the documentation requirements established in the approved CCDF State Plan. Therefore, the questioned costs associated with these cases were incurred in accordance with the Program's established eligibility policies at that time.

Condition 2 - CNMI CCDF Program agrees with this finding. During the audit period, provider payments were processed manually for approximately 1,101 children each month. The manual calculation and entry of subsidy amounts increased the risk of human error, resulting in isolated instances of overpayments and underpayments.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

Condition 1 - Work permit validity dates were not reflected on the USCIS receipt notices.

Finding No. 2023-041

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.575/93.596 CCDF Cluster COVID-19 93.575/93.596 CCDF Cluster
Federal Award No.:	2101MPCCC5, 2101MPCCDF, 1901MPCCDD
Area:	Period of Performance
Questioned Costs:	$95,367

Criteria:

A non-federal entity may charge only allowable costs incurred during the approved budget period of a federal award's period of performance and any costs incurred before the federal awarding agency or pass-through entity made the federal award that were authorized by the federal awarding agency or pass-through entity (2 CFR sections 200.308 200.309 and 200.403(h)).

The Program must liquidate all financial obligations incurred under the federal award not later than two years after the end date of the period of performance as specified in the terms and conditions of the federal award.

In accordance with 2 CFR 200.303(a), the recipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition:

1. CNMI does not have any documentation or evidence to provide support that transactions are being reviewed to ensure that they are incurred within the period of performance. This condition does not result in questioned costs as this is an internal control finding.

2. CNMI does not properly monitor whether expenditures are paid prior to the end of the liquidation period. This condition does not result in questioned costs as this is an internal control finding.

3. Of forty expenditures tested, aggregating $817,071 of a total population of $2,171,232, the following were noted:

   a. For four (or 10%), CNMI did not provide the purchase order or contract to support that expenditures were incurred within the period of performance end date of 09/30/23.

Grant Awards	MUNIS Project Numbers	Project Titles	PA Journal Numbers	FY2023 Expenditures and Questioned Costs
2101MPCCC5	FG12130004	FY21CCDF-CRRSA	2393	$31,100

Finding No. 2023-041, continued

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.575/93.596 CCDF Cluster COVID-19 93.575/93.596 CCDF Cluster
Federal Award No.:	2101MPCCC5, 2101MPCCDF, 1901MPCCDD
Area:	Period of Performance
Questioned Costs:	$95,367

Condition, continued:

Grant Awards	MUNIS Project Numbers	Project Titles	PA Journal Numbers	FY2023 Expenditures and Questioned Costs
2101MPCCC5	FG12130004	FY21CCDF-CRRSA	128	7,400
2101MPCCC5	FG12130004	FY21CCDF-CRRSA	1568	820
2101MPCCC5	FG12130004	FY21CCDF-CRRSA	2595	780
				$40,100

b. For ten (or 25%), CNMI did not provide a breakdown of the batch payments identified in the bank statements to identify and trace the clearance dates of each transaction, to support that the expenditures were liquidated within the liquidation period end date of 09/30/25.

Grant Award	MUNIS Project Number	Project Title	PA Journal Number	FY2023 Expenditures and Questioned Costs
2101MPCCDF	1213210003	FY21 CCDF-CERTIFICATE	2418	$16,450
2101MPCCDF	1213210003	FY21 CCDF-CERTIFICATE	2424	14,950
2101MPCCDF	1213210003	FY21 CCDF-CERTIFICATE	2420	9,700
2101MPCCDF	1213210003	FY21 CCDF-CERTIFICATE	2395	3,055
2101MPCCDF	1213210006	FY21 CCDF-INFANT &	1382	2,592
2101MPCCDF	1213210003	FY21 CCDF-CERTIFICATE	2391	2,535
2101MPCCDF	1213210003	FY21 CCDF-CERTIFICATE	2410	2,450
2101MPCCDF	1213210003	FY21 CCDF-CERTIFICATE	2396	2,210
2101MPCCDF	1213210003	FY21 CCDF-CERTIFICATE	2409	1,150
2101MPCCDF	1213210006	FY21 CCDF-INFANT &	1792	175
				$55,267

Cause:

1. CNMI's current policy and procedure does not include proper documentation of the review being performed to verify that the transactions are valid and still within the period of performance.

Finding No. 2023-041, continued

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.575/93.596 CCDF Cluster
	COVID-19 93.575/93.596 CCDF Cluster
Federal Award No.:	2101MPCCC5, 2101MPCCDF, 1901MPCCDD
Area:	Period of Performance
Questioned Costs:	$95,367

Cause, continued:

2. CNMI does not have any policies and procedures established to monitor and ensure that payments to vendors are liquidated within the end of the liquidation period.

3. CNMI did not provide sufficient and appropriate audit evidence to substantiate the expenditures over compliance with applicable period of performance compliance requirements.

Effect or Potential Effect:

CNMI is in noncompliance with applicable period of performance compliance requirements and questioned costs of $95,367 result.

Condition	Questioned Costs
3a	$40,100
3b	55,267
	$95,367

Identification as a Repeat Finding: This is not a repeat finding.

Recommendation:

CNMI should strengthen and enforce compliance with period of performance compliance requirements over the following:

1. CNMI should update their current policies and procedures to ensure that part of the documentation of checking the allowability of each transaction includes the verification if the expenditures are still within the period of performance. This can be done by attaching the copy of the grant award, or a certification from the program administrator, or personnel in-charge of checking the allowability of each transaction, that the grant being charged is in compliance with the period of performance compliance requirements.

Finding No. 2023-041, continued

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.575/93.596 CCDF Cluster COVID-19 93.575/93.596 CCDF Cluster
Federal Award No.:	2101MPCCC5, 2101MPCCDF, 1901MPCCDD
Area:	Period of Performance
Questioned Costs:	$95,367

Recommendation, continued:

2. CNMI should establish monitoring procedures to ensure that checks issued to vendors are cleared by the banks within the liquidation period. The DOF Financial Services could establish a monitoring log for all checks issued for each vendor and each office. The assigned offices should then request a copy from the DOF Financial Services of the monitoring and conduct timely follow-up to each vendor on ensuring the checks are paid. Lastly, CNMI could also adopt a purely ACH payment to ensure that payments are done real-time.

3. CNMI should improve their record-keeping and document retention policies implementation by properly utilizing the database functionality of their current Enterprise Resources Planning (ERP) software, which is Tyler MUNIS.

Views of Responsible Officials:

Conditions 1 and 3a - CNMI CCDF Program agrees with this finding. To strengthen oversight and ensure adequate accountability over Federal awards, the CNMI CCDF Program has implemented a filing system where all documents relating to a federal award are properly maintained and labeled for accessibility. This system became effective on October 1, 2025.

Conditions 2 and 3b - CNMI CCDF Program agrees with this finding and acknowledges the need to strengthen internal controls to ensure that all expenditures are cleared by the bank before the end of the liquidation period.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-042

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.575/93.596 CCDF Cluster COVID-19 93.575/93.596 CCDF Cluster
Federal Award No.:	1901MPCCDD, 2001MPCCC3, 2001MPCCDD, 2101MPCSC6, 2101MPCDC6, 2101MPCCC5, 2101MPCCDF
Area:	Special Tests and Provisions – Health and Safety Requirements
Questioned Costs:	$-0-

Criteria:

In accordance with 2 CFR 200.303(a), the recipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition:

CNMI did not maintain sufficient documentation to demonstrate that the results of the health and safety inspections for each provider were properly reviewed and approved.

Cause:

CNMI's CCDF Director/Administrator did not provide documented evidence of review and approval of the submitted health and safety inspection reports.

Effect or Potential Effect:

CNMI's current policies and procedures are not adequate to ensure and demonstrate that proper review and approval is consistently performed and documented. No questioned cost identified as this is an internal control deficiency.

Identification as a Repeat Finding: Finding No. 2022-033

Recommendation:

CNMI should implement procedures to ensure that review and approval by the CCDF Director/Administrator of the health and safety requirements inspection reports for each provider is evidenced by a signature or stamp of approval.

Finding No. 2023-042, continued

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.575/93.596 CCDF Cluster COVID-19 93.575/93.596 CCDF Cluster
Federal Award No.:	1901MPCCDD, 2001MPCCC3, 2001MPCCDD, 2101MPCSC6, 2101MPCDC6, 2101MPCCC5, 2101MPCCDF
Area:	Special Tests and Provisions – Health and Safety Requirements
Questioned Costs:	$-0-

Views of Responsible Officials:

CNMI CCDF Program agrees with this finding. Two types of providers were tested, Licensed center-based programs and license-exempt home-based programs.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-043

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.767 Children's Health Insurance Program (CHIP)
Federal Award No.:	7510515, 7520515, 75X0515
Area:	Reporting
Questioned Costs:	$-0-

Criteria:

The Program is required to submit quarterly Federal Financial Reports (SF-425) and quarterly Statement of Expenditures (CMS-64) that are accurately presented, comparable and reconcilable.

In accordance with 2 CFR Section 200.303, non-federal entities receiving federal awards must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition:

For two (or 50%) of four CMS 64 reports tested, CNMI was not able to provide a reconciliation for the differences noted on the amounts per the submitted reports and per underlying accounting records.

Grant Number	Reporting Period	Per CMS 64 Report	Per Underlying Accounting Records	Unreconciled Difference
7510515 & 7520515	09/30/22	$6,713,808	$6,530,848	$182,960
75X0515 & 7520515	06/30/23	$2,825,020	$2,538,864	286,156
				$469,116

Cause:

CNMI lacks monitoring controls to ensure that adjusting entries which support the amounts reported in the CMS-64 are tracked and properly documented.

Effect or Potential Effect:

CNMI has a material weakness on their reporting requirement control. No questioned costs are presented as the noncompliance is non-monetary in nature.

Identification as a Repeat finding: Finding 2022-036

Finding No. 2023-043, continued

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.767 Children's Health Insurance Program (CHIP)
Federal Award No.:	7510515, 7520515, 75X0515
Area:	Reporting
Questioned Costs:	$-0-

Recommendation:

CNMI should strengthen and enforce compliance over the implementation of more stringent monitoring mechanisms to ensure reports are accurately presented and reconciled to the underlying accounting records.

CNMI should establish monitoring controls to ensure that all adjusting entries are properly tracked and documented so that reported amounts in the CMS-64 are corroborated and substantiated.

Views of Responsible Officials:

Commonwealth Medicaid Agency (CMA) respectfully disagrees with the auditor's finding. While the Agency acknowledges that certain supporting documentation was not provided within the timeframe requested during the audit, CMA does not agree that the reported expenditures were unsupported. The Agency experienced resource and staffing constraints that affected its ability to compile and produce all requested documentation within the audit timeline. However, the office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

CMA states disagreement; however, CMA also acknowledges that underlying accounting records supporting the variances were not provided.

Finding No. 2023-044

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.767 Children's Health Insurance Program (CHIP)
Federal Award No.:	7510515 & 7520515
Area:	Special Tests and Provisions - Provider Eligibility
Questioned Costs:	$7,808,322

Criteria:

Providers who have been barred from participation by the U.S. Department of Health and Human Services (HHS) Office of Inspector General (OIG) exclusion list are not eligible to be enrolled in the CHIP program (42 CFR 457.990, 42 CFR 455 Subpart E).

In accordance with 42 CFR 455.436, the State Medicaid agency must do all of the following:

(a) Confirm the identity and determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee of the provider through routine checks of Federal databases.

(b) Check the Social Security Administration's Death Master File, the National Plan and Provider Enumeration System (NPPES), the List of Excluded Individuals/Entities (LEIE), the Excluded Parties List System (EPLS), and any such other databases as the Secretary may prescribe.

(c) Consult appropriate databases to confirm identity upon enrollment and reenrollment; and

(d) Check the LEIE and EPLS no less frequently than monthly.

Condition:

For thirty-nine (or 100%) new and existing service providers, CNMI did not provide documentation that monthly verification was performed to verify that the service providers are not on the OIG exclusion list.

License No.	FY2023 Expenditures and Questioned Costs
1R-056	$4,193,398
101117	654,082
3R-002	491,747
3R-062	365,287
1R-113	329,435
3R-005	257,233
3R-014	254,610
3R-051	237,446
3R-027-1	192,940
3R-030	167,826

Finding No. 2023-044, continued

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.767 Children's Health Insurance Program (CHIP)
Federal Award No.:	7510515 & 7520515
Area:	Special Tests and Provisions - Provider Eligibility
Questioned Costs:	$7,808,322

Condition, Continued:

License No.	FY2023 Expenditures and Questioned Costs
3R-029 & 3R-033 & 3R-034	152,697
3R-008	89,904
3R-011	67,070
3R-020	58,987
3R-040	32,488
3R-024	31,500
3R-031-01 & 3R-031-02	29,972
3R-047-01 & 3R-047-02 & 3R-047-03	25,749
100601	24,749
3R-012	16,414
3R-018	16,343
3R-016	13,870
100600	12,883
3R-049	12,211
3R-054	11,700
103497	10,106
3R-063	8,825
2R-061	7,042
103106	6,193
101084	5,994
101248	5,949
3R-015	5,704
3R-055	4,691
101411	4,572
3R-046	3,913
2R-024	2,357
2R-104	2,342
103296	56
103263	37
	$7,808,322

Finding No. 2023-044, continued

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.767 Children's Health Insurance Program (CHIP)
Federal Award No.:	7510515 & 7520515
Area:	Special Tests and Provisions - Provider Eligibility
Questioned Costs:	$7,808,322

Cause:

CNMI does not have an established policy and procedure for a monthly verification of all contracted providers against the OIG exclusion list.

Effect or Potential Effect:

CNMI is in noncompliance with the applicable Special Tests and Provisions - Provider Eligibility compliance requirements and questioned costs of $7,808,322 result.

Identification of a Repeat Finding: Finding No. 2022-037

Recommendation:

CNMI should strengthen and enforce compliance with the special test and provisions - provider eligibility compliance requirements over the following:

1. Establish policies and procedures that monitor the monthly status of each provider with existing contracts during the year against the OIG exclusion list prior to processing payments for the rendered services.

2. Assign dedicated personnel that would conduct the monthly OIG exclusion list verification of providers after which, the result of the verification are reviewed by the management or the overall in-charge of the program for final approval.

Views of Responsible Officials:

Commonwealth Medicaid Agency (CMA) respectfully disagrees with the auditor's finding. CMA does not believe the finding fully reflects the Agency's efforts to comply with provider screening and exclusion requirements during the audit period. While documentation supporting certain screening activities was not readily available for auditor review, the Agency has historically performed provider eligibility and exclusion reviews as part of its enrollment and oversight processes.

Refer to CNMI's Corrective Action Plan for additional information.

Finding No. 2023-044, continued

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.767 Children’s Health Insurance Program (CHIP)
Federal Award No.:	7510515 & 7520515
Area:	Special Tests and Provisions - Provider Eligibility
Questioned Costs:	$7,808,322

Auditor Response:

Documentation over the verification of service providers from the OIG exclusion list were not provided.

Finding No. 2023-045

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award No.:	2305CQTMAP
Area:	Reporting
Questioned Costs:	$-0-

Criteria:

In accordance with 42 CFR 430.30c Reporting requirements, the State must submit Form CMS-64 (Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program) to the central office (with a copy to the regional office) that are accurately presented, comparable and reconcilable.

Condition:

For four (or 100%) CMS-64 reports tested, CNMI was not able to provide a reconciliation for the differences noted on the amounts per the submitted reports and per underlying accounting records.

Reporting Period	Per CMS 64 Report	Per Underlying Accounting Records	Unreconciled Differences
07/01/22 - 09/30/22	$34,252,654	$33,556,372	$ 696,282
10/01/22 - 12/31/22	$18,947,905	$20,432,492	$(1,484,587)
01/01/23 - 03/31/23	$19,674,221	$19,300,651	$ 373,570
04/01/23 - 06/30/23	$19,604,113	$19,870,228	$(266,115)

Cause:

CNMI did not effectively monitor the accuracy and completeness of the required reports based on underlying accounting records.

Effect or Potential Effect:

CNMI has a material weakness in internal control over its reporting requirements. No questioned costs are presented as the noncompliance is non-monetary in nature.

Identification of a Repeat Finding: Finding No. 2022-039

Recommendation:

Responsible CNMI personnel should regularly monitor reports to verify that amounts reported are supported by underlying accounting records.

Finding No. 2023-045, continued

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award No.:	2305CQTMAP
Area:	Reporting
Questioned Costs:	$-0-

Views of Responsible Officials:

Commonwealth Medicaid Agency (CMA) respectfully disagrees with the auditor's finding. While the Agency acknowledges that certain supporting documentation was not provided within the timeframe requested during the audit, CMA does not agree that the reported expenditures were unsupported. The Agency experienced resource and staffing constraints that affected its ability to compile and produce all requested documentation within the audit timeline. However, the office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

CMA states disagreement; however, CMA also acknowledges that underlying accounting records supporting the variances were not provided.

Finding No. 2023-046

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award No.:	2305CQTMAP
Area:	Special Tests and Provisions - ADP Risk Analysis and System Security Review
Questioned Costs:	Undeterminable

Criteria:

In accordance with 45 CFR section 95.621, State agencies must establish and maintain a program for conducting periodic risk analysis to ensure appropriate, cost-effective safeguards are incorporated into new and existing systems. State agencies must perform risk analysis whenever significant system changes occur. On a biennial basis, State agencies shall review the ADP system security installations involved in the administration of HHS programs. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices. The State agencies shall maintain reports on their biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews.

Condition:

The biennial review of the Program's ADP system security was not performed.

Cause:

CNMI lacked monitoring procedures in place to determine that the biennial review of the Program's ADP system security is being performed.

Effect or Potential Effect:

CNMI is in noncompliance with special tests and provisions requirements for the biennial ADP system security review. No questioned cost is presented as we are unable to quantify the extent of noncompliance.

Identification as a Repeat Finding: Finding No. 2022-040

Recommendation:

Responsible CNMI personnel should enforce policies and procedures over the biennial review of the Program's ADP system security in accordance with applicable special tests and provisions compliance requirements for the ADP system security.

Finding No. 2023-046, continued

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award No.:	2305CQTMAP
Area:	Special Tests and Provisions - ADP Risk Analysis and System Security Review
Questioned Costs:	Undeterminable

Views of Responsible Officials:

Commonwealth Medicaid Agency (CMA) respectfully disagrees with the auditor’s finding. CMA provided documentation supporting its ADP security and risk management activities and does not believe the finding fully reflects the Agency's efforts to comply with applicable requirements. CMA maintains policies and procedures governing ADP security and risk management and has dedicated personnel responsible for conducting and overseeing security assessments.

Refer to CNMI’s Corrective Action Plan for additional information.

Auditor Response:

Documentation of the ADP risk analysis and system security review performed in FY2023 was not provided. The ADP system security risk assessment responses report provided was dated 01/05/26.

Finding No. 2023-047

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award No.:	2305CQTMAP
Area:	Special Tests and Provisions - Provider Eligibility (Screening and Enrollment)
Questioned Costs:	$28,448,121

Criteria:

Providers who have been barred from participation by the U.S. Department of Health and Human Services (HHS) Office of Inspector General (OIG) exclusion list are not eligible to be enrolled in the Medicaid program (42 CFR 455.436).

In accordance with 42 CFR § 455.436 Federal database checks, the State Medicaid agency must do all of the following:

a. Confirm the identity and determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee of the provider through routine checks of Federal databases.

b. Check the Social Security Administration's Death Master File, the National Plan and Provider Enumeration System (NPPES), the List of Excluded Individuals/Entities (LEIE), the Excluded Parties List System (EPLS), and any such other databases as the Secretary may prescribe.

c. Consult appropriate databases to confirm identity upon enrollment and reenrollment; and

d. Check the LEIE and EPLS no less frequently than monthly.

Condition:

For one hundred-eleven (or 100%) new and existing service providers, CNMI did not conduct monthly verification of all service providers with existing contracts during the year against the OIG exclusion list.

As reported at Condition 9 of Finding No. 2023-002, CNMI did not provide a reconciliation for the difference noted between the benefits payment listing and the program's expenditures detail report. As a result, questioned costs are presented for the amount reported in the SEFA amounting to $28,448,121.

Per Benefits Payment Listing	Per Program's Expenditure Detail Report	Variance
$32,275,986	$28,448,121	$3,827,865

Finding No. 2023-047, continued

Federal Agency:	U.S. Department of Health and Human Services
AL Program:	93.778 Medical Assistance Program (Medicaid; Title XIX)
Federal Award No.:	2305CQTMAP
Area:	Special Tests and Provisions - Provider Eligibility (Screening and Enrollment)
Questioned Costs:	$28,448,121

Cause:

CNMI lacks an established policy and procedure to verify providers against the OIG exclusion list.

Effect or Potential Effect:

CNMI is in noncompliance with the applicable special tests and provisions compliance requirements and questioned costs of $28,448,121 result.

Identification as a Repeat Finding: Finding No. 2022-041

Recommendation:

1. CNMI should establish and implement monitoring control procedures to ensure service providers are verified against the HHS OIG exclusion listing, prior to entering into or renewing service provider agreements; and

2. Responsible CNMI personnel should periodically monitor updates in federal regulations affecting the program.

3. CNMI should establish policies and procedures to monitor provider eligibility.

Views of Responsible Officials:

Commonwealth Medicaid Agency (CMA) respectfully disagrees with the auditor's finding. CMA does not believe the finding fully reflects the Agency's efforts to comply with provider screening and exclusion requirements during the audit period. While documentation supporting certain screening activities was not readily available for auditor review, the Agency has historically performed provider eligibility and exclusion reviews as part of its enrollment and oversight processes.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

Documentation over the verification of service providers from the OIG exclusion list were not provided.

Finding No. 2023-048

Federal Agency:	U.S. Department of Homeland Security
AL Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.:	FEMA-4396-DR, FEMA-4404-DR, FEMA-4511-DR
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$305,995

Criteria:

In accordance with 2 CFR Part 200, Subpart E, cost must be necessary and reasonable for the performance of the federal award and be allocable thereto. Further, costs must conform to any limitations or exclusions and be adequately documented.

Condition:

Of thirty-four nonpayroll expenditures tested, aggregating $15,315,821, of a total population of $32,146,059, the following were noted:

1. For one (or 3%), the check payment was not provided.

Purchase Order No.	PV No.	Check no.	FY2023 Expenditure and Questioned Costs
699223	895867	509970	$2,345

2. For one (or 3%), a check was provided; however, the payee did not match the vendor name on the invoice.

Purchase Order No.	PV No.	Check no.	FY2023 Expenditure and Questioned Costs
719681	923777	607956	$291,536

Of six payroll expenditures, aggregating $9,438 of a total population of $5,617,799, the following was noted:

3. For one (or 17%), management did not approve the employee’s timesheet for pay period ended 09/09/23 for employee no. 3283 and the leave form of 2 hours was also not provided, for which the corresponding directly associated costs are also questioned.

Finding No. 2023-048, continued

Federal Agency:	U.S. Department of Homeland Security
AL Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.:	FEMA-4396-DR, FEMA-4404-DR, FEMA-4511-DR
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$305,995

Condition, continued:

Project Number	Effective Date	Employee No.	Gross Pay	Fringe Benefits	Amount and Questioned Costs
2607210034	09/20/23	3283	$1,231	$94	$1,325

4. For three (or 50%), personnel action forms (PAF) and timesheets were not provided for the following pay periods, for which the corresponding directly associated costs are also questioned.

Project Nos.	Effective Dates	Employee Nos.	Pay Periods	Gross Pay	Fringe Benefits	Amounts and Questioned Costs
2001210036	06/14/23	2094	06/03/23	$1,904	$145	$2,049
2001210036	05/31/23	2094	05/20/23	$1,904	$145	2,049
2001210036	08/23/23	2094	08/12/23	$1,904	$145	2,049
					Total:	$6,147

5. For one (or 17%), timesheet was not provided for the related payroll period, for which the corresponding directly associated costs are also questioned.

Project No.	Effective Dates	Employee Nos.	Pay Periods	Gross Pay	Fringe Benefit	Amounts and Questioned Costs
8812210014	12/14/22	3541	12/03/22	$2,495	$191	$2,686

Finding No. 2023-048, continued

Federal Agency:	U.S. Department of Homeland Security
AL Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.:	FEMA-4396-DR, FEMA-4404-DR, FEMA-4511-DR
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$305,995

Condition, continued:

6. For one (or 17%), the payroll labor distribution report was not made available.

Project No.	PA Journal Effective Date	PA Journal Number	PA Journal Reference 1	Amount and Questioned Costs
8812210014	11/16/22	1347	Error	$1,956

Cause:

CNMI did not enforce recordkeeping and monitoring controls over compliance with applicable allowable costs/cost principles compliance requirements.

Effect or Potential Effect:

CNMI is in noncompliance with applicable allowable costs/cost principles compliance requirements and questioned costs of $305,995 result.

Condition	Questioned Costs
1	$ 2,345
2	291,536
3	1,325
4	6,147
5	2,686
6	1,956
	$305,995

Identification as a Repeat Finding: This is not a repeat finding.

Finding No. 2023-048, continued

Federal Agency:	U.S. Department of Homeland Security
AL Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.:	FEMA-4396-DR, FEMA-4404-DR, FEMA-4511-DR
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$305,995

Recommendation:

Responsible personnel should establish a recordkeeping system in which underlying support for each transaction is filed accordingly for easy retrieval to substantiate costs.

Views of Responsible Officials:

Condition 1 - CNMI Public Assistance Office (PAO) partially agrees with the finding and disagrees with the questioned costs. PAO acknowledges that improvements are needed to strengthen recordkeeping and document retrieval procedures to ensure supporting documentation is readily available during audits and monitoring reviews. However, PAO believes several questioned costs resulted from documentation submission and retrieval issues rather than actual unallowable expenditures.

Condition 2 - PAO disagrees with this finding and questioned costs. The payment was made to the correct vendor. The vendor operates under multiple DBA names associated with the same parent company. During the Government's transition from JD Edwards (JDE) to Munis, vendor information was not consistently standardized, resulting in a discrepancy between the vendor’s name appearing on the invoice and the payee reflected on the check. The payment was nevertheless made to the intended vendor and the expenditure was incurred for an allowable public assistance purpose.

Condition 3 - PAO agrees with this finding. PAO acknowledges the importance of maintaining documentation demonstrating supervisory review and approval of personnel costs charged to federal awards. Although the timesheet was maintained, documentation evidencing management approval was not available for audit review.

Condition 4 - PAO agrees with the finding. PAO acknowledges the need to maintain complete personnel documentation supporting payroll expenditures charged to federal awards. Required supporting records were not available during the audit process.

Finding No. 2023-048, continued

Federal Agency:	U.S. Department of Homeland Security
AL Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.:	FEMA-4396-DR, FEMA-4404-DR, FEMA-4511-DR
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$305,995

Views of Responsible Officials, continued:

Condition 5 - PAO disagrees with this finding and questioned costs. The applicable timesheet supporting the sampled payroll transaction exists and remains in PAO custody. During the audit process, a timesheet from an incorrect pay period was inadvertently provided in response to the sample request. Therefore, PAO believes sufficient supporting documentation exists for the payroll charge and does not believe the questioned costs represents an unsupported expenditure.

Condition 6 - PAO agrees with the finding that documentation was unavailable but partially disagrees with the questioned costs. The inability to produce the payroll labor distribution report resulted from issues associated with the Department of Finance's migration to the Munis financial system. The journal entry was released despite the labor distribution details not being readily distinguishable within the system.

PAO notes that labor distribution reporting and payroll system administration are functions performed by the Department of Finance rather than PAO. While PAO agrees that supporting documentation was unavailable for audit review, PAO does not believe the condition necessarily indicates that the underlying payroll costs were unallowable.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

Condition 1 - CNMI states partial agreement with the finding and disagrees with the questioned costs; however, CNMI also acknowledges that documentation supporting program costs were not provided. Finding and questioned costs are retained as costs at the time of the audit were not supported by adequate documentation.

Condition 2 - CNMI states disagreement. While CNMI asserts that the payment was made to the correct vendor, the payee on the check did not match the registered DBA, which is essential to ensure accurate payment processing for the particular invoice in question.

Finding No. 2023-048, continued

Federal Agency:	U.S. Department of Homeland Security
AL Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.:	FEMA-4396-DR, FEMA-4404-DR, FEMA-4511-DR
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$305,995

Auditor Response, continued:

Condition 5 - CNMI states disagreement. It was pronounced on the onset of our audit engagement that CNMI/program offices are responsible in verifying completeness of all submitted documents and that missing documents will be written up as a finding.

Condition 6 - CNMI states partial disagreement with the questioned costs; however, CNMI also acknowledges that documentation supporting program costs were not provided. Questioned costs are retained as costs at the time of the audit were not supported by adequate documentation.

Finding No. 2023-049

Federal Agency:	U.S. Department of Homeland Security
AL Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.:	B-4235DRMPP1SMR500, B-4396DRMPP1SMR500, B4404DRMPP1SMR500, B-4511DRMPP1SMR500
Area:	Reporting
Questioned Costs:	$-0-

Criteria:

In accordance with 2 CFR Part 170 and the Federal Funding Accountability and Transparency Act (FFATA), recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of $30,000 or more to the FFATA Subaward Reporting System (SRS). For subaward information, recipients are required to report no later than the end of the month following the month the subaward was obligated.

Condition:

For all four (or 100%) disasters (4235, 4396, 4404 and 4511), CNMI did not report the subaward information to the FFATA SRS in fiscal year 2023.

Cause:

CNMI did not effectively monitor compliance with applicable reporting requirements.

Effect or Potential Effect:

CNMI is in noncompliance with applicable reporting requirements. No questioned costs are presented as the noncompliance is non-monetary in nature.

Identification as a Repeat Finding: Finding No. 2022-043

Recommendation:

CNMI should establish and implement suitably designed internal control processes to prevent or detect material noncompliance over reporting compliance requirements, which should include review, approval and monitoring internal control procedures. In addition, CNMI should establish policies and procedures to verify that the required FFATA reports are prepared and submitted to the SRS.

Finding No. 2023-049, continued

Federal Agency:	U.S. Department of Homeland Security
AL Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.:	B-4235DRMPP1SMR500, B-4396DRMPP1SMR500, B4404DRMPP1SMR500, B-4511DRMPP1SMR500
Area:	Reporting
Questioned Costs:	$-0-

Views of Responsible Officials:

CNMI Public Assistance Office (PAO) agrees with the auditor’s finding and conclusion. PAO acknowledges that required FFATA first-tier subaward reports were not submitted to the FFATA Subaward Reporting System (SAM.gov) for FEMA Public Assistance disasters DR-4235-MP, DR-4396-MP, DR-4404-MP, and DR-4511-MP during Fiscal Year 2023.

Refer to CNMI’s Corrective Action Plan for additional information.

Finding No. 2023-050

Federal Agency:	U.S. Department of the Homeland Security
AL Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.:	FEMA-4396-DR; FEMA-4235-DR; FEMA-4404-DR; FEMA-4511-DR
Area:	Subrecipient Monitoring
Questioned Costs:	$7,350,898

Criteria:

In accordance with 2 CFR 200.332, a pass-through entity (PTE) must do the following:

1. Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward. When evaluating subrecipient's risk, a PTE should consider the following:

   (1) The subrecipient's prior experience with the same or similar subawards;

   (2) The results of previous audits. This includes considering whether or not the subrecipient receives a Single Audit in accordance with subpart F and the extent to which the same or similar subawards have been audited as a major program;

   (3) Whether the subrecipient has new personnel or new or substantially changed systems; and

   (4) The extent and results of any Federal agency monitoring (for example, if the subrecipient also receives Federal awards directly from the Federal agency).

2. Monitor the activities of a subrecipient as necessary to ensure that the subrecipient complies with Federal statutes, regulations, and the terms and conditions of the subaward. The PTE is responsible for monitoring the overall performance of a subrecipient to ensure that the goals and objectives of the subaward are achieved. In monitoring a subrecipient, a PTE must review financial and performance reports.

3. Verify that a subrecipient is audited as required by Subpart F when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501.

Condition:

1. For five (or 100%) new subawards tested, aggregating $2,415,252, of a total population of $2,415,252, documentation was not provided to indicate that subrecipient risk assessments were performed to determine the appropriate level of subrecipient monitoring required for the subrecipient.

Finding No. 2023-050, continued

Federal Agency:	U.S. Department of the Homeland Security
AL Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.:	FEMA-4396-DR; FEMA-4235-DR; FEMA-4404-DR; FEMA-4511-DR
Area:	Subrecipient Monitoring
Questioned Costs:	$7,350,898

Condition, continued:

Further, CNMI did not provide a subaward agreement to the subrecipient to identify the subaward as a new award and other applicable requirements, so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the award and any additional requirements imposed by CNMI to meet its own responsibility for the federal award. No questioned costs are presented as the amounts are questioned at Condition 2a.

Project Strings	Project Worksheet Nos.	FY 2023 Expenditures
FG88120009	217	$ 11,327
8812210015	26	1,356,756
8812210015	28	294,655
8812210015	31	167,277
8812210015	32	585,237
	Total	$2,415,252

2. Of eight subrecipients tested, aggregating $7,350,898, of a total population of $7,435,319, the following were noted:

   a. For eight (or 100%), CNMI did not provide evidence of its review of financial and programmatic reports.

Subrecipients	Project Strings	FY 2023 Expenditures and Questioned Costs
1	8809210015	$ 18,055
2	8812210011	704,241
	8812210003	31,597
	FG88120006	48,906
	FG88120013	64,538

Finding No. 2023-050, continued

Federal Agency:	U.S. Department of the Homeland Security
AL Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.:	FEMA-4396-DR; FEMA-4235-DR; FEMA-4404-DR; FEMA-4511-DR
Area:	Subrecipient Monitoring
Questioned Costs:	$7,350,898

Condition, continued:

Subrecipients	Project Strings	FY 2023 Expenditures and Questioned Costs
3	8812210015	4,029,793
	FG88120004	25,553
4	FG88120011	365,295
5	8812210009	44,850
6	8812210008	22,944
7	FG88120009	1,966,241
	FG88120002	11,475
8	FG88120043	17,410
		$7,350,898

b. For two (or 25%), CNMI did not perform appropriate review and/or follow up of the subrecipients' audited financial statements for fiscal year 2023, dated May 7, 2025 for subrecipient identified at No. 1 and October 7, 2025 for subrecipient identified at No. 2. The Schedule of Expenditures of Federal Awards (SEFA) for subrecipient No. 1 failed to include the funding it received from the CNMI. The amount passed-through to subrecipient identified at No. 2 from the CNMI did not match the amount reported in the SEFA by $103K. No questioned costs are presented as the amounts are questioned at Condition 2a.

Subrecipients	Project Strings	Total FY 2023 Expenditures
1	FG88120043	$ 17,410
2	8812210011	704,241
	8812210003	31,597
	FG88120006	48,906
	FG88120013	64,538
		$866,692

Finding No. 2023-050, continued

Federal Agency:	U.S. Department of the Homeland Security
AL Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.:	FEMA-4396-DR; FEMA-4235-DR; FEMA-4404-DR; FEMA-4511-DR
Area:	Subrecipient Monitoring
Questioned Costs:	$7,350,898

Condition, continued:

c. For three (or 38%), CNMI did not provide evidence of procedures used to determine that subrecipients expending $750,000 or more in Federal awards have met the audit requirement of 2 CFR part 200, subpart F and that the required audits are completed within nine months of the end of the subrecipient's audit period. In addition, we are aware that Single Audit Reports are due for the Commonwealth Healthcare Corporation; however, the audit is still ongoing. No questioned costs are presented as the amounts are questioned at Condition 2a.

Subrecipients	Project Strings	Total FY 2023 Expenditures
1	8812210011	$ 704,241
	8812210003	31,597
	FG88120006	48,906
	FG88120013	64,538
2	8812210015	4,029,793
	FG88120004	25,553
3	FG88120009	1,966,241
	FG88120002	11,475
		$6,882,344

Cause:

CNMI lacks adequate procedures and internal controls to properly monitor subrecipient monitoring compliance requirements.

Effect or Potential Effect:

CNMI is in noncompliance with applicable subrecipient monitoring compliance requirements and questioned costs of $7,350,898 result for Condition 2a.

Finding No. 2023-050, continued

Federal Agency:	U.S. Department of the Homeland Security
AL Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award No.:	FEMA-4396-DR; FEMA-4235-DR; FEMA-4404-DR; FEMA-4511-DR
Area:	Subrecipient Monitoring
Questioned Costs:	$7,350,898

Identification as a repeat finding: Finding No. 2022-044

Recommendation:

CNMI should apply effective internal controls and procedures over subrecipient monitoring and consider developing a tracking system to monitor compliance with applicable subrecipient monitoring requirements.

Views of Responsible Officials:

Conditions 1 and 2 - CNMI Public Assistance Office (PAO) acknowledges and agrees with the compliance deficiencies identified regarding subrecipient monitoring and documentation requirements under 2 CFR §200.332 and has developed corrective actions to address these weaknesses. However, PAO respectfully disagrees with the questioned costs determination. The finding relates to deficiencies in monitoring procedures and documentation rather than the allowability, eligibility, or support for the underlying expenditures. The expenditures identified were associated with FEMA-approved projects and no specific costs were identified as unallowable, unsupported, outside the approved scope of work, or otherwise ineligible for federal participation.

While PAO recognizes that monitoring documentation was insufficient to demonstrate compliance with subrecipient monitoring requirements, PAO believes the appropriate classification is a compliance finding without questioned costs. Accordingly, PAO respectfully requests consideration that questioned costs associated with this finding be reduced to $-0-.

Refer to CNMI's Corrective Action Plan for additional information.

Auditor Response:

Conditions 1 and 2 - CNMI states disagreement with the questioned costs; however, CNMI also acknowledges that documentation supporting subrecipient monitoring compliance requirements were not provided. Questioned costs are retained as costs at the time of the audit were not supported by adequate documentation.

Commonwealth of the Northern Mariana Islands
Department of Finance
Office of the Secretary

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Unresolved Prior Year Questioned Costs

Year Ended September 30, 2023

Questioned costs as previously reported:	
Fiscal year 2022	$ 163,084,625
Fiscal year 2021	50,203,077
Fiscal year 2020	44,178,874
	257,466,576
Less questioned costs resolved in fiscal year 2023:	
Questioned costs of fiscal year 2020 Single Audit (a)	(4,455,535)
	253,011,041
Questioned costs of fiscal year 2023 Single Audit	96,946,400
Unresolved questioned costs at September 30, 2023	$ 349,957,441

(a) 2 CFR § 200.511 (b)(3) - questioned costs are treated as resolved as the CNMI considers these findings are no longer valid or do not warrant further action as 1) Two years have passed since the audit report in which the finding occurred was submitted to the FAC; 2) The Federal agency or pass-through entity is not currently following up with the CNMI on the audit finding; and 3) A management decision was not issued.

Finding No.: 2023-001
AL Program: N/A
Area: General Ledger and Financial Statement Close Process
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

Condition 1-4:
The CNMI Department of Finance agrees with this finding. These challenges stem from factors such as staff turnover and the transition from a legacy financial system to the newly implemented Tyler Munis platform. The Tyler Munis system includes a dedicated Year-End Closing module equipped with a checklist designed to support timely reconciliations and ensure that all transactions are recorded in the appropriate accounting period. The Department has continued to utilize this module and anticipates measurable improvements in financial reporting accuracy and compliance going forward.

Proposed Completion Date: Ongoing

Condition 5:
The CNMI Department of Finance agrees with this finding. System budget control mechanisms were activated in January 2023 to ensure financial activity is recorded in the proper accounting period and to prompt personnel to conduct periodic monitoring. These controls strengthen compliance and help prevent similar issues from occurring in future reporting cycles.

Proposed Completion Date: Completed

Finding No.: 2023-002
AL Program: N/A
Area: Schedule of Expenditures of Federal Awards
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

Condition 1-9:
The CNMI Department of Finance agrees with this finding. During the preparation of the FY 2023 SEFA, we identified inconsistencies within our financial records and determined that existing account settings did not provide the level of detail necessary to efficiently compile an accurate and complete report.

Beginning in October 2023, the Department implemented incremental improvements to our account structure and standardized our internal processes to strengthen SEFA preparation. These enhancements include clearer identification of subrecipients, proper classification of COVID-19 expenditures, accurate assignment of grant clusters, and consistent ALN tagging.

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Finding No.: 2023-002, continued
AL Program: N/A
Area: Schedule of Expenditures of Federal Awards
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

We anticipate that these corrective actions will be fully reflected in subsequent SEFA reports and will improve the accuracy, completeness, and reliability of our federal reporting going forward.

Proposed Completion Date: Ongoing

Finding No.: 2023-003
AL Program: N/A
Area: Cash and Cash Equivalents
Contact Person(s): Bernadita C. Palacios, Financial Services Director / Connie Agulto, Treasurer
Corrective Action Plan:

Condition 1-6:
The CNMI Department of Finance agrees with this finding. To address the issue, the Department has established a dedicated team responsible for monitoring bank reconciliation progress and providing ongoing oversight. This collaborative team includes representatives from the Secretary of Finance's Office, Financial Services – Bank Reconciliation Section, and Treasury.

In addition, the Department has engaged external consultants to support the reconciliation of all cash accounts, supplementing the reconciliation of checking accounts performed by CNMI personnel. This combined effort strengthens internal controls, enhances accuracy, and supports timely completion of bank reconciliations going forward.

Proposed Completion Date: Ongoing

Finding No.: 2023-004
AL Program: N/A
Area: CNMI Workers' Compensation Commission
Contact Person(s): Remedio Mafnas, Secretary of Commerce, Department of Commerce
Corrective Action Plan:

The CNMI agrees with this finding. For context, on November 9, 2012, P.L. 17-88 transferred the administrative functions of the CNMI Workers' Compensation Commission (WCC) from the Northern Mariana Islands Retirement Fund to the Department of Commerce, with the transition taking effect on September 30, 2013. To the best of our knowledge, all WCC financial records, including bank information, were transmitted from the defunct NMIRF to the Office of the

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Finding No.: 2023-004, continued
AL Program: N/A
Area: CNMI Workers' Compensation Commission
Contact Person(s): Remedio Mafnas, Secretary of Commerce, Department of Commerce
Corrective Action Plan:

Secretary on or around September 30, 2013, with copies also provided to the Secretary of Commerce.

WCC accounts have been established by the Department of Finance in JD Edwards and subsequently in the MUNIS system under account number 6078. All revenue collections are deposited at the CNMI Treasury under charge code CD086.

The Secretary of Commerce and the WCC Director will continue working to obtain all remaining information from the Investment Money Manager and the Bank of Hawaii investment department to ensure complete and accurate financial records.

Proposed Completion Date: September 30, 2026

Finding No.: 2023-005
AL Program: N/A
Area: Net Pension Liability
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

The CNMI Department of Finance agrees with this finding. We agree that these payments have been made consistently and meet the criteria for recognition as a substantially automatic benefit under GASB 73.

To address this issue, CNMI will take the following actions:

- Require agency on subsequent actuarial valuations to include the 25% class member benefit payments in accordance with GASB 73 requirements.
- When available, prepare the necessary prior period adjustment to properly reflect the cumulative impact of the unrecorded liability.
- Updated internal procedures to require verification that all actuarial valuations include GASB 67, 68, and 73 components before acceptance.
- Scheduled training for accounting staff to strengthen understanding of pension accounting standards and substantially automatic benefit recognition.

Management is committed to ensuring accurate financial reporting and full compliance with applicable GASB standards. We anticipate completing all corrective actions within the next reporting cycle and will monitor progress through periodic internal reviews.

Finding No.: 2023-005, continued
AL Program: N/A
Area: Net Pension Liability
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

Proposed Completion Date: Ongoing

Finding No.: 2023-006
AL Program: N/A
Area: External Financial Reporting
Contact Person(s): Single Audit Committee (Dora Deleon Guerrero, Temporary Public Auditor)
Corrective Action Plan:

The Single Audit Committee agrees with this finding. The Committee has implemented enhanced oversight measures to closely monitor the audit progress of the identified component units. This includes issuing a clear communication on deadlines and following through with established dates, meeting with management and board, and requesting status updates from the auditors. The Committee is committed to ensuring that these entities submit their audited financial statements promptly and in accordance with established deadlines.

Proposed Completion Date: Ongoing

Finding No.: 2023-007
AL Program: N/A
Area: Capital Assets
Contact Person(s): Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

The Procurement Services (PS) Division agrees with the finding. PS acknowledges that additions, deletions, and depreciation related to capital assets were not fully recorded and reconciled during the fiscal year. This condition is primarily attributable to limitations in the configuration and utilization of the Munis Capital Asset Module, which has not yet been fully integrated to support the accurate recording, tracking, and reporting of capital asset activity.

To address this finding, management is also working with Munis technical support and trainers to complete the configuration of the Capital Asset Module. The goal is to ensure that purchasing, receiving, asset management, and depreciation functions are fully integrated and capable of generating accurate capital asset reports that reconcile with the General Ledger. Staff and trainers continue to work through system functionality and reporting processes to ensure the module operates as intended.

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Finding No.: 2023-007, continued
AL Program: N/A
Area: Capital Assets
Contact Person(s): Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

Additionally, the Property Management Branch has developed draft policies and procedures governing capital asset management, including asset acquisition, tagging, transfers, surveys, disposals, physical inventories, and record maintenance. Once finalized and implemented, these procedures will strengthen internal controls and help ensure that capital asset activity is properly documented, tracked, and reported.

The Property Management Branch continues to conduct asset reconciliation efforts, enter surveyed and retired assets into the Munis system, and review asset records to improve the completeness and accuracy of the capital asset inventory.

These corrective actions are intended to strengthen internal controls over capital assets, improve compliance with GASB reporting requirements, ensure accurate recording of additions, deletions, and depreciation, and reduce the likelihood of similar findings in the future.

Proposed Completion Date: Ongoing

Finding No.: 2023-008
AL Program: N/A
Area: CNMI Local Noncompliance
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

The CNMI Department of Finance agrees with this finding. As part of our ongoing fiscal oversight, the Department currently submits quarterly revenue and expenditure reports to the legislature. In preparing these reports, we conduct comprehensive reviews to assess trends and variances between actual financial activity and the provisions outlined in the budget law.

In addition, with the implementation of our new financial management system, we have activated budget control features that restrict departments and agencies from exceeding their authorized appropriations. These measures reinforce fiscal discipline and ensure continued compliance with statutory budgetary requirements.

Proposed Completion Date: Ongoing

Finding No.: 2023-009
AL Program: N/A
Area: Due to Component Units
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

The CNMI Department of Finance agrees with this finding which resulted from several challenges, including staff turnover and the implementation of the new financial management system. The Department will perform reconciliations as part of the Month-End Manager process in Tyler Munis and the Year-End Closing Checklist. This will ensure that transactions are recorded in the appropriate accounting period and that balances due to component units are reconciled in a timely manner.

In addition, as part of our ongoing commitment to reconciliation with component units, we are actively engaged in discussion with several units to establish mutually agreed-upon final balances. These will serve as our reference point moving forward.

Proposed Completion Date: Ongoing

Finding No.: 2023-010
AL Program: 10.539 – Nutrition Assistance Program
Area: Procurement and Suspension and Debarment
Questioned Costs: $684,138
Contact Person(s): Margaret Aldan, NAP Administrator / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

Condition 1:
The Procurement Services Division respectfully disagrees with this finding. Procurement Services agrees that the Commonwealth should periodically review its procurement regulations to ensure continued consistency with applicable federal requirements. However, Procurement Services notes that the Procurement Regulations currently establish procurement thresholds and procedures for locally funded procurements and procurements funded through a combination of local and federal funds. Procurements exceeding applicable small purchase thresholds are required to proceed through other procurement methods authorized under the Procurement Regulations, including competitive sealed bidding or other approved procurement methods, as applicable.

Procurement Services further notes that procurements exceeding the applicable small purchase thresholds are governed by other provisions of the Procurement Regulations and are therefore not without regulatory direction. Accordingly, Procurement Services does not fully concur that the regulations are inconsistent as described in the finding.

Finding No.: 2023-010, continued
AL Program: 10.539 – Nutrition Assistance Program
Area: Procurement and Suspension and Debarment
Questioned Costs: $684,138
Contact Person(s): Margaret Aldan, NAP Administrator / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

Nevertheless, Procurement Services recognizes the importance of ensuring that procurement regulations clearly align with applicable federal requirements and are sufficiently clear to avoid differing interpretations. Procurement Services is currently reviewing the applicable regulations, policies, and procedures with legal counsel to determine whether revisions, clarifications, or additional guidance are warranted. Due to the resignation of the Assistant Attorney General previously assigned to Procurement Services, this review will continue with newly assigned legal counsel.

Any amendments to the Procurement Regulations will require legal review, drafting, public notice, and formal adoption before they can take effect. Procurement Services will also continue monitoring updates to federal procurement requirements and will incorporate any necessary changes into its policies, procedures, and guidance.

These efforts will help improve clarity, consistency, and compliance with applicable procurement requirements.

Proposed Completion Date: Ongoing

Condition 2:
CNMI NAP agrees with this finding. The issue occurred because the previous policies and procedures did not fully document the three allowable verification methods under 2 CFR 180.300 for covered transactions ≥ $25,000.

As a result of repeat findings, CNMI NAP developed and implemented the updated “SOP for Procurement of Goods and Servicesv.3”, which explicitly requires verification of vendors in the SAM.gov exclusions list prior to award (Section 4.1 and 4.3) and after contract execution, in full compliance with 2 CFR 200.214 and 2 CFR 180.300. This SOP was approved and effective 5/1/25 and is available for review upon request.

Additional step taken by CNMI NAP is to continue adhering to the “CNMI NAP Suspension and Debarment SOP” that requires a screen-print documentation and annual reviews. This SOP was approved on 9/24/24 and is available for review upon request.

Finding No.: 2023-010, continued
AL Program: 10.539 – Nutrition Assistance Program
Area: Procurement and Suspension and Debarment
Questioned Costs: $684,138
Contact Person(s): Margaret Aldan, NAP Administrator / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

To prevent recurrence, CNMI NAP will deliver targeted training to all procurement, finance, and program staff on the updated SOPs, continue quarterly internal reviews of procurement files using new Google Sheet tracking system to verify ongoing SAM.gov compliance. Full staff training and first quarterly review will be completed by 9/30/26.

Additionally, Procurement Services agrees that vendor eligibility was not verified in accordance with 2 CFR Part 180 prior to the covered transactions identified by the auditors.

To address this issue, Procurement Services has incorporated suspension and debarment verification into its procurement review process. For federally funded covered transactions, expenditure authorities will be required to provide documentation from the System for Award

Management (SAM.gov) verifying that the vendor is not suspended or debarred. This documentation must be submitted with the procurement package and retained in the procurement file prior to award.

Procurement Services will review the documentation as part of its procurement review process and will provide additional guidance to procurement personnel and expenditure authorities regarding federal suspension and debarment requirements.

These measures are intended to improve compliance with federal requirements and strengthen procurement documentation and oversight.

Proposed Completion Date: Completed

Finding No.: 2023-011
AL Programs: COVID-19 10.542 – Pandemic EBT Food Benefits (P-EBT)
Area: Eligibility
Questioned Costs: $16,635
Contact Person(s): Margaret Aldan, NAP Administrator
Corrective Action Plan:

Condition 1-2:
The CNMI NAP agrees with the auditor's finding and conclusions. The issues occurred because CNMI NAP lacked effective monitoring controls and systematic filing procedures over eligibility

Finding No.: 2023-011, continued
AL Programs: COVID-19 10.542 – Pandemic EBT Food Benefits (P-EBT)
Area: Eligibility
Questioned Costs: $16,635
Contact Person(s): Margaret Aldan, NAP Administrator
Corrective Action Plan:

determinations, attendance data verification, documentation retention, and reconciliation of data received from the Public School System.

To prevent recurrence, the CNMI NAP will perform the following:

- Develop and implement written standard operating procedures for eligibility verification, attendance data review, benefit computation, and documentation retention.
- Create and implement a centralized electronic filing system for all eligibility supporting documents.
- Establish monthly reconciliation procedures between PSS data and NAP eligibility records.
- Conduct quarterly internal case file reviews (minimum 10% sample) to ensure completeness and accuracy.
- Provide refresher training to all NAP eligibility and fiscal staff on the new procedures.

Proposed Completion Date: September 30, 2026

Finding No.: 2023-012
AL Programs: COVID-19 10.542 – Pandemic EBT Food Benefits (P-EBT)
Area: Reporting
Questioned Costs: $-0-
Contact Person(s): Margaret Aldan, NAP Administrator
Corrective Action Plan:

The CNMI NAP agrees with the auditor's finding and conclusions. The issue occurred because of competing priorities in our partner agencies and delays in the overall process for preparing and submitting the quarterly Federal Financial Reports (SF-425). This has been a recurring finding in prior years, including the FY23 Financial Management Review.

To prevent recurrence, the CNMI NAP will perform the following:

- Establish a formal internal checklist and timeline for NAP's portion of the SF-425 preparation process.
- Implement a centralized electronic filing system for all reporting supporting documentation.
- Assign a designated NAP staff member to track submission status and perform a final quality review prior to each quarterly submission.

Finding No.: 2023-012, continued
AL Programs: COVID-19 10.542 – Pandemic EBT Food Benefits (P-EBT)
Area: Reporting
Questioned Costs: $-0-
Contact Person(s): Margaret Aldan, NAP Administrator
Corrective Action Plan:

- Schedule regular coordination meetings with all involved departments to improve data-sharing timelines and accountability.
- Conduct annual training for relevant NAP fiscal staff on federal reporting requirements and internal escalation procedures.

Proposed Completion Date: September 30, 2026

Finding No.: 2023-013
AL Programs: 11.307 – Economic Adjustment Assistance
Area: Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs: $3,695,208
Contact Person(s): Elizabeth S. Balajadia, Office of Planning and Development Acting Director / James Kintol, Project Manager, Department of Finance
Corrective Action Plan:

Condition 1:
The CNMI Department of Finance respectfully disagrees with this finding related to project number FG17010001 (Economic Resiliency Center). The Department acknowledges that although supporting documentation – such as journal entries, approvals of expense transfers, sole-source justification memo, and grantor approval - was submitted, copies of the related invoices and/or contract agreement were not included. This omission was an oversight and resulted in a documentation-timing deficiency.

The Department maintains copies of all required documents, and they are available for review upon request. To prevent recurrence, the department will reinforce our internal review procedures to ensure that all required supporting documentation is consistently compiled, retained within the Tyler MUNIS system, and submitted as part of future audit requests.

Proposed Completion Date: Ongoing

Condition 2:
The CNMI Department of Finance respectfully disagrees with this finding related to PA Journals 478, 360, 2137, and 335. These transactions pertain to the Department's Economic Resiliency Center (ERC) project. Due to internal scheduling constraints and the compressed 2-day turnaround to provide supporting documentation to the auditors, the requested documents were not submitted by the specified deadline. This timing issue resulted in the finding; however, it does not reflect a

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Finding No.:	2023-013, continued
AL Programs:	11.307 – Economic Adjustment Assistance
Area:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs:	$3,695,208
Contact Person(s):	Elizabeth S. Balajadia, Office of Planning and Development Acting Director / James Kintol, Project Manager, Department of Finance

Corrective Action Plan:

lack of documentation or inadequate recordkeeping. The Department maintains all relevant supporting documentation for these transactions and such documentation is available for review upon request from the Grantor.

The Office of Planning and Development (OPD) partially agrees with the finding. OPD reviewed the questioned transactions and supporting documentation available under its custody. Payment documentation has been identified for PA Journals 186, 142, 141, 2670, 270, 4200, 556, 4180, and 913 and is maintained by OPD for review.

For PA Journals 191 and 144, OPD verified that the invoice amounts are consistent with Contract No. 32200454; however, the PA Journal effective dates and journal numbers provided in the audit schedule do not correspond with the records reflected in the Munis system.

For PA Journals 1585, 1862, 2219, 1138, 197, 593, and 219, additional information is required to complete verification because the PA Journal effective dates and journal numbers differ from the Munis records available to OPD. The referenced invoice amounts alone are insufficient to identify the transactions, as they may represent portions of cost shared expenditures or partial payments associated with larger transactions. Identification of the vendor would significantly assist in locating and reconciling the transactions.

OPD further notes that the compilation of requested documentation occurred under significant time constraints. During the audit process, agencies were at one point provided approximately two business days to submit requested samples and supporting documentation. Given the volume of transactions and the age of some records, the limited response timeframe may have affected the ability to fully research, reconcile, and compile all supporting documentation prior to submission. Additional time for both agency response and auditor review may have facilitated a more comprehensive reconciliation and verification of the questioned items.

OPD will continue coordinating with the Department of Finance and the auditors to reconcile discrepancies between the audit schedules and Munis records, provide available supporting documentation, and strengthen record-retention and transaction-tracking procedures to ensure supporting documentation is readily identifiable and accessible for future audits.

Proposed Completion Date: Ongoing

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Finding No.: 2023-014
AL Programs: 11.307 – Economic Adjustment Assistance
Area: Reporting
Questioned Costs: $-0-
Contact Person(s): Elizabeth S. Balajadia, Office of Planning and Development Acting Director / James Kintol, Project Manager, Department of Finance
Corrective Action Plan:

Condition 1:
For project no. FG17010001 (related to the Economic Resiliency Center), the CNMI Department of Finance respectfully disagrees with this finding. The Department was not aware that a documentation request had been submitted through the EY portal. This occurred because the ERC project was grouped with other OPD-related projects within the same EY portal request, resulting in the Department not receiving clear notification that additional documents were required. The Department maintains all relevant supporting documentation for these transactions and such documentation is available for review upon request from the Grantor.

The Office of Planning and Development partially disagrees with the finding related to Project No. FG26050001 and FG26050006. OPD has located the SF-425 Federal Financial Report for Project No. FG26050001 / Grant Award No. 07-79-07631 for the reporting period ending September 30, 2022, and the report is maintained by OPD and available for review.

With respect to Project No. FG26050006 / Grant Award No. ED22SEA3070013, OPD has been unable to locate the referenced SF-425 reports for the reporting periods ending September 30, 2022, and March 31, 2023. However, although the grant was awarded in 2022, the project was not established until June 12, 2023, and grant activities had not commenced during the reporting periods cited in the finding. OPD will coordinate with the Department of Finance to determine whether reporting requirements applied during the referenced periods. Should additional guidance or clarification indicate that such reporting requirements were applicable, OPD will review the information provided and take appropriate action, as necessary. Correspondence from the Department of Finance confirming the project establishment date is available for review.

OPD will continue coordinating with the Department of Finance and reviewing grant award documentation to determine whether reporting requirements applied during the referenced reporting periods and to identify any records relevant to the audit finding. No further corrective action is proposed at this time pending clarification of the applicable reporting requirements.

Proposed Completion Date: Ongoing

Condition 2a:
For project no. FG17010001 (related to the Economic Resiliency Center), the Department of Finance respectfully disagrees with this finding. The Department was not aware that a documentation request had been submitted through the EY portal. This occurred because the ERC

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Finding No.: 2023-014, continued
AL Programs: 11.307 – Economic Adjustment Assistance
Area: Reporting
Questioned Costs: $-0-
Contact Person(s): Elizabeth S. Balajadia, Office of Planning and Development Acting Director / James Kintol, Project Manager, Department of Finance
Corrective Action Plan:

project was grouped with other OPD-related projects within the same EY portal request, resulting in the Department not receiving clear notification that additional documents were required. The Department maintains all relevant supporting documentation for these transactions and such documentation is available for review upon request from the Grantor.

The Office of Planning and Development (OPD) respectfully disagrees with the finding related to Project No. 2605210018. OPD has located the SF-271 Outlay Reports and Requests for Reimbursement for Construction Program for Project No. 2605210018 / Grant Award No. 07-79-07562 covering the periods July 1, 2022, through October 31, 2022, and November 1, 2022, through January 9, 2023. These records are maintained by OPD and are available for review. No further corrective action is proposed. OPD has located the requested SF-271 reports and confirmed that they are maintained within its grant records and available for review. OPD will continue maintaining grant records in accordance with applicable record-retention requirements.

Proposed Completion Date: Ongoing

Condition 2b:
The Office of Planning and Development (OPD) respectfully disagrees with the finding. OPD has located supporting accounting records associated with the SF-271 for Project No. 2605210018 / Grant Award No. 07-79-07562 covering the period August 29, 2022, through April 30, 2023, including invoices, purchase orders, and check copies. These records are maintained by OPD and are available for review. No further corrective action is proposed. The requested supporting records have been located and are maintained by OPD for review. OPD will continue maintaining supporting financial documentation in accordance with applicable record-retention requirements.

Proposed Completion Date: Ongoing

Condition 3a:
For project no. FG17010001 (related to the Economic Resiliency Center), the Department of Finance respectfully disagrees with this finding. The Department was not aware that a documentation request had been submitted through the EY portal. This occurred because the ERC project was grouped with other OPD-related projects within the same EY portal request, resulting in the Department not receiving clear notification that additional documents were required. The Department maintains all relevant supporting documentation for these transactions and such documentation is available for review upon request from the Grantor.

Finding No.: 2023-014, continued
AL Programs: 11.307 – Economic Adjustment Assistance
Area: Reporting
Questioned Costs: $-0-
Contact Person(s): Elizabeth S. Balajadia, Office of Planning and Development Acting Director / James Kintol, Project Manager, Department of Finance
Corrective Action Plan:

The Office of Planning and Development (OPD) respectfully disagrees with the finding. OPD has located the performance reports for Project No. FG26050001 / Grant Award No. 07-79-07631 and

Project No. 2605210018 / Grant Award No. 07-79-07562 for the reporting period ending September 30, 2022. OPD believes the reports referenced in the finding as Periodic Performance

Reports are maintained and submitted by OPD as Quarterly Progress Reports (QPRs). These records are maintained by

OPD and are available for review. No further corrective action is proposed. The requested performance reports have been located and are maintained by OPD for review. OPD will continue maintaining programmatic records in accordance with applicable record-retention requirements.

Proposed Completion Date: Ongoing

Condition 3b:
The Office of Planning and Development (OPD) agrees with the finding. The Periodic Performance Report for Project No. 2605210018 / Grant Award No. 07-79-07562 for the reporting period ending December 31, 2022, was submitted after the required due date. Although operational circumstances at the time contributed to the delay, OPD recognizes the importance of timely reporting and will strengthen internal monitoring procedures to improve tracking of reporting deadlines and support timely submission of all required reports. OPD will implement a reporting calendar and periodic internal reviews to monitor upcoming reporting deadlines and ensure timely submission of all required reports.

Proposed Completion Date: Ongoing

Condition 4:
For project no. FG17010001 (related to the Economic Resiliency Center), the CNMI Department of Finance respectfully disagrees with this finding. Based on the project's Special Award Conditions, the only reporting requirements identified for this award are the submission of Project Progress Reports and Financial Reports (SF-425). No additional reporting or documentation requirements – beyond those explicitly stated – were communicated to the Department. Accordingly, the Department requests further clarification from the auditor regarding the specific authority or requirement that forms this basis of this finding, including where such a requirement

Finding No.: 2023-014, continued
AL Programs: 11.307 – Economic Adjustment Assistance
Area: Reporting
Questioned Costs: $-0-
Contact Person(s): Elizabeth S. Balajadia, Office of Planning and Development Acting Director / James Kintol, Project Manager, Department of Finance
Corrective Action Plan:

is documented. A copy of the Special Award Conditions is maintained by the Department and is available for review upon request.

The Office of Planning and Development (OPD) respectfully disagrees with the finding. OPD reviewed the grant files, including the applicable Special Award Conditions, for Project No. 2605210018 / Grant Award No. 07-79-07562 and Project No. FG26050001 / Grant Award No. 07-79-07631. OPD was unable to identify a requirement for submission of an Annual Performance Technical Report within the grant terms and conditions governing these awards. The applicable Special Award Conditions have been identified and are available for review. OPD respectfully requests clarification regarding the specific report referenced in the finding and will provide any applicable documentation should an applicable reporting requirement be identified.

OPD will review any additional guidance or clarification provided regarding the reporting requirements applicable to these grants and will take appropriate action, if necessary. OPD will continue reviewing grant award requirements and maintaining documentation of applicable reporting obligations to support compliance and future audit reviews.

Proposed Completion Date: Ongoing

Finding No.: 2023-015
AL Program: 15.875 – Economic, Social, and Political Development of the Territories
Area: Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs: $4,203
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC
Corrective Action Plan:

Condition 1:
The Office of Grants Management (OGM) disagrees with this finding and questioned costs of $1,400.00. The ATP document is vested with the Division of Energy (DOE) and not OGM. The award is from OIA; however, not all awards are under the possession of OGM. In this matter, CNMI Department of Energy is the recipient. However, we were able to obtain a copy of the document after several phone calls to their office. Document is available for review upon request.

Proposed Completion Date: Completed

Finding No.: 2023-015, continued
AL Program: 15.875 – Economic, Social, and Political Development of the Territories
Area: Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs: $4,203
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC
Corrective Action Plan:

Condition 2:
The Office of Grants Management (OGM) disagrees with this finding and questioned cost of $2,803.00. The documents were obtained for both employees and are available for review upon request.

Proposed Completion Date: Completed

Finding No.: 2023-016
AL Program: 15.875 – Economic, Social, and Political Development of the Territories
Area: Cash Management
Questioned Costs: $972,335
Contact Person(s): Angelina Phillips, Financial Analyst, Office of Management and Budget (OMB)
Corrective Action Plan:

Condition 1-2:
The Office of Management and Budget (OMB) agrees with this finding. The underlying cause of this issue was the absence of succession planning and cross-training, which resulted in a loss of institutional compliance knowledge during a staff transition. When the primary grant administrator unexpectedly left the organization, there was no transition plan, no cross-trained backup staff, and no documented standard operating procedure in place. As a result, the departing administrator processed a drawdown request without leaving documentation of the drawdown or the corresponding vendor invoices. The untrained coverage staff, having only been informed that funds were received, subsequently processed the invoices for payment, which led to the timing discrepancy noted in the finding.

To correct this issue, we have formally adopted the CNMI Department of Finance's Internal Control for Federal Grants Management Manual effective May 1, 2025; the Department of Finance's Federal Grant Drawdown Procedures effective June 20, 2025; and the Department of Finance's Cash Management Policies and Procedures effective October 1, 2025. Collectively, these policies ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The step-by-step Standard Operating Procedures we have adopted for internal controls and the drawdown process clearly outline required documentation, approval workflows, and compliance timelines. In addition, we have initiated succession and continuity planning to ensure that at least

Finding No.: 2023-016, continued
AL Program: 15.875 – Economic, Social, and Political Development of the Territories
Area: Cash Management
Questioned Costs: $972,335
Contact Person(s): Angelina Phillips, Financial Analyst, Office of Management and Budget (OMB)
Corrective Action Plan:

one alternate staff member is trained and capable of performing grant administration responsibilities to prevent future disruptions.

Proposed Completion Date: Completed

Finding No.: 2023-017
AL Program: 15.875 - Economic, Social, and Political Development of the Territories
COVID-19 15.875 Economic, Social, and Political Development of the Territories
Area: Equipment and Real Property Management
Questioned Costs: Undeterminable
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

Condition 1:
The Procurement Services Division agrees with this finding. Improvements are needed in the way federally funded assets are tracked and reported. At present, the inventory management system is not configured to readily identify assets by specific federal award number, which makes it difficult to generate reports identifying assets purchased under individual grants. In addition, staffing limitations have affected the Commonwealth's ability to maintain and readily produce this information.

To address this issue, the Property Management Branch has developed a revised Standard Operating Procedure (SOP), which is currently under review and pending finalization. The SOP strengthens procedures related to asset acquisition, tagging, inventory management, record retention, transfers, surveys, disposals, and supporting documentation.

The Commonwealth is also evaluating available options to improve tracking and reporting of federally funded assets, including system enhancements, alternative tracking methods, technical assistance, and additional staffing resources where feasible.

In the meantime, the Property Management Branch has begun asset reconciliation efforts, including physical inventories, record reviews, asset verification, and updates to inventory records. These efforts will continue while the revised SOP is finalized and implemented.

Finding No.:	2023-017, continued
AL Program:	15.875 - Economic, Social, and Political Development of the Territories COVID-19 15.875 Economic, Social, and Political Development of the Territories
Area:	Equipment and Real Property Management
Questioned Costs:	Undeterminable
Contact Person(s):	Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC / Geraldine Cruz, Procurement Services Director

Corrective Action Plan:

These actions will help improve accountability, strengthen inventory records, and support compliance with federal property management requirements.

Proposed Completion Date: Ongoing

Condition 2:
The Procurement Services Division agrees with this finding. The Division agrees that the annual physical inventory required for FY2023 was not completed. As a result, the existence, location, condition, and accountability of all assets could not be fully verified during the audit period.

To address this issue, Section 3 of the CNMI Property Management Policies and Procedures Manual was updated on September 9, 2024, changing the physical inventory requirement from an annual inventory to a biennial (every two years) inventory cycle.

Property Management Branch is currently conducting physical inventories and random asset audits throughout the Commonwealth. These efforts include verifying asset locations, confirming accountability, reviewing asset condition and operational status, reconciling inventory records, and identifying assets that require transfer, survey, repair, replacement, or other corrective action.

These inventory and reconciliation efforts are already underway and will continue while the SOP is finalized and implemented. Together, these measures will strengthen accountability, improve asset management practices, and help ensure compliance with federal and Commonwealth property management requirements.

Proposed Completion Date: Ongoing

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Finding No.: 2023-018
AL Program: 15.875 - Economic, Social, and Political Development of the Territories
Area: Period of Performance
Questioned Costs: $-0-
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC / Nerissa B. Karakaya, CIP COTR
Corrective Action Plan:

Condition 1-2:
The Capital Improvement Program (CIP) agrees with this finding that a subrecipient expending $750,000 or more in federal awards during its fiscal year was not adequately verified for compliance with Single Audit requirements, including whether corrective actions were implemented to address prior audit findings.

To prevent recurrence, CIP will implement the following:

- Update Policies and Procedures
  - Revise and strengthen written financial management policies to clearly define documentation requirements to substantiate expenditures and ensure costs are within the award's period of performance for all projects.
  - Incorporate federal regulation references, including 2 CFR 200.303 (Internal Controls) and 2 CFR 200.344 (Closeout).
- Internal Controls and Review Process
  - Implement a detailed tracking spreadsheet/ checklist for all CIP-funded transactions to ensure details are verified and that costs are incurred within the period of performance.
  - Require a secondary review and sign-off by the CIP Administrator for all documents pertaining to cost share projects.
- Training and Capacity Building
  - Conduct an annual training for CIP staff on federal period of performance requirements and required supporting documentation standards.
  - Provide refresher sessions before each audit cycle.
- Monitoring and Compliance
  - Establish a quarterly self-audit of grant files to verify that documentation is complete and properly supports expenditures.
  - Document results of each review and address deficiencies immediately.

Proposed Completion Date: September 30, 2026

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Finding No.: 2023-018, continued
AL Program: 15.875 - Economic, Social, and Political Development of the Territories
Area: Period of Performance
Questioned Costs: $-0-
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC / Nerissa B. Karakaya, CIP COTR
Corrective Action Plan:

For Grant Award No. D22AF00298 and D20AP10168, the Office of Grants Management (OGM) is unable to provide a response because the Grant Award # provided cannot be located in the current FMIS, nor does the Division of Financial Services, Federal Section, have records of their existence. Proper searches were conducted in the legacy system and in Tyler-MUNIS but were not successful. We recommend that the auditor provide additional details regarding the specific grant award so that the appropriate responsible office can be accurately identified.

Furthermore, we do not know whether OGM is the responsible party to answer on behalf of these non-titled projects.

Proposed Completion Date: Ongoing

Finding No.: 2023-019
AL Program: 15.875 - Economic, Social, and Political Development of the Territories
Area: Procurement and Suspension and Debarment
Questioned Costs: $270,553
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC / Geraldine Cruz, Procurement Services Director / Nerissa B. Karakaya, CIP COTR
Corrective Action Plan:

Condition 1 (G. Cruz):
The Procurement Services Division respectfully disagrees with this finding. Procurement Services agrees that the Commonwealth should periodically review its procurement regulations to ensure continued consistency with applicable federal requirements. However, Procurement Services notes that the Procurement Regulations currently establish procurement thresholds and procedures for locally funded procurements and procurements funded through a combination of local and federal funds. Procurements exceeding applicable small purchase thresholds are required to proceed through other procurement methods authorized under the Procurement Regulations, including competitive sealed bidding or other approved procurement methods, as applicable.

Procurement Services further notes that procurements exceeding the applicable small purchase thresholds are governed by other provisions of the Procurement Regulations and are therefore not without regulatory direction. Accordingly, Procurement Services does not fully concur that the regulations are inconsistent as described in the finding.

Finding No.: 2023-019, continued
AL Program: 15.875 - Economic, Social, and Political Development of the Territories
Area: Procurement and Suspension and Debarment
Questioned Costs: $270,553
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC / Geraldine Cruz, Procurement Services Director / Nerissa B. Karakaya, CIP COTR
Corrective Action Plan:

Nevertheless, Procurement Services recognizes the importance of ensuring that procurement regulations clearly align with applicable federal requirements and are sufficiently clear to avoid differing interpretations. Procurement Services is currently reviewing the applicable regulations, policies, and procedures with legal counsel to determine whether revisions, clarifications, or additional guidance are warranted. Due to the resignation of the Assistant Attorney General previously assigned to Procurement Services, this review will continue with newly assigned legal counsel.

Any amendments to the Procurement Regulations will require legal review, drafting, public notice, and formal adoption before they can take effect. Procurement Services will also continue monitoring updates to federal procurement requirements and will incorporate any necessary changes into its policies, procedures, and guidance.
These efforts will help improve clarity, consistency, and compliance with applicable procurement requirements.

Proposed Completion Date: Ongoing

Condition 2 (E. Cabrera / N. Karakaya / G. Cruz):
For TAP sample selections (FG26100012, FG26100002, 1901210068, 2001210031, and FG26100021), the Office of Grants Management (OGM) agrees with this finding and concurs that a formal procedure for verifying suspension and debarment status was not documented during FY2023, especially as this procurement aspect was not enforced by the Division of Procurement Services. However, management is not aware of any instances in which the listed contracts or subawards were issued to entities that were suspended, debarred, or otherwise excluded from participation in federally funded programs. All goods and services were received, and all expenditures were incurred for allowable program purposes.

Accordingly, OGM believes the finding represents a control and compliance deficiency rather than an instance of unallowable costs. OGM has begun implementing procedures requiring SAM.gov verification and retention of supporting documentation prior to entering into covered transactions, especially due to a more recent procurement purchase.

OGM kindly seeks the auditor's discretion in changing the questioned costs to the amount of zero, due to it being more of an internal control issue rather than an allowability issue.

Finding No.: 2023-019, continued
AL Program: 15.875 - Economic, Social, and Political Development of the Territories
Area: Procurement and Suspension and Debarment
Questioned Costs: $270,553
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC / Geraldine Cruz, Procurement Services Director / Nerissa B. Karakaya, CIP COTR
Corrective Action Plan:

For the CIP sample selection (FC26050009), The Capital Improvement Program (CIP) agrees with the finding and that it did not verify if the firm in question was excluded or disqualified at the time of procurement. The Division of Procurement Services has recently begun requiring agencies to provide search results on SAM.gov Exclusions for the processing of contracts moving forward. CIP will follow this new protocol and include it in the standard documents for all construction and non-construction contracts.

To prevent recurrence, CIP will implement the following actions:

- CIP will include "Verification of suspension and debarment status" as a required item under Contract Documents on CIP's contract templates
- Staff Training and Awareness
  - CIP will train staff members to utilize the SAM.gov Exclusions page to search for vendors and print proof of verification.
  - CIP will ensure that all staff members are familiar with the new protocol with Procurement Services.
- Monitoring and Verification
  - CIP will conduct reviews of new contracts and processing change orders to ensure that this new requirement is met.

Additionally, the Procurement Services Division agrees that vendor eligibility was not verified in accordance with 2 CFR Part 180 prior to the covered transactions identified by the auditors.

To address this issue, Procurement Services has incorporated suspension and debarment verification into its procurement review process. For federally funded covered transactions, expenditure authorities will be required to provide documentation from the System for Award Management (SAM.gov) verifying that the vendor is not suspended or debarred. This documentation must be submitted with the procurement package and retained in the procurement file prior to award.

Procurement Services will review the documentation as part of its procurement review process and will provide additional guidance to procurement personnel and expenditure authorities regarding federal suspension and debarment requirements.

Finding No.: 2023-019, continued
AL Program: 15.875 - Economic, Social, and Political Development of the Territories
Area: Procurement and Suspension and Debarment
Questioned Costs: $270,553
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC / Geraldine Cruz, Procurement Services Director / Nerissa B. Karakaya, CIP COTR
Corrective Action Plan:

These measures are intended to improve compliance with federal requirements and strengthen procurement documentation and oversight.

Proposed Completion Date: Ongoing

Finding No.: 2023-020
AL Program: 15.875 - Economic, Social, and Political Development of the Territories
Area: Subrecipient Monitoring
Questioned Costs: $2,399,988
Contact Person(s): Angelina Phillips, Financial Analyst, Office of Management and Budget (OMB), Nerissa B. Karakaya, CIP COTR
Corrective Action Plan:

Condition 1a (A. Phillips):
For Grant Award Nos. D23AF00036 and D22AF00299, the Office of Management and Budget (OMB) agrees with the finding and the need for a formally written policy and procedures for subrecipient monitoring. We have adopted the Department of Finance's Subrecipient Monitoring Policy and Procedures effective 8/4/2025 establishing a formal monitoring suspension and debarment status of each subrecipient prior to granting any subaward. The guidance is reflective of the provisions set by 2 CFR 180.300.

Proposed Completion Date: Ongoing

Condition 1a and 1c (N. Karakaya):
For Grant Award No. D23AP00068, the Capital Improvement Program (CIP) disagrees with this finding because the required verification was performed. Although documentation was not retained, CIP verifies that all subrecipients comply with OPA requirements before federal funds are awarded.

Finding No.: 2023-020, continued
AL Program: 15.875 - Economic, Social, and Political Development of the Territories
Area: Subrecipient Monitoring
Questioned Costs: $2,399,988
Contact Person(s): Angelina Phillips, Financial Analyst, Office of Management and Budget (OMB), Nerissa B. Karakaya, CIP COTR
Corrective Action Plan:

To prevent recurrence, CIP will implement the following:

1. CIP will implement the revised Subrecipient Monitoring Standard Operating Procedures (SOP) issued by the CNMI Department of Finance, made effective October 28, 2025. Under these procedures, CIP will conduct a risk assessment to evaluate the subrecipient's potential for noncompliance. The assessment will consider:
   a. Financial stability
   b. Audit history, including findings or questioned costs
   c. Internal controls, such as documented policies and procedures
   d. Programmatic capacity, including staffing and experience with similar awards

   The results of the risk assessment will help determine the level of monitoring required during the award period (e.g., low, moderate, or high risk).

   In addition, CIP will verify that subrecipients are not suspended or debarred from receiving federal funds by:

   a. Checking the System for Award Management (SAM.gov) and retaining a screenshot or record of the verification
   b. Alternatively, obtaining a signed certification from the subrecipient or including a suspension/debarment clause in the subaward agreement

2. No subaward agreement will be approved or executed until the required verification has been completed and reviewed by the CIP Administrator.

3. CIP staff will receive training on federal suspension and debarment requirements, including compliance with 2 CFR 180.300 and the CNMI Department of Finance Subrecipient Monitoring SOP.

4. CIP will conduct quarterly reviews of subaward files to ensure verification documentation is maintained and procedures are consistently followed.

Proposed Completion Date: December 31, 2026

Finding No.: 2023-020, continued
AL Program: 15.875 - Economic, Social, and Political Development of the Territories
Area: Subrecipient Monitoring
Questioned Costs: $2,399,988
Contact Person(s): Angelina Phillips, Financial Analyst, Office of Management and Budget (OMB), Nerissa B. Karakaya, CIP COTR
Corrective Action Plan:

Condition 1b (A. Phillips):
The Office of Management and Budget (OMB) agrees with the finding. OMB fully executed a Subrecipient Agreement with the subrecipient on 1/27/2023, prior to any grant administration taking place. The adoption of the Department of Finance's Subrecipient Monitoring Policy and Procedures effective 8/4/2025 also further formalizes the process.

Proposed Completion Date: Completed

Condition 1c (A. Phillips):
For Grant Award Nos. D23AF00036 and D22AF00299, the Office of Management and Budget (OMB) agrees with the finding and agree with the need for a formally written policy and procedures for subrecipient monitoring. We have adopted the Department of Finance's Subrecipient Monitoring Policy and Procedures effective 8/4/2025 establishing a formal subrecipient risk assessment prior to entering into the subaward agreement and identifying the type of monitoring procedures to be performed for the subrecipient.

Proposed Completion Date: Completed

Condition 2 (A. Phillips):
For Grant Award No. D23AF00036, the Office of Management and Budget (OMB) agrees with the finding and agree with the need for a formally written policy and procedures for subrecipient monitoring. We have adopted the Department of Finance's Subrecipient Monitoring Policy and Procedures effective 8/4/2025 to perform proper monitoring to ensure that subrecipients are in compliance with single audits.

Proposed Completion Date: Completed

Condition 2 (N. Karakaya):
For Grant Award No. D17AP00132, D21AP10043, D19AP00081, and D21AP10044, the Capital Improvement Program (CIP) agrees with the finding that a subrecipient with expenditures

Finding No.: 2023-020, continued
AL Program: 15.875 - Economic, Social, and Political Development of the Territories
Area: Subrecipient Monitoring
Questioned Costs: $2,399,988
Contact Person(s): Angelina Phillips, Financial Analyst, Office of Management and Budget (OMB), Nerissa B. Karakaya, CIP COTR
Corrective Action Plan:

exceeding $750,000 during the year was not verified for compliance with single audit requirements, including whether corrective actions were taken to address prior audit findings.

To address this issue, the Capital Improvement Program (CIP) will strengthen its subrecipient monitoring procedures to ensure compliance with single audit requirements by:

1. Developing and implementing a subrecipient monitoring checklist to identify subrecipients that expend $750,000 or more in federal awards during their fiscal year.
2. Obtaining and reviewing applicable Single Audit reports annually to verify compliance with federal requirements.
3. Documenting the review of audit reports and assessing whether any findings related to federal awards affect CIP-funded activities.
4. Requiring subrecipients with audit finding to submit corrective action plans and evidence of implementation.
5. Maintaining a tracking system to monitor the status and resolution of audit findings and corrective actions.
6. Providing training to CIP staff responsible for subrecipient monitoring on federal compliance and the CNMI Department of Finance Subrecipient Monitoring SOP.

Proposed Completion Date: December 31, 2026

Finding No.: 2023-021
AL Program: COVID-19 17.225 – Unemployment Insurance (UI)
Area: Activities Allowed or Unallowed / Allowable Costs/Cost Principles
Questioned Costs: $224,846
Contact Person(s): Zachary Taitano, PUA Program Manager, DOL
Corrective Action Plan:

Condition 1:
The CNMI Department of Labor agrees with this finding, as the supporting documents extracted from Munis were insufficient to support the referenced line items based on the documentation requested. The corresponding payment registers were uploaded on June 8, 2026, to support the entries.

Finding No.: 2023-021, continued
AL Program: COVID-19 17.225 – Unemployment Insurance (UI)
Area: Activities Allowed or Unallowed / Allowable Costs/Cost Principles
Questioned Costs: $224,846
Contact Person(s): Zachary Taitano, PUA Program Manager, DOL
Corrective Action Plan:

Additionally, in response to the need for stronger internal controls, the CNMI Department of Finance developed and implemented the "CNMI Journal Entry (FS-Ops) Procedures" Standard Operating Procedure, effective October 1, 2025. The procedure establishes requirements for the timely uploading of supporting documentation to ensure that adequate records are maintained and readily available for future audit and reviews.

Proposed Completion Date: Completed

Condition 2:
The CNMI partially agrees with this finding. The payroll records for Employee Numbers 4381 and 5600 did not reflect the adjusted hourly rates during the weeks selected for testing because the Requests for Personnel Action (RFPAs) associated with the funding awards could not be finalized until the funding was officially awarded.

The funding awards tied to the employee contracts during that time were provided through funding opportunities made available under UIPL 16-20, Change 7. The initial application was due to the Employment and Training Administration (ETA) on January 6, 2023. Following submission, communication between the CNMI and ETA regarding revisions and clarifications continued through March 26, 2023. The Notices of Award (NOAs) were subsequently issued on May 19 and May 22, 2023.

The budget narrative submitted to ETA included position modifications and salary adjustments intended to be effective April 1, 2023. However, because the NOAs and associated funding were received after that effective date, retroactive RFPAs were initiated beginning June 13, 2023, and were not fully completed until mid-July 2023. As a result, the updated hourly rates were not reflected in the payroll registers for the periods selected for testing.

With respect to employee no. 2293, the employee was a regular Department of Labor employee whose employment contract was scheduled to expire on September 30, 2022 and was subsequently renewed to include a salary adjustment. The RFPA for this employee was initiated in September 22, 2022 but did not complete the routing process until late October 2022. As a result, the adjusted hourly rate was not reflected in the payroll registers for the period selected for testing.

Finding No.: 2023-021, continued
AL Program: COVID-19 17.225 – Unemployment Insurance (UI)
Area: Activities Allowed or Unallowed / Allowable Costs/Cost Principles
Questioned Costs: $224,846
Contact Person(s): Zachary Taitano, PUA Program Manager, DOL
Corrective Action Plan:

All employees received the difference between their adjusted salary and initial salary at a later date in the form of a retroactive lump-sum payment.

Proposed Completion Date: Completed

Finding No.: 2023-022
AL Program: COVID-19 17.225 – Unemployment Insurance (UI)
Area: Eligibility
Questioned Costs: $-0-
Contact Person(s): Zachary Taitano, PUA Program Manager, DOL
Corrective Action Plan:

The CNMI agrees with this finding and acknowledges that a variance exists between the expenditure report details and the listing of payments from the HireMarianas Portal. We are currently reviewing and reconciling both records to determine the cause of the variance.

The Expenditure Detail Listing totals $3,057,097.02, while the HireMarianas benefit listing totals $4,112,291.03. During this review, we identified that the HireMarianas benefit listing total includes benefit tax withholdings and child support deductions. However, these amounts are not included in the Expenditure Detail Listing. Therefore, the variance is attributable to PUA tax withholdings ($169,283), FPUC tax withholdings ($150,054), and child support deductions ($202). After excluding these amounts, the adjusted HireMarianas Portal total is $3,792,752.03.

Additionally, a review of the MUNIS system identified 19 late entries not reflected in the original Expenditure Detail Listing of $3,057,092.02. These entries represent FY23 expenditures recorded in FY24 and consist of 10 PUA benefit payments totaling $108,937.63 and 9 FPUC benefit payments totaling $110,625.00, for a combined total of $219,562.63.

After incorporating these MUNIS late entries into the Expenditure Detail Listing, the adjusted expenditure total is $3,276,654.65. Based on these adjustments, the remaining variance is $516,097.37.

Finding No.:	2023-022, continued
AL Program:	COVID-19 17.225 – Unemployment Insurance (UI)
Area:	Eligibility
Questioned Costs:	$-0-
Contact Person(s):	Zachary Taitano, PUA Program Manager, DOL

Corrective Action Plan:

CNMI DOL will continue its review and will coordinate with Geographic Solutions, Inc. (GSI), the HireMarianas Portal vendor, and the Department of Finance to further investigate and resolve any remaining discrepancies and to ensure the accuracy and completeness of reported disbursements.

Proposed Completion Date: October 2026

Finding No.:	2023-023
AL Program:	20.205 – Highway Planning and Construction (Federal-Aid Highway Program)
Area:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs:	$-0-
Contact Person(s):	Stacy Atalig, Federal Programs Coordinator, DPW

Corrective Action Plan:

The Department of Public Works, Technical Services - Highway Branch agrees with the finding.

The Highway Branch agrees to be more vigilant in ensuring that all documents are properly reviewed and approved.

The disbursement process of program funds, specifically, the process did not include documented review or approval demonstrating that checks and ACH disbursements were verified against supporting documents.

DPW, TSD – Highway utilizes the Master PR20 log sheet for each fiscal year to track all Voucher for Work performed under Provisions of the Federal Aid and Federal Highway Acts as Amended (form PR20), Current Bills (drawdowns), and payments made on each. However, payments are either mailed or electronically transferred directly to the vendors by the CNMI Treasury Office.

Effective immediately, the Highway Branch will download a copy of all payments made to its vendors directly to each PR20 file.

Proposed Completion Date: June 2026

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Finding No.: 2023-024
AL Program: 20.205 – Highway Planning and Construction (Federal-Aid Highway Program)
Area: Equipment and Real Property Management
Questioned Costs: Undeterminable
Contact Person(s): Stacy Atalig, Federal Programs Coordinator, DPW / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

Condition 1:
DPW, TSD – Highway Branch agrees with this finding. Highway Branch has consistently tried to work with Procurement Services to update its yearly inventory records to remove all transferred and disposed properties from its inventory record to no avail.

Request for Survey-Out forms for damaged, past its useful life or obsolete properties and Request for Transfer of old or inactive but still usable equipment to Divisions within the Department of Public Works were transmitted along with the Fiscal Year inventory list to Procurement Services to update its list but still encounter discrepancies because of Procurement Services overall lump sum master list including inventories of both local and federal properties.

Highway Branch conducts its yearly inventory count and submits its list to Procurement Services. However, Procurement Services has not conducted its own inventory for our office for several years.

Additionally, the Procurement Services Division agrees with this finding. Improvements are needed in the way federally funded assets are tracked and reported. At present, the inventory management system is not configured to readily identify assets by specific federal award number, which makes it difficult to generate reports identifying assets purchased under individual grants. In addition, staffing limitations have affected the Commonwealth's ability to maintain and readily produce this information.

To address this issue, the Property Management Branch has developed a revised Standard Operating Procedure (SOP), which is currently under review and pending finalization. The SOP strengthens procedures related to asset acquisition, tagging, inventory management, record retention, transfers, surveys, disposals, and supporting documentation.

The Commonwealth is also evaluating available options to improve tracking and reporting of federally funded assets, including system enhancements, alternative tracking methods, technical assistance, and additional staffing resources where feasible.

Finding No.: 2023-024, continued
AL Program: 20.205 – Highway Planning and Construction (Federal-Aid Highway Program)
Area: Equipment and Real Property Management
Questioned Costs: Undeterminable
Contact Person(s): Stacy Atalig, Federal Programs Coordinator, DPW / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

In the meantime, the Property Management Branch has begun asset reconciliation efforts, including physical inventories, record reviews, asset verification, and updates to inventory records. These efforts will continue while the revised SOP is finalized and implemented.

These actions will help improve accountability, strengthen inventory records, and support compliance with federal property management requirements.

Proposed Completion Date: Completed - Ongoing

Condition 2:
DPW, TSD – Highway Branch agrees with this finding. The Highway Branch has updated its Inventory Form to include the following required information: Date Acquired, Item No, Property/Tag No., Description of Property, Manufacturer, Model, Serial No., Purchase Order No./Contract No., Condition Code, Project No., FHWA Project Number, Percentage of Federal Participation, Location, Person Assigned, and the date the inventory was conducted.

In September 2025, Federal Program Coordinator IV met with Director of Procurement Services to ensure these line items are incorporated into the inventory log sheet as part of the requirements. The Director agreed to instruct her staff to implement these updates beginning FY2025.

Additionally, the Procurement Services Division agrees with this finding. The Division agrees that the annual physical inventory required for FY2023 was not completed. As a result, the existence, location, condition, and accountability of all assets could not be fully verified during the audit period.

To address this issue, Section 3 of the CNMI Property Management Policies and Procedures Manual was updated on September 9, 2024, changing the physical inventory requirement from an annual inventory to a biennial (every two years) inventory cycle.

Finding No.:	2023-024, continued
AL Program:	20.205 – Highway Planning and Construction (Federal-Aid Highway Program)
Area:	Equipment and Real Property Management
Questioned Costs:	Undeterminable
Contact Person(s):	Stacy Atalig, Federal Programs Coordinator, DPW / Geraldine Cruz, Procurement Services Director

Corrective Action Plan:

Property Management Branch is currently conducting physical inventories and random asset audits throughout the Commonwealth. These efforts include verifying asset locations, confirming accountability, reviewing asset condition and operational status, reconciling inventory records, and identifying assets that require transfer, survey, repair, replacement, or other corrective action.

These inventory and reconciliation efforts are already underway and will continue while the SOP is finalized and implemented. Together, these measures will strengthen accountability, improve asset management practices, and help ensure compliance with federal and Commonwealth property management requirements.

Proposed Completion Date: Ongoing

Finding No.:	2023-025
AL Program:	20.205 – Highway Planning and Construction (Federal-Aid Highway Program)
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$-0-
Contact Person(s):	Stacy Atalig, Federal Programs Coordinator, DPW / Geraldine Cruz, Procurement Services Director

Corrective Action Plan:

Condition 1:
The Procurement Services Division respectfully disagrees with this finding. Procurement Services agrees that the Commonwealth should periodically review its procurement regulations to ensure continued consistency with applicable federal requirements. However, Procurement Services notes that the Procurement Regulations currently establish procurement thresholds and procedures for locally funded procurements and procurements funded through a combination of local and federal funds. Procurements exceeding applicable small purchase thresholds are required to proceed through other procurement methods authorized under the Procurement Regulations, including competitive sealed bidding or other approved procurement methods, as applicable.

Finding No.:	2023-025, continued
AL Program:	20.205 – Highway Planning and Construction (Federal-Aid Highway Program)
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$-0-
Contact Person(s):	Stacy Atalig, Federal Programs Coordinator, DPW / Geraldine Cruz, Procurement Services Director

Corrective Action Plan:

Procurement Services further notes that procurements exceeding the applicable small purchase thresholds are governed by other provisions of the Procurement Regulations and are therefore not without regulatory direction. Accordingly, Procurement Services does not fully concur that the regulations are inconsistent as described in the finding.

Nevertheless, Procurement Services recognizes the importance of ensuring that procurement regulations clearly align with applicable federal requirements and are sufficiently clear to avoid differing interpretations. Procurement Services is currently reviewing the applicable regulations, policies, and procedures with legal counsel to determine whether revisions, clarifications, or additional guidance is warranted. Due to the resignation of the Assistant Attorney General previously assigned to Procurement Services, this review will continue with newly assigned legal counsel.

Any amendments to the Procurement Regulations will require legal review, drafting, public notice, and formal adoption before they can take effect. Procurement Services will also continue monitoring updates to federal procurement requirements and will incorporate any necessary changes into its policies, procedures, and guidance.

These efforts will help improve clarity, consistency, and compliance with applicable procurement requirements.

Proposed Completion Date: Ongoing

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Finding No.: 2023-025, continued
AL Program: 20.205 – Highway Planning and Construction (Federal-Aid Highway Program)
Area: Procurement and Suspension and Debarment
Questioned Costs: $-0-
Contact Person(s): Stacy Atalig, Federal Programs Coordinator, DPW / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

Condition 2:
DPW, TSD-Highway Branch and the Procurement Services Division respectfully disagrees with this finding. A review of the procurement file confirmed that the Bid Opening Summary Sheet was maintained as part of the official bid package and procurement record for this solicitation.

Procurement Services has located the Bid Opening Summary Sheet and confirmed that it accurately documents the bid opening results in accordance with applicable procurement requirements. The document remains in the procurement file and is available for review. A copy has been provided for reference.

Based on the existence and availability of this document, Procurement Services respectfully requests reconsideration of this finding. The supporting documentation identified as missing was maintained within the procurement file and was available for audit review.

While Procurement Services disagrees with this portion of the finding, it remains committed to maintaining complete procurement records and will continue reviewing internal recordkeeping practices to ensure procurement files are organized, complete, and readily accessible for audit and compliance purposes.

Proposed Completion Date: Ongoing

Finding No.: 2023-026
AL Program: 20.205 – Highway Planning and Construction (Federal-Aid Highway Program)
Area: Special Tests and Provisions – Quality Assurance Program
Questioned Costs: $-0-
Contact Person(s): Stacy Atalig, Federal Programs Coordinator, DPW
Corrective Action Plan:

The Department of Public Works (DPW), Transportation Services Division (TSD) - Highway Branch agrees with the conclusions presented in this finding.

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Finding No.: 2023-026, continued
AL Program: 20.205 – Highway Planning and Construction (Federal-Aid Highway Program)
Area: Special Tests and Provisions – Quality Assurance Program
Questioned Costs: $-0-
Contact Person(s): Stacy Atalig, Federal Programs Coordinator, DPW
Corrective Action Plan:

The Highway Branch would adhere to 2 CFR 200.303(a), which mandates the establishment, documentation, and maintenance of effective internal controls over Federal awards. This system provides reasonable assurance that such awards comply with relevant Federal statutes, regulations, and the specific terms and conditions associated with the awards.

Therefore, the Highway Branch will implement the following recommendations:

Condition 1:

- In accordance with 23 CFR 637.207, the DPW, TSD – Highway Branch will develop a QA program, policies and procedures that is approved by FHWA; and

- Train employees and assign as designated agent to perform the functions of the QA Program.

Condition 2: DPW, TSD – Highway Branch will develop a log sheet to document the results of the sampling and testing performed to include contractor and sub-contractor (if applicable), project numbers, project titles, date and time, location, and the name of the Highway Inspector/Engineer monitoring the project.

Proposed Completion Date: September 2026

Finding No.: 2023-027
AL Program: COVID-19 21.023 – Emergency Rental Assistance Program
Area: Allowable Costs/Cost Principles
Questioned Costs: $53,435
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC
Corrective Action Plan:

Condition 1a:
The Office of Grants Management (OGM) respectfully disagrees with this finding. Under the U.S. Department of the Treasury's Emergency Rental Assistance Program 2 (ERA2), states, territories, and other eligible grantees were expressly authorized to pay rental arrears (past-due rent) on behalf of eligible households. Treasury guidance states that ERA2 financial assistance could include current rent, rental arrears (back rent), utility and home energy costs, utility and home energy arrears, and other housing-related expenses.

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Finding No.: 2023-027, continued
AL Program: COVID-19 21.023 – Emergency Rental Assistance Program
Area: Allowable Costs/Cost Principles
Questioned Costs: $53,435
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC
Corrective Action Plan:

Treasury's FAQ further clarifies that: A grantee may provide assistance for rental arrears that accrued on or after March 13, 2020. A grantee was not required to pay the full amount of arrears and could structure the program to provide partial assistance if desired.

For the CNMI specifically, if your ERA2 award was active during the period of performance, payment of eligible rental arrears was an allowable use of funds. However, Treasury closed the ERA2 program on September 30, 2025, and ERA2 funds may no longer be used to provide new rental assistance, including rental arrears.

As a practical matter, many ERA programs adopted policies of paying up to three months of future rent at a time, but that was often a program design choice or carried over from ERA1 administration rather than a statutory ERA2 limitation. The controlling Treasury guidance limits total assistance to 18 months combined across ERA1 and ERA2.

The CNMI followed US Treasury Guidelines and pushed for a combined 18-month max limit, if financially needed, across ERA1 and ERA2.

Therefore, the Office disagrees with the $30,336 questioned cost and we are requesting that this finding be removed based on our explanation above.

Proposed Completion Date: Ongoing

Condition 1b:
The Office of Grants Management (OGM) respectfully disagrees with this finding. Under the U.S. Department of the Treasury's Emergency Rental Assistance Program 2 (ERA2), states, territories, and other eligible grantees were expressly authorized to pay rental arrears (past-due rent) on behalf of eligible households. Treasury guidance states that ERA2 financial assistance could include current rent, rental arrears (back rent), utility and home energy costs, utility and home energy arrears, and other housing-related expenses.

Treasury's FAQ further clarifies that: A grantee may provide assistance for rental arrears that accrued on or after March 13, 2020. A grantee was not required to pay the full amount of arrears and could structure the program to provide partial assistance if desired.

For the CNMI specifically, if your ERA2 award was active during the period of performance, payment of eligible rental arrears was an allowable use of funds. However, Treasury closed the

Finding No.: 2023-027, continued
AL Program: COVID-19 21.023 – Emergency Rental Assistance Program
Area: Allowable Costs/Cost Principles
Questioned Costs: $53,435
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC
Corrective Action Plan:

ERA2 program on September 30, 2025, and ERA2 funds may no longer be used to provide new rental assistance, including rental arrears.

As a practical matter, many ERA programs adopted policies of paying up to three months of future rent at a time, but that was often a program design choice or carried over from ERA1 administration rather than a statutory ERA2 limitation. The controlling Treasury guidance limits total assistance to 18 months combined across ERA1 and ERA2.

Therefore, the Office disagrees with the $5,452 questioned cost and we are requesting that this finding be removed based on our explanation above.

Proposed Completion Date: Ongoing

Condition 1c:
The Office of Grants Management (OGM) respectfully disagrees with the findings because using the Purchase Requisition or Purchase Order methodology is not the only method of obtaining goods or services in the CNMI Government. In this situation, the Office opted to use the Invoice Central method in MUNIS. Items for purchase were specifically identified in the portal and it was approved by the Division of Financial Services.

The items being purchased are allowable items (office supplies); however, the method used by the Office may not be acceptable by the auditor. Again, the Office disagrees as DOF officials approved the transaction and paid the item out with check#619104. The invoice # for this transaction is 739384-0.

If the transaction is not allowable, then DOF should update their SOPs or not allow the Invoice Entry module to be used. Again, we disagree with the finding and questioned cost amounting to $3,485.39.

Therefore, the Office disagrees with the $3,485.39 questioned cost and we are requesting that this finding be removed based on our explanation above.

Proposed Completion Date: Ongoing

Commonwealth of the Northern Mariana Islands
Department of Finance
Office of the Secretary
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Finding No.: 2023-027, continued
AL Program: COVID-19 21.023 – Emergency Rental Assistance Program
Area: Allowable Costs/Cost Principles
Questioned Costs: $53,435
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC
Corrective Action Plan:

Condition 2a:
The Office of Grants Management (OGM) respectfully disagrees with this finding. After the audit inquiry, the supporting timesheet associated with the questioned payroll costs was located and is available for review. The documentation substantiates the payroll charges previously questioned.

Accordingly, the Office respectfully disagrees with the questioned costs of $1,159 and requests removal of this finding.

Proposed Completion Date: Ongoing

Condition 2b:
The Office of Grants Management (OGM) respectfully disagrees with this finding. The payroll costs in question are traceable within the financial management system; however, the reporting format aggregates payroll and fringe benefit expenditures in a manner that may make individual employee costs difficult to identify without familiarity with the system's reporting structure.

The questioned amount of $658.17 can be reconciled to supporting payroll records and underlying accounting data. The Office is prepared to provide additional supporting documentation and reconciliation schedules to demonstrate the traceability of these costs.

Accordingly, the Office respectfully disagrees with the questioned costs of $658 and requests removal of this finding.

Proposed Completion Date: Ongoing

Condition 3:
The Office of Grants Management (OGM) respectfully disagrees with the findings and questioned costs of $12,345.00. According to our records and using budgetary print template reports, the following has been spent:

FMIS	Benefits	Admin Expenditures	Total
JDE Edwards	$ 3,680,786.40	$ 395,199.09	$4,075,985.49
MUNIS	$ 5,935,330.50	$ 387,614.39	$6,322,944.89
Total	$ 9,616,116.90	$ 782,813.48	$ 10,398,930.38

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Finding No.: 2023-027, continued
AL Program: COVID-19 21.023 – Emergency Rental Assistance Program
Area: Allowable Costs/Cost Principles
Questioned Costs: $53,435
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC
Corrective Action Plan:

The CCERA Program spent in total $10,398,930.38 out of the total award of $10,400,669.30, leaving an unspent balance of $1,738.92. This is also reported in the final submitted report to US Treasury. US Treasury accepted the report and advised us to return the unused funds plus 5% interest, which changed the total owed to $1,746.41. This is substantiated by a notice from US Treasury to Collect for Delinquent Indebtedness under Invoice# OCAERA0411A dated March 11, 2025. Thus, confirming that the CNMI only spent $10,398,930.38 under ERA1.

Furthermore, there are internal controls built into the MUNIS System that will not allow us to exceed the budgeted amount, so we are not able to exceed the budgeted amount.

Thus, the Office disagrees with the $12,345 questioned cost and we are requesting that this finding be removed based on our explanation above.

Proposed Completion Date: Ongoing

Finding No.: 2023-028
AL Program: COVID-19 21.023 – Emergency Rental Assistance Program
Area: Eligibility
Questioned Costs: $99,935
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC
Corrective Action Plan:

Condition 1a:
The Office of Grants Management (OGM) respectfully disagrees with the finding and questioned cost of $8,337.00 because assigned personnel were not made aware to supply supporting documents for the following questioned costs. Possible communication breakdown may exist as per OGM staff, and OGM staffer reported a different request list was furnished at different times.

However, OGM is pleased to provide you with copies of the documents for these questioned costs items. I believe that the timing played a major role with the release of this draft document, but OGM should not be penalized.

We are requesting this finding be removed based on the explanation provided above.

Finding No.: 2023-028, continued
AL Program: COVID-19 21.023 – Emergency Rental Assistance Program
Area: Eligibility
Questioned Costs: $99,935
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC
Corrective Action Plan:

Condition 1b:
The Office of Grants Management respectfully disagrees with the finding and questioned cost of $91,598.00 because assigned personnel were not made aware to supply supporting documents for the following questioned costs. Possible communication breakdown may exist as per OGM staff, and OGM staffer reported a different request list was furnished at different times.

However, OGM is pleased to provide you with copies of the documents for these questioned costs items. I believe that the timing played a major role with the release of this draft document, but OGM should not be penalized.

We are requesting this finding be removed based on the explanation provided above.

Proposed Completion Date: Ongoing

Condition 1c:
The Office of Grants Management disagrees with the finding and questioned cost of $68,181.00 because assigned personnel were not made aware to supply supporting documents for the following questioned costs. Possible communication breakdown may exist as per OGM staff, and OGM staffer reported a different request list was furnished at different times.

However, OGM is pleased to provide you with copies of the documents for these questioned costs items. I believe that the timing played a major role with the release of this draft document, but OGM should not be penalized.

We are requesting this finding be removed based on the explanation provided above.

Proposed Completion Date: Ongoing

Condition 1d:
The Office of Grants Management disagrees with the finding and questioned cost of $4,500.00 because assigned personnel were not made aware to supply supporting documents for the following questioned costs. Possible communication breakdown may exist as per OGM staff, and OGM staffer reported a different request list was furnished at different times.

For this particular finding, the client was unemployed and thus could not provide an employment verification.

Finding No.: 2023-028, continued
AL Program: COVID-19 21.023 – Emergency Rental Assistance Program
Area: Eligibility
Questioned Costs: $99,935
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC
Corrective Action Plan:

However, OGM is pleased to provide you with copies of the documents for these questioned costs items. I believe that the timing played a major role with the release of this draft document, but OGM should not be penalized.

We are requesting this finding be removed based on the explanation provided above.

Proposed Completion Date: Ongoing

Condition 1e:
The Office of Grants Management disagrees with the finding and questioned cost of $19,614.00 because assigned personnel were not made aware to supply supporting documents for the following questioned costs. Possible communication breakdown may exist as per OGM staff, and OGM staffer reported a different request list was furnished at different times.

However, OGM is pleased to provide you with copies of the documents for these questioned costs items. I believe that the timing played a major role with the release of this draft document, but OGM should not be penalized.

We are requesting this finding be removed based on the explanation provided above.

Proposed Completion Date: Ongoing

Finding No.: 2023-029
AL Program: COVID-19 21.023 – Emergency Rental Assistance Program
Area: Reporting
Questioned Costs: $-0-
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC
Corrective Action Plan:

Condition 1:
The Office of Grants Management (OGM) respectfully disagrees with this finding. The Office believes that it was difficult to submit accurate financial reports because expenses and final totals kept shifting with the transition of the CNMI financial management system from JD Ewards to Tyler-Munis. In addition, checks were being cancelled or returned by landlords because tenants were opting to move to better living conditions, making the financial figures fluctuate each month. OGM did mention to EY of these movements in expenses and the shifts in the SF425; it was only

Finding No.: 2023-029, continued
AL Program: COVID-19 21.023 – Emergency Rental Assistance Program
Area: Reporting
Questioned Costs: $-0-
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC
Corrective Action Plan:

months after the closing of the fiscal year whereby the expenses stabilized. As such, OGM should not be penalized for the difference in the SF425.

OGM did provide the narrative report to EY for that reporting period. Furthermore, the Department of Finance had the responsibility in reporting of this program's activities; OGM did not have access to the US Treasury portal. This further made it more difficult to catch-up with the reporting of items. Subsequently, US Treasury started requesting for different metrics or evidence to which our office was not prepared because we were operating under a set of understood deliverables, making it again difficult to report succinctly and accurately for the program. OGM was tasked by the former Governor last minute to handle this program because the state housing program did not want to manage this emergency rental assistance program due to the overload in workload brought on by the CDBG-Disaster program. Furthermore, OGM did provide EY with complete listing of expenses that matched the FMIS generated ending fund balance for this business unit.

Regarding ERA1, US Treasury accepted the full report inclusive of SF425. For ERA2, a final report has been provided and is under full review.

OGM will need to hire more financial analysts to meet the increased demand from programs such as CCERA-type programs. Furthermore, US Treasury has closed and accepted ERA1 reports. CCERA did return $1,746.41, inclusive of 5% interest to US Treasury under invoice # OCAERA0411A under the Collect Delinquent Indebtedness.

Proposed Completion Date: Ongoing

Condition 2a:
The Office of Grants Management (OGM) disagrees with this finding. For ERA1 reports, US Treasury has accepted the final report and has closed all matters pertaining to this grant and this is substantiated by the return of funds amounting to $1,746.41. As noted, reports are very difficult to generate without full access to real-time data and the lack of software. The immense load and pressure to execute welfare assistance can be very overwhelming.

I ask that this finding be removed as all reports have been accepted by US Treasury for ERA 1.

Proposed Completion Date: Ongoing

Finding No.: 2023-029, continued
AL Program: COVID-19 21.023 – Emergency Rental Assistance Program
Area: Reporting
Questioned Costs: $-0-
Contact Person(s): Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC
Corrective Action Plan:

Condition 2b:
The Office of Grants Management (OGM) disagrees with this finding. For ERA 2, reports are very difficult to generate without full access to real-time data and the lack of software. The immense load and pressure to execute welfare assistance can be very overwhelming.

OGM will need to hire more financial analysts in the future to meet the increased demand from programs such as CCERA-type programs. Additional monitoring controls and systematic filing will need to exist in the future related work to improve reporting requirements.

Proposed Completion Date: Ongoing

Condition 2c:
The Office of Grants Management (OGM) disagrees with this finding. We believe this condition is substantially related to the reporting concerns identified under Condition 2b and reflects the same underlying reporting and documentation challenges.

Because the supporting accounting records and narrative reporting requirements are interconnected, the Office respectfully requests consideration of consolidating this condition with Condition 2b to avoid duplication of findings addressing the same underlying issue.

Proposed Completion Date: Ongoing

Finding No.: 2023-030
AL Program: COVID-19 21.027 – Coronavirus State and Local Fiscal Recovery Funds
Area: Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs: $17,671,782
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

Condition 1-2:
The CNMI Department of Finance agrees with this finding. These transactions were subsequently closed and finalized and CNMI can provide documents upon request. CNMI was still familiarizing itself with the financial management system implemented in FY 2022, as well as a new mechanism of “travel cards” for employee travel. Effective in February 2023, the CNMI ceased using the travel cards as we had determined that it was difficult to maintain effective monitoring. Also,

Finding No.: 2023-030, continued
AL Program: COVID-19 21.027 – Coronavirus State and Local Fiscal Recovery Funds
Area: Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs: $17,671,782
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

subsequently in 2025, SOPs were formally effective. Throughout the SOP development, we learned best practices to effectively monitor travel transactions. No further action is needed.

Proposed Completion Date: Completed

Condition 3-6:
The CNMI Department of Finance agrees with this finding. Due to operational inefficiencies present in FY 2023, document archives were not maintained, and effectively were not provided to auditors in the time allotted. In addition, this transaction related to a purchasing card mechanism, and the CNMI did not maintain proper controls and monitoring. We have since stopped using purchasing cards broadly across the CNMI government—it is allowed on a case-by-case basis—so that the CNMI can monitor purchases more effectively. With standardization of processes and additional training, CNMI has since maintained its records and documents for improved financial accountability and transparency. CNMI can provide documents upon request. No action is needed at this time.

Proposed Completion Date: Completed

Condition 7-8:
The CNMI Department of Finance agrees with this finding. The Payroll and HR management modules of Munis went live in October 2022, and early implementation challenges affected payroll distribution reporting and documentation gaps. CNMI worked with Munis implementation consultants to correct issues and has since implemented SOPs to ensure proper payroll documentation, reporting, and reconciliation. This prevents recurrence.

Proposed Completion Date: Completed

Condition 9-11:
The CNMI Department of Finance agrees with this finding. Due to the large nature of the transaction, and the limited time available during the audit review, CNMI was unable to provide details of the transaction. CNMI can provide documents upon request.

Proposed Completion Date: Completed

Commonwealth of the Northern Mariana Islands
Department of Finance
Office of the Secretary
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Finding No.: 2023-031
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Matching, Level of Effort, Earmarking
Questioned Costs: Undeterminable
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

Condition 1-2:
The CNMI Department of Finance agrees with this finding. The issues stemmed from staff turnover and reorganization following a change in administration, which exposed gaps in internal capacity to perform required earmarking and revenue-loss analyses. This occurred alongside conditions documented in the finding, including:

- Lack of processes to extract needed data after CNMI transitioned from JD Edwards to Tyler Munis FMIS.
- Absence of internal controls over the Rota Municipality's earmarking compliance due to unclear oversight responsibilities.

The proposed corrective actions are described below:

a. Cross-Training of Personnel (Implemented)
CNMI DOF has cross-trained multiple staff to ensure continuity and eliminate dependency on any single employee for revenue-loss analysis, earmarking determinations, and documentation retention. This improves data accuracy and prevents operational disruptions.

b. Strengthening Data Extraction & Documentation Processes (In Progress)
DOF is developing processes to reliably extract revenue-related data from Tyler Munis to support timely revenue-loss calculations, as recommended by auditors.

c. Municipal Training and Oversight Clarification (In Progress)
CNMI will work closely with municipalities—particularly Rota, which is less familiar with federal grant requirements—to:

- Clarify who is responsible for SLFRF earmarking oversight
- Verify the municipality's elected option under the Final Rule
- Provide training and technical assistance to ensure full compliance

d. Development of an Earmarking & Revenue-Loss SOP (Planned)
DOF will formalize a written SOP establishing:

- Required calculation timelines
- Documentation standards
- Review procedures
- Data retention requirements

Finding No.: 2023-031, continued
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Matching, Level of Effort, Earmarking
Questioned Costs: Undeterminable
Contact Peron(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

Proposed Completion Date: October 31, 2026 (Some measures are already in place; additional controls and SOP finalization are underway)

Finding No.: 2023-032
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Procurement and Suspension and Debarment
Questioned Costs: $4,477,879
Contact Person(s): Tracy B. Norita, Secretary of Finance / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

Condition 1:
The Procurement Services Division respectfully disagrees with this finding. With respect to Contract No. 32300191, Procurement Services acknowledges that only one newspaper advertisement was located within the procurement file during the audit review. Procurement Services believes this was primarily the result of recordkeeping deficiencies that occurred during a period of significant staffing shortages, staff transitions, and limited knowledge transfer between outgoing and incoming personnel. At the time, Procurement Services experienced turnover among key staff responsible for maintaining procurement files, and sufficient training and transition of responsibilities did not occur. Procurement Services acknowledges that the supporting documentation maintained within the file was insufficient to fully demonstrate compliance with the newspaper advertisement requirements.

With respect to Contract No. 32300062, Procurement Services respectfully disagrees with the finding. At the time of the procurement, it was the Commonwealth's practice to publicly post solicitations through the Munis Vendor Self-Service system and utilize newspaper advertisements as a supplemental means of notifying vendors and the public of procurement opportunities.

For Contract No. 32300062, the solicitation was publicly posted and continuously available through the Munis Vendor Self-Service system for a period of 30 days prior to bid opening. Munis served as the Commonwealth's primary electronic procurement platform and provided vendors with access to the solicitation and related procurement documents throughout the advertisement period. The newspaper notices were intended as supplemental public notice to increase awareness of the solicitation and direct interested vendors to the Munis platform, where the complete solicitation package remained available throughout the solicitation period.

Finding No.: 2023-032, continued
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Procurement and Suspension and Debarment
Questioned Costs: $4,477,879
Contact Person(s): Tracy B. Norita, Secretary of Finance / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

Procurement Services' interpretation of the applicable regulation is that the requirement pertains to providing an advertisement period of at least 30 days during which the solicitation is publicly available to prospective vendors. In this instance, the solicitation remained publicly available through Munis for the required 30-day period, while the newspaper notices served as an additional method of notifying vendors of the procurement opportunity and directing them to the official solicitation documents.

Notwithstanding the foregoing, Procurement Services will continue to strengthen its recordkeeping practices and procurement file management procedures to ensure that all advertisement and public notice documentation is maintained within the procurement file and readily available for future audit review.

Proposed Completion Date: Ongoing

Condition 2:
The Procurement Services Division agrees with this finding. Procurement Services acknowledges that, at the time of this procurement, there was a misunderstanding regarding the respective responsibilities of the procuring agency and Procurement Services for certain procurement functions, including responsibility determinations, award notifications, non-award notifications, issuance of Notices to Proceed, and other procurement administration activities. As a result, some actions that should have been handled through Procurement Services were instead performed by the procuring agency.

Since that time, Procurement Services has reviewed and clarified the responsibilities established under the Procurement Regulations and has resumed direct oversight of procurement functions assigned to the Director of Procurement Services, including responsibility determinations, award and non-award notifications, issuance of Notices to Proceed, and related procurement administration activities.

To further strengthen oversight and ensure consistency in the administration of contracts, Procurement Services has implemented a process requiring Notices to Proceed to be executed by both the expenditure authority and Procurement Services prior to issuance. This additional review helps ensure that all procurement requirements have been satisfied, contract documents have been properly executed, and the appropriate approvals are in place before contract performance begins.

Finding No.: 2023-032, continued
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Procurement and Suspension and Debarment
Questioned Costs: $4,477,879
Contact Person(s): Tracy B. Norita, Secretary of Finance / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

Procurement Services will continue to provide guidance and oversight to ensure procurement actions are processed in accordance with applicable regulations and that required notices and supporting documentation are properly maintained within the procurement file.

These measures are intended to improve consistency, strengthen oversight, and reduce the likelihood of similar issues occurring in future procurements.

Proposed Completion Date: Ongoing

Condition 3:
The Procurement Services Division agrees with this finding to the extent that the documentation identified by the auditors could not be provided for review.

Based on the information, Procurement Services was unable to locate the procurement file or supporting documentation associated with the procurement identified in the finding, including documentation necessary to verify the approvals, signatures, determinations, notices, and other records referenced by the auditors.

The procurement identified in the finding involved legal services. Pursuant to § 70-30.3-215(a)(6) of the Procurement Regulations, legal services may be procured through the sole source procurement method. The documentation requirements identified in § 70-30.3-215(b) apply specifically to sole source procurements conducted under § 70-30.3-215(a)(1), where the determination is based upon the existence of only one source for the required supply, service, or construction. Similarly, the documentation requirements contained in § 70-30.3-215(c) apply only to procurements conducted pursuant to § 70-30.3-215(a)(2), (a)(3), or (a)(4).

Because the procurement file could not be located and Procurement Services was not involved in the processing or approval of this procurement, Procurement Services is unable to independently verify the existence of the documentation or approvals associated with the procurement.

To address this finding, Procurement Services will continue to reinforce procurement requirements applicable to sole source procurements, strengthen procurement oversight and record retention practices, and provide additional guidance to expenditure authorities regarding required approvals, documentation, and routing procedures. Procurement Services will also continue reviewing internal procedures to improve compliance monitoring and ensure procurement files are maintained in accordance with applicable procurement regulations.

Finding No.: 2023-032, continued
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Procurement and Suspension and Debarment
Questioned Costs: $4,477,879
Contact Person(s): Tracy B. Norita, Secretary of Finance / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

These corrective actions are intended to strengthen internal controls, improve procurement compliance and documentation practices, and address the concerns identified in this finding.

Proposed Completion Date: Ongoing

Condition 4:
The Procurement Services Division partially agrees with this finding. Procurement Services notes that the transaction was subsequently reviewed for ratification and that a ratification package was prepared. Based on documentation available to Procurement Services, former Director of Procurement Service referenced a Legal Sufficiency Review (LSR) from the Office of the Attorney General in his recommendation. Procurement Services is currently attempting to locate a copy of the referenced LSR for inclusion in the procurement file.

Procurement Services further understands that the Office of the Attorney General determined that the matter fell below its review threshold and advised that concurrence by the Secretary of Finance would be sufficient. As a result, the transaction proceeded through the Secretary of Finance for concurrence, and a purchase order was subsequently issued rather than execution of a formal contract agreement.

Because Procurement Services has not yet located the referenced Legal Sufficiency Review and supporting correspondence, it is unable to verify the basis for the absence of the Attorney General's signature on the ratification documents. Procurement Services will continue efforts to locate and retain all supporting documentation associated with the transaction.

To address this finding, Procurement Services will continue strengthening procurement file documentation, record retention practices, and ratification procedures to ensure that all required approvals, concurrences, determinations, and supporting documentation are maintained within the procurement file and readily available for future review.

Proposed Completion Date: Ongoing

Condition 5:
The Procurement Services Division agrees with this finding. Procurement Services acknowledges that certain expenditures were incurred before the related purchase requisitions and/or purchase orders were approved. Procurement Services agrees that procurement approvals should be

Finding No.: 2023-032, continued
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Procurement and Suspension and Debarment
Questioned Costs: $4,477,879
Contact Person(s): Tracy B. Norita, Secretary of Finance / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

obtained before purchases are made or services are performed to ensure compliance with procurement requirements and established internal controls.

Based on our review of the transactions identified in the finding, it appears that many of the transactions were processed and approved through Tinian (constitutionally separated government office). At that time, certain procurement activities on Tinian appear to have been administered locally and outside the direct review and oversight of Procurement Services. As Procurement Services was not directly involved in processing these transactions, we are unable to determine the specific circumstances that resulted in expenditures being incurred prior to the required procurement approvals.

For transactions processed through the Division of Procurement Services on Saipan, Procurement Services has taken steps to reinforce compliance with procurement requirements. Personnel who have been delegated procurement review and approval authority have been issued formal designation letters outlining their responsibilities and approval thresholds. These designation letters specifically require compliance with the CNMI Procurement Regulations, established procurement procedures, and applicable internal controls when reviewing and approving procurement transactions on behalf of the Director of Procurement Services.

The designation letters further advise that procurement actions must not proceed without the required approvals and supporting documentation and that failure to comply with procurement requirements may result in administrative action. Procurement Services will continue to provide guidance, training, and oversight to ensure that requisitions, purchase orders, and supporting documentation are properly reviewed and approved before purchases are made or services are performed.

These actions are intended to strengthen internal controls, improve compliance with procurement requirements, and reduce the likelihood of similar findings in the future.

Proposed Completion Date: Ongoing

Condition 6:
The Procurement Services Division agrees with this finding. Procurement Services acknowledges the auditors' observation that purchase requisitions could not be provided for certain transactions reviewed during the audit. Procurement Services recognizes the importance of maintaining

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Finding No.: 2023-032, continued
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Procurement and Suspension and Debarment
Questioned Costs: $4,477,879
Contact Person(s): Tracy B. Norita, Secretary of Finance / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

complete procurement files and ensuring that all supporting documentation is properly retained and readily available for review.

To address this finding, the Secretary of Finance has issued guidance reaffirming that a purchase requisition is a required component of every procurement transaction. Additionally, Procurement Services has issued guidance to all designated procurement staff approvers reinforcing the requirement that purchase requisitions and supporting documentation must be uploaded and maintained within the procurement file prior to the approval and processing of any procurement transaction.

The guidance further requires that purchase requisitions contain sufficient information to support the procurement, including a description of the goods or services being requested, the purpose of the purchase, the intended use of the goods or services, and how the expenditure serves a legitimate public purpose. Designated staff who are approvers have been advised of these requirements and are expected to verify the presence of the requisition and supporting documentation before approving procurement actions.

Procurement Services will continue to monitor compliance with documentation requirements and provide guidance and oversight to ensure procurement files are complete, properly maintained, and readily available for audit and compliance purposes.

These measures are intended to strengthen recordkeeping practices, improve accountability, and reduce the likelihood of similar findings in future audits.

Proposed Completion Date: Ongoing

Condition 7:
The Procurement Services Division agrees with this finding. Procurement Services acknowledges that approval of the purchase requisitions by the Officials with Expenditure Authority was not evident for certain transactions reviewed during the audit. Procurement Services agrees that purchase requisitions should be approved by the appropriate Official with Expenditure Authority prior to the processing of a procurement transaction to ensure proper authorization and compliance with established procurement requirements.

Based on our review of the transactions identified in the finding, it appears that most of the transactions were processed through Tinian (constitutionally separated government office). At that

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AL Program:	COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area:	Procurement and Suspension and Debarment
Questioned Costs:	$4,477,879
Contact Person(s):	Tracy B. Norita, Secretary of Finance / Geraldine Cruz, Procurement Services Director

Corrective Action Plan:

time, certain procurement activities on Tinian appear to have been administered locally. As Procurement Services was not directly involved in the processing of these transactions, we are unable to determine the specific circumstances that resulted in the absence of documented approval by the applicable Official with Expenditure Authority.

To address this finding, the Secretary of Finance has issued guidance reaffirming that a purchase requisition is a required component of every procurement transaction and must be approved by the applicable Official with Expenditure Authority before the procurement process may proceed. Additionally, Procurement Services has issued guidance to designated procurement staff and approvers reinforcing the requirement that approved purchase requisitions and supporting documentation must be uploaded and maintained within the procurement file prior to the review, approval, and processing of any procurement transaction.

Procurement Services will continue to provide guidance, training, and oversight to ensure compliance with procurement requirements and proper documentation standards.
These actions are intended to strengthen internal controls, improve accountability, and reduce the likelihood of similar findings in the future.

Proposed Completion Date: Ongoing

Condition 8:
The Procurement Services Division partially agrees with this finding. Procurement Services acknowledges that documentation supporting the required quotation was not evident for one of the transactions identified by the auditors. Based on our review, purchase order number TMT-ARP-23-047 appears to have been processed through Tinian (constitutionally separated government office) during a period when certain procurement activities were administered locally. Because Procurement Services was not directly involved in processing this transaction, we are unable to determine the specific circumstances surrounding the absence of the quotation documentation.

Procurement Services respectfully disagrees with the finding as it relates to Purchase Order No. 22301302. Based on the information available, the purchase was made under an existing fuel contract that was already in place. As such, obtaining an additional quotation was not necessary because the expenditure did not constitute a separate procurement requiring competition. Rather, the purchase order was used as an administrative mechanism to process payment under the existing fuel contract instead of processing the payment through an invoice entry.

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Area: Procurement and Suspension and Debarment
Questioned Costs: $4,477,879
Contact Person(s): Tracy B. Norita, Secretary of Finance / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

To address this finding, Procurement Services has reinforced procurement requirements with designated procurement staff and approvers. Staff have been reminded that when quotations are required under the Procurement Regulations, the required number of quotations must be obtained and maintained in the procurement file before a purchase order is approved and processed. Procurement Services has also emphasized the importance of ensuring that all supporting documentation is complete and available before procurement actions are approved.

Additionally, Procurement Services will continue to provide guidance, oversight, and periodic reminders regarding quotation requirements, contract administration, and procurement documentation standards to ensure compliance with applicable procurement regulations.

These actions are intended to strengthen internal controls, improve compliance with procurement requirements, and reduce the likelihood of similar findings in the future.

Proposed Completion Date: Ongoing

Condition 9:
The Procurement Services Division partially agrees with this finding. Procurement Services acknowledges that only one quotation was maintained in the procurement file for the transaction identified by the auditors. However, Procurement Services respectfully disagrees that the procurement was necessarily subject to the requirement to obtain three quotations under the small purchase provisions of the Procurement Regulations.

Based on the documentation available, the procurement involved the acquisition of commercial software licenses, including RM Demand and RM Mobile licenses, together with related software implementation services consisting of configuration, training, project management, support, and maintenance services. The procurement was conducted through RouteMatch Software, LLC (TripSpark), the provider of the software platform and related services. Documentation within the procurement file indicates that the purchase consisted of software licenses and software implementation services associated with the deployment and use of the RouteMatch software system.

Procurement Services notes that § 70-30.3-320 of the Procurement Regulations provides specific procurement provisions applicable to commercial software, including Software-as-a-Service and related software acquisitions, under which competitive bidding or competitive procurement may not be required when the applicable regulatory conditions are satisfied.

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Finding No.: 2023-032, continued
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Procurement and Suspension and Debarment
Questioned Costs: $4,477,879
Contact Person(s): Tracy B. Norita, Secretary of Finance / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

Because the procurement file does not contain sufficient documentation for Procurement Services to determine whether all requirements of § 70-30.3-320 were fully documented at the time of procurement, Procurement Services is unable to conclusively determine whether the procurement qualified for the commercial software exception. Accordingly, while Procurement Services concurs that only one quotation was maintained within the procurement file, Procurement Services does not concur that the procurement was necessarily required to obtain three quotations under the small purchase provisions without first considering the applicability of the commercial software procurement provisions.

To address this finding, Procurement Services will continue to provide guidance to procurement staff and expenditure authorities regarding the procurement of commercial software and related services. Procurement Services will also reinforce the requirement that procurement files contain sufficient documentation supporting the procurement method utilized, including any applicable exceptions to competitive procurement requirements.

These actions are intended to strengthen procurement documentation, improve compliance with the Procurement Regulations, and reduce the likelihood of similar findings in the future.

Proposed Completion Date: Ongoing

Condition 10:
The Procurement Services Division agrees with this finding. Procurement Services acknowledges the auditors' observation that the beneficiary and purpose of the donation were not documented for the procurement identified in the finding. Procurement Services recognizes the importance of maintaining sufficient documentation to demonstrate the public purpose and intended use of items purchased with public funds.

To address this finding, the Secretary of Finance has issued guidance reaffirming that a completed purchase requisition is required for all procurement transactions. Procurement Services has also reinforced requirements with designated procurement staff who are designated approvers to ensure that requisitions contain sufficient information to support the procurement request.

Moving forward, when items are being purchased for donation or distribution, the purchase requisition must clearly identify the recipient or intended beneficiaries, the purpose of the donation, the public benefit to be achieved, and the authority under which the donation is being

Finding No.: 2023-032, continued
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Procurement and Suspension and Debarment
Questioned Costs: $4,477,879
Contact Person(s): Tracy B. Norita, Secretary of Finance / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

made. This information must be documented and maintained within the procurement file prior to approval of the procurement action.

Additionally, staff and approvers have been instructed to verify that all required supporting documentation is included before processing or approving procurement transactions.

These measures are intended to strengthen internal controls, improve procurement documentation, and reduce the likelihood of similar findings in future audits.

Proposed Completion Date: Ongoing

Condition 11:
The Procurement Services Division agrees with this finding. Procurement Services acknowledges that approval of the purchase requisitions by the Officials with Expenditure Authority was not evident for certain transactions reviewed during the audit. Procurement Services agrees that purchase requisitions should be approved by the appropriate Official with Expenditure Authority prior to the processing of a procurement transaction to ensure proper authorization and compliance with established procurement requirements.

Based on our review of the transaction identified in the finding, it appears that this transaction was processed through the Judiciary branch (constitutionally separated government office). At that time, certain procurement activities for the Judiciary branch appear to have been administered locally. As Procurement Services was not directly involved in the processing of these transactions, we are unable to determine the specific circumstances that resulted in the absence of documented approval by the applicable Official with Expenditure Authority.

To address this finding, the Secretary of Finance has issued guidance reaffirming that a purchase requisition is a required component of every procurement transaction and must be approved by the applicable Official with Expenditure Authority before the procurement process may proceed. Additionally, Procurement Services has issued guidance to designated procurement staff and approvers reinforcing the requirement that approved purchase requisitions and supporting documentation must be uploaded and maintained within the procurement file prior to the review, approval, and processing of any procurement transaction.

Procurement Services will continue to provide guidance, training, and oversight to ensure compliance with procurement requirements and proper documentation standards.

Finding No.: 2023-032, continued
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Procurement and Suspension and Debarment
Questioned Costs: $4,477,879
Contact Person(s): Tracy B. Norita, Secretary of Finance / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

These actions are intended to strengthen internal controls, improve accountability, and reduce the likelihood of similar findings in the future.

Proposed Completion Date: Ongoing

Condition 12:
The Procurement Services Division agrees with this finding. Procurement Services agrees that recurring services should be evaluated collectively to determine the appropriate procurement method and quotation requirements based on the total value of the services during the fiscal year. Procurement Services recognizes the importance of ensuring that recurring procurements are not processed in a manner that bypasses applicable quotation or competition requirements.

To address this issue, Procurement Services has taken steps to reinforce compliance with procurement requirements for transactions processed through the Division of Procurement Services on Saipan. Personnel who have been delegated procurement review and approval authority have been issued formal designation letters outlining their responsibilities and approval thresholds. These designation letters specifically require compliance with the CNMI Procurement Regulations, established procurement procedures, and applicable internal controls when reviewing and approving procurement transactions on behalf of the Director of Procurement Services.

The designation letters further advise that procurement actions must not proceed without the required approvals and supporting documentation and that failure to comply with procurement requirements may result in administrative action.

Procurement Services will continue to provide guidance, training, and oversight to ensure that requisitions, purchase orders, quotations, and supporting documentation are properly reviewed and approved before purchases are made or services are performed.

These actions are intended to strengthen internal controls, improve compliance with procurement requirements, and reduce the likelihood of similar findings in the future.

Proposed Completion Date: Ongoing

Condition 13:
The Procurement Services Division agrees with this finding. Procurement Services acknowledges that a price quotation was not evident for the blanket purchase order identified in the finding. Based

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AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Procurement and Suspension and Debarment
Questioned Costs: $4,477,879
Contact Person(s): Tracy B. Norita, Secretary of Finance / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

on our review, the transaction relates to a Tinian (constitutionally separated government office) procurement and appears to have been processed during a period when certain procurement activities on Tinian were administered locally.

At that time, Tinian was handling and processing certain procurement transactions without routing them through the Division of Procurement Services for review and approval. As Procurement Services was not directly involved in the processing of this transaction, we are unable to determine the specific circumstances surrounding the absence of the required quotation documentation.

To address this issue, Procurement Services has reinforced procurement requirements with designated procurement personnel and expenditure authorities. Procurement Services will continue to provide guidance, training, and oversight to ensure that procurement transactions are routed through the appropriate procurement channels and that all required quotations, approvals, and supporting documentation are obtained and maintained in the procurement file prior to processing.

These actions are intended to strengthen internal controls, improve compliance with procurement requirements, and reduce the likelihood of similar findings in the future.

Proposed Completion Date: Ongoing

Condition 14:
The Procurement Services Division agrees with this finding. Procurement Services agrees that vendor eligibility was not verified in accordance with 2 CFR Part 180 prior to the covered transactions identified by the auditors. As a result, the Commonwealth was not fully compliant with the federal suspension and debarment requirements applicable to these procurements.

To address this issue, Procurement Services has incorporated suspension and debarment verification into its procurement review process. For federally funded covered transactions, expenditure authorities will be required to provide documentation from the System for Award Management (SAM.gov) confirming that the vendor is not suspended or debarred. This documentation must be submitted with the procurement package and retained in the procurement file prior to award.

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Finding No.: 2023-032, continued
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Procurement and Suspension and Debarment
Questioned Costs: $4,477,879
Contact Person(s): Tracy B. Norita, Secretary of Finance / Geraldine Cruz, Procurement Services Director
Corrective Action Plan:

Procurement Services will review the documentation as part of the procurement process and will provide additional guidance to procurement personnel and expenditure authorities regarding federal suspension and debarment requirements and documentation standards.

These measures will help strengthen internal controls, improve compliance with federal requirements, and ensure that the necessary documentation is maintained in the procurement file going forward.

Proposed Completion Date: Completed

Finding No.: 2023-033
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Reporting
Questioned Costs: $-0-
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

Condition 1-3:
The CNMI Department of Finance agrees with this finding. Required Project and Expenditure Reports were not submitted for certain periods and supporting documentation and revenue loss calculations were unavailable for audit review. The primary cause was staff turnover and reorganization following a change in administration in FY 2023, which highlighted gaps in reporting capacity. This occurred alongside issues identified in the finding, including insufficient processes following CNMI's transition from JD Edwards to Tyler Munis, missing supporting documentation, and lack of structured reporting controls.

The proposed corrective actions are described below:

a. Cross-Training of Personnel (Implemented)
CNMI DOF has cross-trained multiple staff to ensure continuity and eliminate dependency on any single employee for revenue-loss analysis and reporting and documentation retention. This improves data accuracy and prevents operational disruptions.

b. Strengthening Data Extraction & Documentation Processes (In Progress)
DOF is developing processes to reliably extract revenue-related data from Tyler Munis to support timely revenue-loss calculations, as recommended by auditors.

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Finding No.: 2023-033, continued
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Reporting
Questioned Costs: $-0-
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

c. Municipal Training and Oversight Clarification (In Progress)
CNMI will work closely with municipalities—particularly Rota, which is less familiar with federal grant requirements—to:

- Clarify who is responsible for SLFRF reporting oversight
- Verify the municipality's elected option under the Final Rule
- Provide training and technical assistance to ensure full compliance

d. Development of reports
DOF will formalize a written SOP establishing:

- Required timelines
- Documentation standards
- Review procedures
- Data retention requirements

Proposed Completion Date: October 31, 2026 (Some actions already implemented; others underway)

Finding No.: 2023-034
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Subrecipient Monitoring
Questioned Costs: $15,640,541
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

Condition 1-3:
The CNMI Department of Finance agrees with this finding. During FY 2023, the Department of Finance became aware that existing practices for subrecipient monitoring did not fully meet federal requirements under 2 CFR 200.331–200.332. DOF began implementing corrective actions in the latter part of FY 2023 and continued strengthening procedures throughout FY 2024, including improvements in documentation, SAM.gov verification, and basic risk assessment elements.

In response to these identified gaps, the CNMI formally adopted comprehensive Subrecipient Monitoring Policies and Procedures effective October 28, 2025, which fully incorporate federal pass-through entity requirements and include standardized processes, templates, monitoring tools, and clear definitions. These procedures were not applied retroactively; however, they are fully in place for FY 2025 and ongoing operations.

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Finding No.: 2023-034, continued
AL Program: COVID-19 21.027 - Coronavirus State and Local Fiscal Recovery Funds
Area: Subrecipient Monitoring
Questioned Costs: $15,640,541
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

As a result, while we anticipate partial improvement and reduced findings for FY 2024 due to incremental implementation of best practices, we do not expect subrecipient monitoring findings beginning in FY 2025, as the adopted SOP directly addresses all elements identified in the FY 2023 audit finding.

Proposed Completion Date: Ongoing

Finding No.: 2023-035
AL Program: COVID-19 84.425H – Education Stabilization Fund – Governors (Outlying Areas) (ESF-Governor)
Area: Allowable Costs/Cost Principles
Questioned Costs: $-0-
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

The CNMI Department of Finance agrees with this finding. While approval controls are implemented within the Munis financial system and, since the FY2022 system migration, all federal expenditure approvals have been processed in Munis, the supporting evidence was provided to the auditors on April 9, 2026, after the agreed documentation deadline of February 19, 2026, resulting in evidence-timing deficiency. CNMI established a Standard Operating Procedure for Internal Control for Federal Grants Management on May 1, 2025, to govern these processes, and management will ensure that going forward the expenditure workflow, not solely the journal entry workflow, is attached to documentation submitted with audit requests and will be included in the required documents checklist; documents of approval are available upon request.

Proposed Completion Date: Completed

Finding No.: 2023-036
AL Program: COVID-19 84.425H – Education Stabilization Fund – Governors (Outlying Areas) (ESF-Governor)
Area: Matching, Level of Effort, Earmarking
Questioned Costs: $-0-
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

The CNMI Department of Finance agrees with this finding. CNMI acknowledges the absence of documented standard operating procedures and internal controls governing the review and approval of financial data used to compute maintenance-of-effort (MOE) requirements. Upon completion of the MOE report, CNMI worked closely with the grantor and the state educational agency to compile the required information; because CNMI does not customarily receive this type of U.S. Department of Education award and received these funds only as part of the COVID-19 relief program, formal procedures were not previously in place. The grant covered by this finding is now closed; should CNMI receive future awards from this grantor, CNMI will adopt and implement a formal SOP for MOE calculations and related review and approval controls prior to preparing any MOE reports.

Proposed Completion Date: Ongoing

Finding No.: 2023-037
AL Program: COVID-19 84.425H – Education Stabilization Fund – Governors (Outlying Areas) (ESF-Governor)
Area: Reporting
Questioned Costs: $-0-
Contact Person(s): Tracy B. Norita, Secretary of Finance
Corrective Action Plan:

Condition 1-2:
The CNMI Department of Finance agrees with this finding. CNMI acknowledges that, while the ED annual performance report (APR) for FY2023 was submitted, the underlying accounting records supporting the reported data were not included, and CNMI was not fully aware of the FFATA subaward reporting requirement for this program. To address these deficiencies, CNMI will (1) ensure that all future APR submissions include the complete supporting accounting documentation and that such documentation is retained and made available to auditors upon request, and (2) incorporate FFATA/FSRS reporting requirements into the CNMI Internal Control SOP for federal grants and implement procedures to verify timely submission of all first-tier subawards of $30,000 or more.

Proposed Completion Date: Ongoing

Finding No.:	2023-038
AL Program:	COVID-19 84.425H – Education Stabilization Fund – Governors (Outlying Areas) (ESF-Governor)
Area:	Subrecipient Monitoring
Questioned Costs:	$6,641,757
Contact Person(s):	Tracy B. Norita, Secretary of Finance

Corrective Action Plan:

Condition 1-2:
The CNMI Department of Finance agrees with this finding. CNMI submitted risk-assessment and monitoring compliance documentation to the auditor on February 26, 2026, after the agreed February 19, 2026, deadline, resulting in evidence-timing deficiency. CNMI established Standard Operating Procedures for subrecipient monitoring effective October 28, 2026. Management will implement standardized file-labeling and retention procedures in accordance with the SOP so that each subrecipient file contains the subrecipient determination, required subaward clauses, the unique entity identifier, documented SAM.gov exclusion checks, and verification of audit requirements. In alignment with 2 CFR §200.332, CNMI will review financial and performance reports quarterly, conduct an annual performance assessment using a standardized checklist (updated annually or upon project completion), maintain documentation of all monitoring activities, and verify audit status for entities subject to the Single Audit Act. The risk-assessment and monitoring compliance documentation for this grant is available to the auditor upon request.

Proposed Completion Date: Completed

Finding No.:	2023-039
AL Program:	93.489/93.575/93.596 – CCDF Cluster COVID-19 93.489/93.575/93.596 CCDF Cluster
Area:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs:	$71,972
Contact Person(s):	Roselle Teregeyo, CCDF Co-Administrator/Accountant

Corrective Action Plan:

The CNMI CCDF Program agrees with this finding. For seven (or 18%) out of the forty samples tested, CNMI did not provide the purchase order, contract, and/or invoice(s) supporting the allowability of the costs.

To strengthen internal controls and ensure adequate accountability over Federal awards, the CNMI CCDF Program has implemented a filing system where all documents relating to a federal award are properly maintained and labeled for accessibility. This implementation became effective on October 1, 2025.

Proposed Completion Date: Completed

Finding No.: 2023-040
AL Program: 93.489/93.575/93.596 – CCDF Cluster
COVID-19 93.489/93.575/93.596 CCDF Cluster
Area: Eligibility
Questioned Costs: $12,490
Contact Person(s): Roselle Teregeyo, CCDF Co-Administrator/Accountant
Corrective Action Plan:

Condition 1:
The CNMI CCDF Program respectfully disagrees with this finding. During the audit period, the CNMI CCDF State Plan for FY 2022–2024, Section 3.1.8, Employment Requirements, permitted the acceptance of a USCIS receipt notice (WAC receipt number) as documentation of employment authorization when applicable. Specifically, the State Plan states that a USCIS receipt indicating a WAC number may be requested when necessary and that additional documentation may be requested to identify applicants who meet the long-term employment criteria.

Based on the policies in effect during the certification periods cited above, the CCDF Program determined eligibility using the documentation requirements established in the approved CCDF State Plan. Therefore, the questioned costs associated with these cases were incurred in accordance with the Program's established eligibility policies at that time.

The issue occurred during a period of increased application volume when eligibility determinations and document reviews were processed manually. In addition, the State Plan language did not explicitly state that USCIS receipt notices would not be accepted as evidence of employment authorization, which contributed to differing interpretations of acceptable documentation requirements.

Although the Program maintains that the cited cases were processed in accordance with the policies in effect during the audit period, the CCDF Program has strengthened its documentation requirements to address concerns raised in prior audits.

Effective February 1, 2026, the CCDF Program no longer accepts USCIS employment authorization receipt notices as proof of work authorization. This policy change was implemented through CCDF Memorandum Subsidy FY26 No. 1 and serves as a corrective action to ensure consistency and strengthen compliance with employment verification requirements. Program staff have been notified of the revised policy and eligibility determinations will now require approved work authorization documentation rather than receipt notices.

Proposed Completion Date: Completed

Finding No.:	2023-040, continued
AL Program:	93.489/93.575/93.596 – CCDF Cluster COVID-19 93.489/93.575/93.596 CCDF Cluster
Area:	Eligibility
Questioned Costs:	$12,490
Contact Person(s):	Roselle Teregeyo, CCDF Co-Administrator/Accountant

Corrective Action Plan:

Condition 2:
The CNMI CCDF Program agrees with this finding. During the audit period, provider payments were processed manually for approximately 1,101 children each month. The manual calculation and entry of subsidy amounts increased the risk of human error, resulting in isolated instances of overpayments and underpayments.

To strengthen internal controls and reduce the risk of payment errors, the CCDF Program has been working with a contracted system developer since late 2025 to implement an automated subsidy management system. Once operational, the system will automatically calculate and assign payment amounts based on eligibility factors, including the child's age and approved level of care, thereby reducing reliance on manual calculations.

The CCDF Program will continue monitoring payment processes and implementing automated controls to improve payment accuracy and strengthen compliance with program requirements.

The Program will initiate recovery of the $390 overpayment identified in Case ID 3040 B through adjustments to provider payments scheduled for August and September 2026.

For the underpayments identified in Case IDs 3275 B, 3275 C, and 3600 C, the Program will process payment adjustments and issue the respective amounts owed through the August 2026 provider payment cycle.

Proposed Completion Date: September 2026

Finding No.:	2023-041
AL Program:	93.489/93.575/93.596 – CCDF Cluster COVID-19 93.489/93.575/93.596 CCDF Cluster
Area:	Period of Performance
Questioned Costs:	$95,367
Contact Person(s):	Roselle Teregeyo, CCDF Co-Administrator/Accountant

Corrective Action Plan:

Condition 1 & 3a:
The CNMI CCDF Program agrees with this finding. To strengthen oversight and ensure adequate accountability over Federal awards, the CNMI CCDF Program has implemented a filing system

Finding No.:	2023-041, continued
AL Program:	93.489/93.575/93.596 – CCDF Cluster COVID-19 93.489/93.575/93.596 CCDF Cluster
Area:	Period of Performance
Questioned Costs:	$95,367
Contact Person(s):	Roselle Teregeyo, CCDF Co-Administrator/Accountant

Corrective Action Plan:

where all documents relating to a federal award are properly maintained and labeled for accessibility. This system became effective on October 1, 2025.

Proposed Completion Date: Completed

Condition 2 & 3b:
The CNMI CCDF Program agrees with this finding and acknowledges the need to strengthen internal controls to ensure that all expenditures are cleared by the bank before the end of the liquidation period.

The CCDF Program will coordinate with the Department of Finance (DOF) Financial Services Division regarding the establishment of a monitoring log that tracks all checks issued and cleared by vendor and office. Once this log is implemented, the CCDF Program will request regular copies to allow responsible staff to verify whether payments have cleared and to follow up with vendors as needed to ensure timely bank reconciliation.

To streamline payment processing and enhance compliance with federal cash management requirements, the CCDF Program is exploring a transition to a fully ACH-based payment system. Moving to electronic payments will reduce delays associated with paper checks, improve tracking and reconciliation, and strengthen internal controls over disbursements.

This corrective action is currently in progress. The CCDF Program anticipates full implementation of the monitoring process and/or ACH transition by October 1, 2026.

Proposed Completion Date: October 1, 2026

Finding No.:	2023-042
AL Program:	93.489/93.575/93.596 – CCDF Cluster COVID-19 93.489/93.575/93.596 CCDF Cluster
Area:	Special Tests and Provisions – Health and Safety Requirements
Questioned Costs:	$-0-
Contact Person(s):	Roselle Teregeyo, CCDF Co-Administrator/Accountant

Corrective Action Plan:

The CNMI CCDF Program agrees with this finding. Two types of providers were tested, Licensed center-based programs and license-exempt home-based programs.

Finding No.:	2023-042, continued
AL Program:	93.489/93.575/93.596 – CCDF Cluster COVID-19 93.489/93.575/93.596 CCDF Cluster
Area:	Special Tests and Provisions – Health and Safety Requirements
Questioned Costs:	$-0-
Contact Person(s):	Roselle Teregeyo, CCDF Co-Administrator/Accountant

Corrective Action Plan:

For the Licensed center-based program, the Unannounced visit was conducted on December 27, 2022, and the renewal (announced) visit was conducted on May 17, 2023. Prior to the May visit, the CCDF program was in a transition period in the full implementation of the Reach Higher CNMI Monitoring Check In visits. Before May 2023, visits were conducted but the reports were not reviewed nor signed off by the CCDF Director. Beginning May, as evidenced by the May 17, 2023 visit, all check in visits were submitted to the CCDF Office and these are reviewed and signed off by the CCDF Director.

Similarly, for home-based programs, prior to October 2023, all check in visits were not submitted to the CCDF Director for reviewed and signature. However, beginning October 1, 2023, home based programs check in visits reports are now submitted to the CCDF Office for the Director's review and sign off.

The following corrective actions have been implemented by the CNMI CCDF Program to prevent recurrence:

- The CCDF Director or designee will review and affix his/her signature on all CCDF provider check in visit reports to ensure oversight, accuracy, and compliance with CCDF monitoring requirements.

- All check in visit reports have been submitted to the CCDF Office for review and signature by the CCDF Director beginning May 17, 2023 for licensed center-based programs and October 1, 2023 for license-exempt home-based programs. This process has been consistently followed since those dates.

- Monthly meetings will include reminders to all consultants regarding the required submission and review procedure to ensure continued adherence.

Procedure fully implemented since May 2023 and October 1, 2023, for licensed center-based programs and licensed-exempt home-based programs respectively.

Proposed Completion Date: Completed

Finding No.: 2023-043
AL Program: 93.767 – Children's Health Insurance Program (CHIP)
Area: Reporting
Questioned Costs: $-0-
Contact Person(s): George J. Cruz, Medicaid Director
Corrective Action Plan:

The Commonwealth Medicaid Agency (CMA) respectfully disagrees with the auditor's finding.

While the Agency acknowledges that certain supporting documentation was not provided within the timeframe requested during the audit, CMA does not agree that the reported expenditures were unsupported. The Agency experienced resource and staffing constraints that affected its ability to compile and produce all requested documentation within the audit timeline. However, the office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor.

To strengthen reporting processes and ensure timely availability of supporting records, CMA has developed reporting procedures and is currently recruiting a Fiscal Analyst position that will be responsible for CMS-64 reporting, reconciliations, documentation retention, and related federal reporting requirements. The Agency continues to improve its reporting processes and internal controls to ensure supporting documentation is maintained and readily available for future audits and reviews.

Proposed Completion Date: Ongoing

Finding No.: 2023-044
AL Program: 93.767 – Children's Health Insurance Program (CHIP)
Area: Special Tests and Provisions – Provider Eligibility
Questioned Costs: $7,808,322
Contact Person(s): George J. Cruz, Medicaid Director
Corrective Action Plan:

The Commonwealth Medicaid Agency (CMA) respectfully disagrees with the auditor's finding.

CMA does not believe the finding fully reflects the Agency's efforts to comply with provider screening and exclusion requirements during the audit period. While documentation supporting certain screening activities was not readily available for auditor review, the Agency has historically performed provider eligibility and exclusion reviews as part of its enrollment and oversight processes.

To further strengthen compliance and documentation practices, CMA has developed provider enrollment and screening procedures, conducted retrospective exclusion reviews where documentation was unavailable, and continues to enhance monitoring activities. In addition, the

Finding No.: 2023-044, continued
AL Program: 93.767 – Children's Health Insurance Program (CHIP)
Area: Special Tests and Provisions – Provider Eligibility
Questioned Costs: $7,808,322
Contact Person(s): George J. Cruz, Medicaid Director
Corrective Action Plan:

Agency has expanded staffing resources and continues to recruit and assign personnel dedicated to provider enrollment, compliance, and program integrity functions to ensure federal screening requirements are consistently performed, documented, and monitored.

Proposed Completion Date: Ongoing

Finding No.: 2023-045
AL Program: 93.778 – Medical Assistance Program (Medicaid; Title XIX)
Area: Reporting
Questioned Costs: $-0-
Contact Person(s): George J. Cruz, Medicaid Director
Corrective Action Plan:

The Commonwealth Medicaid Agency (CMA) respectfully disagrees with the auditor's finding.

While the Agency acknowledges that certain supporting documentation was not provided within the timeframe requested during the audit, CMA does not agree that the reported expenditures were unsupported. The Agency experienced resource and staffing constraints that affected its ability to compile and produce all requested documentation within the audit timeline. However, the office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor.

To strengthen reporting processes and ensure timely availability of supporting records, CMA has developed reporting procedures and is currently recruiting a Fiscal Analyst position that will be responsible for CMS-64 reporting, reconciliations, documentation retention, and related federal reporting requirements. The Agency continues to improve its reporting processes and internal controls to ensure supporting documentation is maintained and readily available for future audits and reviews.

Proposed Completion Date: Ongoing

Finding No.: 2023-046
AL Program: 93.778 – Medical Assistance Program (Medicaid; Title XIX)
Area: Special Tests and Provisions – ADP Risk Analysis and System Security Review
Questioned Costs: Undeterminable
Contact Person(s): George J. Cruz, Medicaid Director
Corrective Action Plan:

The Commonwealth Medicaid Agency (CMA) respectfully disagrees with the auditor's finding.

CMA provided documentation supporting its ADP security and risk management activities and does not believe the finding fully reflects the Agency's efforts to comply with applicable requirements. CMA maintains policies and procedures governing ADP security and risk management and has dedicated personnel responsible for conducting and overseeing security assessments.

To further strengthen compliance and documentation practices, CMA continues to evaluate and enhance its policies, procedures, and internal controls related to ADP security reviews, risk assessments, and record retention. The Agency has completed an ADP security assessment and maintains supporting policies and procedures, which are available upon request.

Proposed Completion Date: Completed

Finding No.: 2023-047
AL Program: 93.778 – Medical Assistance Program (Medicaid; Title XIX)
Area: Special Tests and Provisions – Provider Eligibility (Screening and Enrollment)
Questioned Costs: $28,448,121
Contact Person(s): George J. Cruz, Medicaid Director
Corrective Action Plan:

The Commonwealth Medicaid Agency (CMA) respectfully disagrees with the auditor's finding.

CMA does not believe the finding fully reflects the Agency's efforts to comply with provider screening and exclusion requirements during the audit period. While documentation supporting certain screening activities was not readily available for auditor review, the Agency has historically performed provider eligibility and exclusion reviews as part of its enrollment and oversight processes.

To further strengthen compliance and documentation practices, CMA has developed provider enrollment and screening procedures, conducted retrospective exclusion reviews where documentation was unavailable, and continues to enhance monitoring activities. In addition, the Agency has expanded staffing resources and continues to recruit and assign personnel dedicated

Finding No.: 2023-047, continued
AL Program: 93.778 – Medical Assistance Program (Medicaid; Title XIX)
Area: Special Tests and Provisions – Provider Eligibility (Screening and Enrollment)
Questioned Costs: $28,448,121
Contact Person(s): George J. Cruz, Medicaid Director
Corrective Action Plan:

to provider enrollment, compliance, and program integrity functions to ensure federal screening requirements are consistently performed, documented, and monitored.

Proposed Completion Date: Ongoing

Finding No.: 2023-048
AL Program: 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
COVID-19 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Area: Allowable Costs/Cost Principles
Questioned Costs: $305,995
Contact Person(s): Patrick Guerrero, Governor's Authorized Rep., PAO
Corrective Action Plan:

Condition 1:
The CNMI Public Assistance Office (PAO) partially agrees with the finding and disagrees with the questioned cost. PAO acknowledges that improvements are needed to strengthen recordkeeping and document retrieval procedures to ensure supporting documentation is readily available during audits and monitoring reviews. However, PAO believes several questioned costs resulted from documentation submission and retrieval issues rather than actual unallowable expenditures.

The CNMI PAO was provided approximately two business days to gather and submit documentation supporting the audit sample selections. Due to the nature of the Program, project files are often extensive and contain numerous supporting documents. For example, one sampled project contained approximately eighteen separate attachments, several of which exceeded 300 pages. As a result, while PAO made every effort to provide complete documentation within the allotted timeframe, certain supporting records were inadvertently omitted from the submission package despite being available within program records.

Regarding the questioned cost, the cleared check associated with the transaction exists and was available within PAO records. The document was inadvertently omitted from the documentation package submitted during the audit process due to the volume of records requested and the limited

Finding No.:	2023-048, continued
AL Program:	97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$305,995
Contact Person(s):	Patrick Guerrero, Governor's Authorized Rep., PAO

Corrective Action Plan:

timeframe provided for document production. Therefore, PAO does not believe this expenditure represents an unsupported or unallowable cost.

PAO will take better care for future audit requests to verify that all supporting documentation, including payment records, has been included prior to submission.

Proposed Completion Date: Ongoing

Condition 2:
The CNMI Public Assistance Office (PAO) disagrees with this finding and questioned cost.

The payment was made to the correct vendor. The vendor operates under multiple DBA names associated with the same parent company. During the Government's transition from JD Edwards (JDE) to Munis, vendor information was not consistently standardized, resulting in a discrepancy between the vendor's name appearing on the invoice and the payee reflected on the check. The payment was nevertheless made to the intended vendor and the expenditure was incurred for an allowable Public Assistance purpose.

PAO notes that vendor master file maintenance and vendor profile administration are functions performed by the Department of Finance. Since FY 2023, the vendor profile has been updated to reflect the parent company name and eliminate confusion regarding DBA designations.

Proposed Completion Date: Completed

Condition 3:
The CNMI Public Assistance Office (PAO) agrees with this finding.

PAO acknowledges the importance of maintaining documentation demonstrating supervisory review and approval of personnel costs charged to federal awards. Although the timesheet was maintained, documentation evidencing management approval was not available for audit review.

Finding No.:	2023-048, continued
AL Program:	97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Area:	Allowable Costs/Cost Principles
Questioned Costs:	$305,995
Contact Person(s):	Patrick Guerrero, Governor's Authorized Rep., PAO

Corrective Action Plan:

PAO will implement periodic reviews of personnel documentation to verify that supervisory approvals are properly documented and retained.

Proposed Completion Date: June 30, 2027

Condition 4:
The CNMI Public Assistance Office (PAO) agrees with the finding.

PAO acknowledges the need to maintain complete personnel documentation supporting payroll expenditures charged to federal awards. Required supporting records were not available during the audit process.

PAO will strengthen filing procedures for personnel action forms, timesheets, and related payroll records. Both physical and electronic files will be maintained and periodically reviewed for completeness.

Proposed Completion Date: June 30, 2027

Condition 5:
The CNMI Public Assistance Office (PAO) disagrees with this finding and questioned cost.

The applicable timesheet supporting the sampled payroll transaction exists and remains in PAO custody. During the audit process, a timesheet from an incorrect pay period was inadvertently provided in response to the sample request. Therefore, PAO believes sufficient supporting documentation exists for the payroll charge and does not believe the questioned cost represents an unsupported expenditure.

PAO will implement additional quality control procedures to verify that documents submitted during audits correspond to the specific pay period and transaction selected for testing.

Proposed Completion Date: Ongoing

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Finding No.: 2023-048, continued
AL Program: 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
COVID-19 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Area: Allowable Costs/Cost Principles
Questioned Costs: $305,995
Contact Person(s): Patrick Guerrero, Governor's Authorized Rep., PAO
Corrective Action Plan:

Condition 6:
The CNMI Public Assistance Office (PAO) agrees with the finding that documentation was unavailable but partially disagrees with the questioned cost.

The inability to produce the payroll labor distribution report resulted from issues associated with the Department of Finance's migration to the Munis financial system. The journal entry was released despite the labor distribution details not being readily distinguishable within the system.

PAO notes that labor distribution reporting and payroll system administration are functions performed by the Department of Finance rather than PAO.

While PAO agrees that supporting documentation was unavailable for audit review, PAO does not believe the condition necessarily indicates that the underlying payroll costs were unallowable.

PAO will coordinate with timekeepers to identify and obtain payroll support documentation necessary to substantiate personnel costs charged to federal awards. PAO will also perform periodic reviews of payroll records to identify missing supporting documentation before audit periods.

Proposed Completion Date: December 31, 2026

Finding No.:	2023-049
AL Program:	97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Area:	Reporting
Questioned Costs:	$-0-
Contact Person(s):	Patrick Guerrero, Governor's Authorized Rep., PAO

Corrective Action Plan:

CNMI Public Assistance Office (PAO) agrees with the auditor's finding and conclusion. PAO acknowledges that required FFATA first-tier subaward reports were not submitted to the FFATA Subaward Reporting System (SAM.gov) for FEMA Public Assistance disasters DR-4235-MP, DR-4396-MP, DR-4404-MP, and DR-4511-MP during Fiscal Year 2023.

The issue occurred because PAO did not have direct access to the FFATA reporting system and had not established formal written procedures to identify reportable subawards, track reporting deadlines, and ensure timely submission of required reports. In addition, monitoring controls over FFATA reporting requirements were not sufficiently developed to detect and prevent noncompliance. As a result, required reports were not submitted within the prescribed reporting period.

The CNMI Public Assistance Office will implement the following corrective actions:

- Develop and implement written FFATA reporting policies and procedures that establish responsibilities for identifying reportable subawards, preparing required reports, maintaining supporting documentation, obtaining supervisory review and approval, and documenting report submission.

- Establish a centralized tracking log for all FEMA Public Assistance subawards to identify FFATA-reportable awards and monitor reporting deadlines.

- Continue coordinating with the appropriate federal and CNMI agencies to obtain access to the FFATA Subaward Reporting System (SAM.gov) or identify an authorized entity responsible for submitting FFATA reports on behalf of the CNMI Public Assistance Office.

- Conduct periodic management reviews of subaward activities and reporting requirements to ensure compliance with FFATA reporting deadlines and documentation requirements.

PAO has made multiple requests for access to the FFATA reporting system and continues to follow up with the appropriate agencies regarding access and reporting responsibilities. Management has reviewed the audit finding and begun evaluating procedures needed to identify reportable

Finding No.:	2023-049, continued
AL Program:	97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Area:	Reporting
Questioned Costs:	$-0-
Contact Person(s):	Patrick Guerrero, Governor's Authorized Rep., PAO

Corrective Action Plan:

subawards and track reporting requirements. PAO has initiated efforts to improve grant file organization and documentation management to support future compliance activities.

Upon obtaining access to the appropriate reporting system or confirmation of the responsible reporting entity, PAO will review all current and future FEMA Public Assistance subawards for FFATA applicability and ensure required reports are submitted within established deadlines. The implementation of written procedures, supervisory review, and a subaward tracking system will provide ongoing monitoring and accountability to prevent future instances of noncompliance.

The proposed completion date reflects the time necessary to obtain system access or establish reporting responsibilities, develop, and implement formal procedures, train responsible personnel, and fully integrate FFATA compliance monitoring into PAO's grant management processes.

Proposed Completion Date: September 30, 2027

Finding No.:	2023-050
AL Program:	97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Area:	Subrecipient Monitoring
Questioned Costs:	$7,350,898
Contact Person(s):	Patrick Guerrero, Governor's Authorized Rep., PAO

Corrective Action Plan:

Condition 1-2:
The CNMI Public Assistance Office (PAO) acknowledges and agrees with the compliance deficiencies identified regarding subrecipient monitoring and documentation requirements under 2 CFR §200.332 and has developed corrective actions to address these weaknesses.

However, PAO respectfully disagrees with the questioned cost determination. The finding relates to deficiencies in monitoring procedures and documentation rather than the allowability, eligibility, or support for the underlying expenditures. The expenditures identified were associated

Finding No.:	2023-050, continued
AL Program:	97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) COVID-19 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Area:	Subrecipient Monitoring
Questioned Costs:	$7,350,898
Contact Person(s):	Patrick Guerrero, Governor's Authorized Rep., PAO

Corrective Action Plan:

with FEMA-approved projects and no specific costs were identified as unallowable, unsupported, outside the approved scope of work, or otherwise ineligible for federal participation.

While PAO recognizes that monitoring documentation was insufficient to demonstrate compliance with subrecipient monitoring requirements, PAO believes the appropriate classification is a compliance finding without questioned costs.

Accordingly, PAO respectfully requests consideration that questioned costs associated with this finding be reduced to $0.

Subrecipient monitoring activities were historically performed alongside project management responsibilities and were not supported by a centralized tracking system. As the number and complexity of Public Assistance projects increased, monitoring activities, documentation, and audit follow-up procedures were not consistently performed or documented. In addition, delays in the completion of CNMI-wide Single Audits and limited responsiveness from certain subrecipients affected PAO's ability to obtain timely financial reports, audit reports, and supporting documentation.

PAO is implementing corrective actions in phases to establish a sustainable and documented subrecipient monitoring framework.

Phase I – Immediate Actions (Completed/In Progress)

- Responsibility for subrecipient monitoring activities has been assigned to the Compliance Manager and Risk Officer to provide dedicated oversight independent of project management functions.
- PAO has begun conducting biannual subrecipient risk assessments and documenting risk ratings for active subrecipients.
- For nonresponsive subrecipients, PAO will maintain documentation of all attempts to obtain required information and will perform additional follow-up as appropriate. These records will be maintained as evidence of monitoring activities and due diligence.
- Standardized monitoring checklists, risk assessment forms, audit review checklists, and follow-up procedures are being developed to improve consistency and documentation.

Finding No.: 2023-050, continued
AL Program: 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
COVID-19 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Area: Subrecipient Monitoring
Questioned Costs: $7,350,898
Contact Person(s): Patrick Guerrero, Governor's Authorized Rep., PAO
Corrective Action Plan:

- PAO will initiate a centralized tracking process using existing tools, including Excel spreadsheets and shared electronic files, to monitor:
  - Subrecipient risk assessments.
  - Financial and performance report submissions.
  - Single Audit report status.
  - Monitoring activities performed.
  - Corrective actions and follow-up requirements.
  - PAO will continue to document requests for financial reports, audit reports, risk assessment information, and other monitoring documentation. Supporting records, including request emails, follow-up correspondence, meeting invitations, telephone call logs, and responses received from subrecipients, will be retained to demonstrate monitoring efforts and follow-up actions.

Phase II – Process Formalization

- PAO will finalize written updates to the Subrecipient Monitoring Procedures establishing requirements for:
  - Risk assessments.
  - Monitoring frequency.
  - Financial and performance report reviews.
  - Single Audit follow-up.
  - Documentation retention.
  - Escalation procedures for nonresponsive subrecipients; and
  - Management review.
- PAO will establish a formal Subrecipient Monitoring Register that consolidates monitoring activities, risk ratings, audit status, corrective actions, compliance deadlines, and follow-up actions.
- Quarterly management reviews will be implemented to monitor completion of required monitoring activities, assess high-risk subrecipients, and address outstanding compliance issues.
- PAO will establish formal procedures to review subrecipient Single Audit reports, verify reporting of FEMA-funded expenditures on the SEFA, document audit reviews, and track corrective actions resulting from audit findings.

Finding No.: 2023-050, continued
AL Program: 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
COVID-19 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Area: Subrecipient Monitoring
Questioned Costs: $7,350,898
Contact Person(s): Patrick Guerrero, Governor's Authorized Rep., PAO
Corrective Action Plan:

Phase III – Compliance & Monitoring Portal (Future Implementation)

- Upon acquisition and implementation of Microsoft 365 resources, PAO will develop a centralized Compliance & Monitoring Portal to serve as the official repository for subrecipient monitoring records.
- The portal will include electronic tracking of risk assessments, monitoring activities, audit findings, corrective actions, reporting deadlines, communication logs, and supporting documentation.
- Automated reminders, management dashboards, workflow tracking, and document retention controls will be incorporated to strengthen oversight and improve monitoring documentation.

These corrective actions will establish a documented, risk-based monitoring framework that improves oversight of subrecipients, strengthens documentation and audit trails, formalizes monitoring procedures, enhances accountability through dedicated compliance personnel, and improves compliance with the requirements of 2 CFR §200.332.

Phase I – Ongoing
Phase II – June 30, 2027
Phase III – Upon acquisition and implementation of Microsoft 365 resources and completion of staff training.

Proposed Completion Date: June 30, 2027 (For Phase II). Phase I & II is Ongoing.

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2022				
2022-001 **2021-001**	General Ledger and Financial Statement Close Process	Partially Corrected	Tracy B. Norita, Secretary of Finance	February 2025**:** Procedures were developed and implemented in FY24 and applied to FY23 year-end closing activities. We anticipate this finding to be resolved in the FY23 audit and forward. The reason for the findings recurrence is due mainly to staff turnover and delays in fully integrating the Tyler Munis system into the CNMI's financial processes. With the system now in place and oversight measure reinforced, CNMI anticipates measurable improvements in financial reporting accuracy and compliance in future audits. 2022-001: Cause: The CNMI did not perform a combination of the following: (1) reconciliations, (2) proper cut-off procedures, (3) effective communications among departments, and (4) sufficient supervision and reviews relative to significant classes of transactions. CAP: The Department of Finance agrees with this finding. These challenges stem from factors such as staff turnover and the transition from a legacy financial system to the newly implemented Tyler Munis platform. The Tyler Munis system includes a dedicated Year-End Closing module equipped with a checklist designed to support timely reconciliations and ensure that all transactions are recorded in the appropriate accounting period. The Department has continued to utilize this module and anticipates measurable improvements in financial reporting accuracy and compliance going forward. 2021-001: Cause: The CNMI did not perform a combination of the following: (1) reconciliations, (2) proper cut-off procedures, (3) effective communications among departments, and (4) sufficient supervision and reviews relative to significant classes of transactions. CAP: The Department of Finance agrees with this finding which resulted from several challenges that include staff turnovers and the implementation of the new financial management system from the legacy system. The Department of Finance's new system Tyler Munis has the capability to manage the year-end process with a module that includes a Year-End Closing Checklist to ensure timely reconciliations are performed and transactions are recorded in the proper accounting period. DOF has begun using this module for FY 2022 and moving forward.

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2022-002 **2021-002** **2020-022** **2019-014** **2014-016** **2012-20** **2011-20**	Schedule of Expenditures of Federal Awards	Partially Corrected	Tracy B. Norita, Secretary of Finance	February 2025: Procedures were developed and implemented in FY24 and applied to FY23 year-end closing activities. We anticipate seeing significant improvements to this process and are expecting this finding to be resolved in FY24 audit and forward. The recurrence of this finding is primarily due to system transition challenges, weak SEFA preparation controls, and delays in resolving classification and legal issues (Municipality of Tinian). With enhanced account creation processes, improved oversight, and strengthened training, CNMI anticipates measurable improvements in SEFA accuracy and compliance in future audits. 2022-002: Cause: 1) CNMI did not effectively perform controls over the preparation of the SEFA and the notes to the SEFA, which resulted in several revised SEFA schedules resubmitted for the audit. 2) CNMI transitioned from its JD Edwards accounting system to Tyler Munis financial management system effective October 2021, for which the CNMI is still in the process of determining proper mapping of subledgers to the general ledger and as well as report generation processes that would be comparable between the trial balance and the federal expenditures project subledger reports. 3) Misclassification between subrecipients and beneficiaries in nature and/or as the end users of the awards. 4) CNMI did not effectively perform controls over the year-end process in recording accruals for unpaid expenditures that were incurred within the fiscal year. 5) Legal opinion as to whether the Municipality of Tinian is legally separated from the CNMI Central Government was not timely sought. CAP: Condition 1: The Department of Finance agrees with the findings. As FY2022 was the first year of the Tyler Enterprise ERP system (ERP), we identified inconsistencies between general ledger accounts and the project ledger used for federal transactions. To resolve this, we enhanced our account creation process to ensure each project string is properly linked to a general ledger account, improving traceability, reconciliation, and transparency. Condition 2, 3, 6, and 7: The Department of Finance agrees with the findings. As this fiscal year marks the first implementation of our ERP system, the account creation process was not initially designed to clearly identify subaward projects. To address this, we introduced a new project type to distinguish federal subaward-related projects, improving efficiency in SEFA reporting. We also formalized key policies with the release of the CNMI Internal Control for Federal Grants Management Manual in May 2025 and the CNMI Sub-recipient Monitoring Policies and Procedures in August 2025. Condition 4, 5, and 11: The Department of Finance agrees with the findings. Under the oversight of the Single Audit Committee, we have established internal deadlines to ensure final SEFA reports are reviewed and approved prior to audit submission. This process strengthens accuracy and completeness. In support of our audit catch-up efforts, we are committed to making all necessary reconciliations and adjustments before submitting the final SEFA reports to avoid revisions.

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				Condition 8: The Public Assistance Office agrees with this finding. For FY2022, the total amount expensed for subrecipients should have amounted to $6,850,955. PAO would like to clarify that, according to our program, there was a total of $9,095,755 in expenditures for FY 2022. These expenditures included $2,244,800 of expenditures by PAO, the pass-through entity. After further review, the remaining $15,046 variance was caused by the transition from JDE to Munis. During the transition, subrecipients erroneously had access to expend program funds without PAO review/approval. The Public Assistance Office will continue to track expenditures and ensure that compliance is maintained. Munis accesses and workflows have been corrected, and approvals and workflows are now tied to PAO rather than to the subrecipients. Furthermore, since FY 2024, PAO now prepares and requests for drawdowns, creating a new control to help ensure that the proper project worksheets are charged, and that expenses have been reviewed and approved by PAO prior to liquidation of expenditures. Condition 9: The Department of Finance agrees with the findings. Following the legal opinion from the CNMI Attorney General's Office in August 2025, we secured all necessary documentation from the Municipality of Tinian to ensure proper recording and reconciliation of transactions in our financial system. Condition 10: The Department of Finance agrees with the findings. To address the issue, we have established a dedicated project string/GL account to isolate all prior adjustments identified and entered by the Financial Services Federal Section during the current year. This approach ensures that, when preparing the SEFA, these transactions can be easily identified and properly accounted for. 2021-002: Cause: The CNMI did not effectively perform controls over the preparation of the SEFA and monitoring over program expenditures. CAP: The Department of Finance agrees with this finding and provides the following specific responses to each condition: Conditions 1 and 5: The multiple submissions of the SEFA report resulted from discrepancies identified in our legacy system. With our transition to the new financial system, we have implemented measures to ensure that the SEFA report accurately reflects expenditures under the respective grant project numbers, thereby resolving this issue going forward.

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				Conditions 2 and 3: To maintain accuracy in our SEFA reporting, our new financial system requires detailed entry of grant-specific information, which ensures precise capture in the SEFA report generation process. Condition 4: Moving forward, we will institute procedures to segregate the recording of Covid-19 and non-Covid-19 expenditures to enhance clarity and transparency in our financial reporting. In conclusion, the Department of Finance will incorporate these actions into our year-end closing checklist to guarantee the accuracy and completeness of the SEFA report. 2020-022: Cause: The CNMI does not appear to have been aware of and did not implement applicable regulations. Also, the CNMI lacks monitoring controls over the accuracy and completeness of the SEFA. CAP: The CNMI should prepare SEFA in accordance with federal requirements. Also, the CNMI should establish and implement monitoring controls to periodically review the SEFA during the fiscal year for accuracy and completeness. 2019-014: Cause: The CNMI lacks awareness of applicable regulations. CAP: The CNMI agrees with the finding and will provide training on the preparation of the SEFA in accordance with the Uniform Guidance. 2014-016: Cause: The cause is the lack of awareness and incorporation of applicable regulations. CAP: We will review SEFA preparation procedures in order to meet federal requirements. The lack of adequate accounting personnel within DOF contributed to the finding. Staff training is ongoing to fill in gaps cause by the loss of key personnel. 2012-20: Cause: The cause is the lack of awareness and incorporation of applicable regulations. CAP: The lack of adequate accounting personnel within DOF contributed to this finding. Staff training is ongoing to fill in gaps cause by the loss of key personnel. 2011-20: Cause: The cause is the lack of awareness and incorporation of applicable regulations. CAP: We agree with the finding and will reconcile the SEFA to the general ledger in the future.

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2022-003 **2021-003** **2020-002** **2019-002** **2017-003** **2016-003** **2015-004**	Cash and Cash Equivalents	Not Corrected	Bernadita C. Palacios, Financial Services Director / Connie Agulto, Treasurer	The recurrence of this finding is primarily due to delays in fully implementing oversight measures, gaps in signatory authority, and insufficient monitoring of negative and clearing cash accounts. With strengthened controls, centralized oversight, and system-based monitoring, CNMI anticipates eliminating this finding in future audits. 2022-003: Cause: The CNMI did not adhere to policies and procedures related to timely preparation of bank reconciliations, to update bank account authorized signatories, to assess negative cash accounts, and to reconcile cash clearing accounts for adjustment at fiscal year end. CAP: The Department of Finance agrees with this finding. The Department has established a dedicated team tasked with monitoring the progress and oversight of bank reconciliations. This collaborative effort includes representatives from the Secretary of Finance Office, Financial Services – Bank Reconciliation Section, and Treasury. As part of our comprehensive review, measures will be implemented to ensure that the CNMI Treasurer is included as a signatory for all central government cash accounts. 2021-003: Cause: The CNMI did not adhere to policies and procedures related to timely preparing bank reconciliations, to updating bank account authorized signatories, to assessing negative cash accounts, and to reconciling cash clearing accounts for adjustment at fiscal year end. CAP: The Department of Finance agrees with this finding. The Department has established a dedicated team tasked with monitoring the progress and oversight of bank reconciliations. This collaborative effort includes representatives from the Secretary of Finance Office, Financial Services – Bank Reconciliation Section, and Treasury. Following discussions in our recent meeting, it has been decided that a comprehensive review of all GL cash accounts will be conducted to ensure alignment with associated bank accounts and to oversee the completion of bank reconciliations for each cash account. It was observed that in FY2021, bank reconciliations for certain cash accounts were delegated to other departments/agencies, and in some cases, the CNMI Treasurer was not listed as an authorized signatory. As part of our comprehensive review, measures will be implemented to ensure that the CNMI Treasurer is included as a signatory for all central government cash accounts. Furthermore, we will incorporate a review of unidentified/clearing accounts into our Year-End Closing Checklist. Specific to Condition 3 outlined in the detailed response: Condition 3: The bank reconciliation for bank code 11400 was submitted to the auditors; however, adjustments to the cash account were not made to prevent a negative GL cash balance. Upon review, it was identified that an audit adjustment was proposed to increase cash and record a liability. Moving forward, we will prioritize maintaining a positive ending cash balance and ensure adherence to US GAAP standards.

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				2020-002: Cause: The CNMI did not adhere to policies and procedures related to timely preparing bank reconciliations, to updating bank account authorized signatories, to assessing negative cash accounts, and to reconciling cash clearing accounts for adjustment at fiscal year end. CAP: The CNMI agrees to the recommendations and should establish policies and procedures over the timely reconciliation and adjustment of bank accounts and cash clearing accounts and over the updating of the bank account signatories. 2019-002: Cause: The CNMI did not adhere to policies and procedures related to timely preparing bank reconciliations, to updating bank account authorized signatories, to assessing negative cash accounts, and to reconciling cash clearing accounts for adjustment at fiscal year end. CAP: Condition 1: Bank Code 11401 does not have any transactions during FY2019. Bank Code 11410 does not have any transactions during FY2019. Account 1010.11410 (BOH Special Disability) was closed on 07/26/2018 as described in JE 20701. Funds were deposited into BOG acct *4932 and into 1010.11411. For bank code 11431, bank reconciliations are not currently being done at DOF. Bank reconciliations for bank code 11431 is available at the GHLI office. CNMI will improve efforts to comply with cash management policies and submit requested documents in a timely manner as well as work with managing agency(s) to comply with DOF cash management policies. Condition 2: Bank Code 15050 does not have any transaction during FY2019. DOF will conduct a review of accounts to include 11628 and determine appropriate actions. Conditions 3: DOF accepts the proposed audit adjustments of $3,858,796. DOF will conduct a review and determine appropriate actions. Conditions 4&5: DOF will review the accounts and make the necessary adjustments. Condition 6: DOF accepts the proposed audit adjustment. Management will improve process to correct entries. 2017-003/2016-003: Cause: The CNMI did not adhere to policies and procedures related to timely preparing bank reconciliations, to updating bank account authorized signatories, to assessing negative cash accounts, and to reconciling cash clearing accounts for adjustment at fiscal year end. CAP: 1. An update signature card for the new authorized signers are completed and will be submitted in FY2018. 2. This account has remained inactive since its inception. DOF will conduct a review of accounts that remain inactive and proceed with appropriate consolidations and closures. 3. DOF accepts the proposed audit adjustments. The cash management policies were implemented in the latter part of FY17 and the reconciliation of similar accounts are to be completed in a timely manner. 4. These accounts are managed and reconciled by the Judicial branch, and DOF is working with them to provide the department with necessary documents to demonstrate internal controls.
				2015-004: Cause: The CNMI did not adhere to policies and procedures related to timely preparing bank reconciliations, to updating bank account authorized signatories, to assessing negative cash accounts, and to reconciling cash clearing accounts for adjustment at fiscal year end. CAP: DOF acknowledges this finding and will reconcile and clear all cash accounts before the end of the fiscal year. They will also work towards timely reconciliation in order to meet monthly and year end deadlines.

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2022-004 **2021-004** **2020-019** **2019-011** **2018-012** **2017-013** **2016-012** **2015-012** **2014-013**	CNMI Workers' Compensation Commission	Not Corrected	Remedio Mafnas, Secretary of Commerce, Department of Commerce	The recurrence of this finding is mainly due to coordination gaps, incomplete record reconciliation, and lack of formal procedures for WCC financial reporting. With strengthened collaboration, standardized processes, and full integration into the MUNIS system, CNMI anticipates resolving this issue in future audits. 2022-004: <u>Cause</u>: The CNMI lacks coordination over the transfer of WCC accounts between NMIRF and the CNMI and lacks procedures over financial reporting. <u>CAP</u>: The CNMI agrees with this finding. The transition transferred from NMIRF into Commerce took effect on September 30, 2013. To the best of my knowledge ALL WCC pertinent financial records including bank information has been transmitted from NMIRF to the Office of the Secretary of Finance at the time and copies provided to the Commerce secretary. WCC accounts have been established by DOF under JD Edwards and now in our new MUNIS system now, account # 6078 and all revenue collections are paid/deposited at the CNMI Treasury under class code CD086. Secretary of Commerce and Director WCC will work towards getting all the information from the Investment Money Manager and Hawaii Bank of Hawaii investment department. 2021-004: <u>Cause</u>: The CNMI lacks coordination over the transfer of WCC accounts between NMIRF and the CNMI and lacks procedures over financial reporting. <u>CAP</u>: The Department of Finance agrees with this finding, and we will work with CNMI Department of Commerce to obtain documentation and background information regarding this transaction to accurately review the entries made to reflect the WCC accounts transfer from NMIRF to CNMI Department of Commerce. Also, the monitoring of these accounts will be included in our Year-End Closing process. 2020-019: <u>Cause</u>: The CNMI lacks coordination over the transfer of WCC accounts between NMIRF and the CNMI and lacks procedures over financial reporting. <u>CAP</u>: The Office of Management and Budget agrees to this finding. The semi-annual report has been completed and prepared for the respective fiscal year. The program obtained the established schedule from the federal agency and reminders have been set prior to report due dates. OMB will communicate with the respective recipients to liquidate the remaining balances in business units I17CIC, I17CIE, I17CIF, I17CIK, and I17CIL for the services provided to FAS citizens. OMB will amend the SF 425 to reflect corrections on actual expenditures recorded.

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				2019-011/2018-012/2017-013: Cause: The CNMI lacks coordination over the transfer of WCC accounts between NMIRF and the CNMI and lacks procedures over financial reporting. CAP: DOF and Department of Commerce will finalize the transfer of assets in writing and complete the work on establishing and assigning general ledger accounts for WCC funds. 2016-012/2015-012: Cause: The CNMI lacks coordination over the transfer of WCC accounts between NMIRF and the CNMI and lacks procedures over financial reporting. CAP: DOF and Department of Commerce will finalize the transfer of assets in writing and complete the work on establishing and assigning general ledger accounts for WCC funds. A consultant has been hired to assist with this matter. An investment policy is currently under review and will be finalized by end of 2017. 2014-013: Cause: The CNMI lacks coordination over the transfer of WCC accounts between NMIRF and the CNMI and lacks procedures over financial reporting. CAP: We agree with the recommendations and have established the accounting structure for WCC. Bank reconciliations will be incorporated into the regular reconciliation process. We will review current CNMI investment policies as they apply to WCC.
2022-005 **2021-005** **2020-012**	Net Pension Liability	Not Corrected	Tracy B. Norita, Secretary of Finance	The recurrence of this finding is due to delays in obtaining actuarial valuations and insufficient coordination with NMISF and external actuaries. These reports are critical for determining net pension liability, pension expense, etc. 2022-005: Cause: Actuarial valuations were not obtained. CAP: The Department of Finance agrees with this finding. The 2021 actuarial valuation report was published on July 16, 2024. The Secretary of Finance's Office and the NMISF are actively coordinating to obtain an updated actuarial valuation of the net pension liability. This process is underway, and we remain committed to closely monitoring progress and ensuring that this objective is achieved. 2021-005: Cause: Actuarial valuations were not obtained. CAP: The Department of Finance agrees with this finding. The Secretary of Finance office and NMISF are currently engaged in communication to obtain an actuarial valuation of the net pension liability. This process has been initiated, and we are committed to monitoring and ensuring progress towards this objective. 2020-012: Cause: The CNMI is in noncompliance with GASB Statement Nos. 68 and 73 required schedules applicable for fiscal year ended September 30, 2020. CAP: The CNMI agrees to the recommendations and that it should obtain audited NMISF based on GASB Statement Nos. 68 and 73 required schedules to determine the net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources, as applicable as of September 30, 2020.

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2022-006 **2021-006** **2020-001** **2019-001** **2018-001** **2017-002** **2017-001** **2016-002** **2016-001** **2015-002** **2015-001** **2014-001**	External Financial Reporting	Partially Corrected	Single Audit Committee (Dora Deleon Guerrero, Temporary Public Auditor)	The recurrence of this finding reflects ongoing challenges in obtaining timely audited financial statements from CNMI's component units. The Single Audit Committee is implementing enhanced measures to closely monitor the audit progress of the identified component units. 2022-006: Cause: The CNMI did not obtain audited financial statements from aforementioned component units. CAP: The Single Audit Committee agrees with this finding. The Committee will implement enhanced oversight measures to closely monitor the audit progress of the identified component units. This includes issuing a clear communication on deadlines and conducting periodic follow-ups. The Committee is committed to ensuring that these entities submit their audited financial statements promptly and in accordance with established deadlines. 2021-006: Cause: The CNMI did not obtain audited financial statements from aforementioned component units. CAP: The Department of Finance agrees with this finding. The Secretary of Finance Office will institute close monitoring of the audit progress for the component units identified in this finding. We will ensure that these component units submit their audited financial statements to our office in a timely manner. 2020-001/2019-001/2018-001 (CHCC): Cause: The CNMI did not obtain audited financial statements from aforementioned component units. CAP: The Department of Finance, Office of the Public Auditor, and Grants Management Office are continuing to work together to explore methods to improve the timeliness of the Component Unit's audits so that they may be included in the Single Audit. **Partial Close (To remove NMISF however there are other CU's that are part of these findings): 2020-001/2017-001/2016-001** **Full Close (Finding specifically on NMISF): 2017-002/2016-002/2015-002/2015-001/2014-001** The Northern Mariana Islands Settlement Fund (NMISF) has been removed as a component unit per the letter dated April 3, 2023 and addressed to James Whitt, Executive Director, Ernst & Young LLP. Therefore these findings can be deemed closed/resolved.

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2022-007 **2021-009**	Capital Assets	Not Corrected	Geraldine Cruz, Procurement Director	The recurrence of this finding is due to outdated policy application, staff turnover, reliance on manual processes, and delayed integration of the capital asset system. With updates policies, staff training, and full use of the Tyler Munis capital asset module, CNMI anticipates resolving this issue and ensuring accurate capital asset reporting in future audits. 2022-007/2021-009: Cause: The CNMI lacks controls over its capitalization policy. CAP: The Division agrees with the finding and will work with the Secretary of Finance to allocate funding towards familiarizing and implementing this effort for the CNMI Government. The Division, through the CNMI Property Management Manual (2003), provides for our policy on capitalized items. The CNMI Government follows this procedure in identifying all assets procured where a single acquisition cost exceeds $5,000.00. The Division, at the end of every Fiscal Year, was then tasked with providing the total number of assets procured, to include the Total dollar value amount associated with these actions. The Capitalization Policy may be found on the Property Management Policy Manual Page 8- Section III. This process is being executed regularly by Property Management Staff. While the Property Management Branch understands the process of ensuring items are properly depreciated, this effort was handled by prior personnel who are no longer with the agency. The effort was then performed via a contractor under the Secretary of Finance. To date, no personnel has been trained to conduct this evaluation and reporting on behalf of the Division. Historically, our capital asset schedules were managed outside of the financial system. However, our new financial system includes a dedicated capital asset module where schedules are now maintained, and depreciation is calculated within the system. To ensure the accuracy of our capital asset balances going forward, we will incorporate this process into our Year-End Closing Checklist. Additionally, we will conduct training for procurement personnel and departments to ensure they understand the proper procedures for recording capital assets in our financial system.

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2022-008 **2021-010** **2020-021** **2019-013** **2018-014** **2017-015** **2016-013** **2015-013** **2014-015** **2013-013** **2012-18** **2011-21** **2010-16** **2009-19** **2008-16** **2007-11**	CNMI Local Noncompliance	Not Corrected	Tracy B. Norita, Secretary of Finance	July 2025: Finding remains open however we do anticipate this finding to be resolved in FY26. The recurrence of this finding is primarily due to delays in fully operationalizing new budget control systems and gaps in proactive monitoring. 2022-008: Cause: The CNMI authorized expenditures in excess of budget allocations. CAP: The Department of Finance agrees with this finding. As part of our ongoing fiscal oversight, the Department currently submits quarterly revenue and expenditure reports to the legislature. In preparing these reports, we conduct comprehensive reviews to assess trends and variances between actual financial activity and the provisions outlined in the budget law. In addition, with the implementation of our new financial management system, we have activated budget control features that restrict departments and agencies from exceeding their authorized appropriations. These measures reinforce fiscal discipline and ensure continued compliance with statutory budgetary requirements. 2021-010: Cause: The CNMI authorized expenditures in excess of budget allocations. CAP: The Department of Finance agrees with this finding. Currently, the Secretary of Finance Office submits a revenue and expenditure report to the legislature on a quarterly basis. During the preparation of this report, we conducted thorough reviews to analyze the movement and comparisons between revenue and expenditures actual activities against the budget law. Additionally, leveraging the capabilities of our new financial system, we have activated budget control features that prevent departments and agencies from exceeding their allocated budgets, thereby ensuring fiscal responsibility and compliance. 2020-021: Cause: The CNMI authorized expenditures in excess of budget allotments. CAP: Responsible DOF personnel should examine issues attendant to the over expenditures and should assess the propriety of budgeted levels

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				2019-013/2018-014/2017-015: Cause: The CNMI authorized expenditures in excess of budget allotments. CAP: The CNMI agrees with finding and continuously works towards addressing over expenditures and determining the appropriate budgetary levels for the Commonwealth. Areas affecting public health and human welfare are an issue as areas such as medical referral for patients requiring urgent health care are not available in the Commonwealth, it is anticipated that revenue will continue to rise to address the areas where the Commonwealth often experiences budgetary shortfalls. Additional hiring of law enforcement personnel has also reduced the amount of overtime compared to prior years as there are more employees working regular hours and sharing the responsibility for the CNMI safety. 2016-013/2015-013: Cause: The CNMI authorized expenditures in excess of budget allotments. CAP: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Acts. Areas affecting public health and welfare are an issue as areas such as Medical Referral for patients requiring urgent health care not available in the Commonwealth and overtime for the salaries of the law enforcement officers responsible for public welfare and safety often require resources beyond what has been budgeted. As investment increases in the Commonwealth, it is anticipated that revenue will continue to rise and address these areas where the Commonwealth often experiences budgetary shortfalls. In the meantime, measures are in place to work towards keeping agencies that do not play a role in the public safety and welfare within their operating budget. 2014-015/2013-013/2012-18/2011-21/2010-16/2009-19/2008-16/2007-11: Cause: The CNMI authorized expenditures in excess of budget allotments. CAP: The CNMI agrees with this finding. Adjusting entries are needed for many of these balances. Balances need to be adjusted to record the correct year of payment and remove legislative mandates such as hotel occupancy and beverage container taxes that are mandated by law, but are not part of the budget appropriation. Prior Year Status: Expenditures in excess of budget allotments was reported as a finding in the CNMI Single Audits for fiscal years 2000 through 2013.

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2022-009 **2021-011** **2020-009** **2019-008** **2018-009**	Due to Component Units	Not Corrected	Ryan Camacho / Pam Marigmen, Secretary of Finance Office	The recurrence of this finding reflects ongoing weaknesses in CNMI's reconciliation processes with its component units. The same deficiency persisted due to staff turnovers, system transition challenges, delayed implementation of controls, and coordination gaps with component units. 2022-009: Cause: No timely reconciliations with component units were performed. CAP: The Department of Finance (DOF) agrees with this finding which resulted from several challenges, including staff turnover and the implementation of the new financial management system. The Department will perform reconciliations as part of the Month-End Manager process in Tyler Munis and the Year-End Closing Checklist. This will ensure that transactions are recorded in the appropriate accounting period and that balances due to component units are reconciled in a timely manner. In addition, as part of our ongoing commitment to reconciliation with component units, we are actively engaged in discussion with several units to establish mutually agreed-upon final balances. These will serve as our reference point moving forward. 2021-011: Cause: No timely reconciliations with component units were performed. CAP: The Department of Finance (DOF) agrees with this finding which resulted from several challenges that include staff turnovers and the implementation of the new financial management system. The DOF will develop and implement a Year-End Closing Checklist to ensure timely reconciliations are performed and transactions are recorded in the proper accounting period. Furthermore, as part of our commitment to reconciliation with component units ,we are currently engaged in reconciliation discussion with several units to establish agreed-upon final balances that will serve as out reference moving forward. 2020-009/2019-008/2018-009: Cause: The cause of the above condition is a lack of reconciliation of balances with component units. CAP: DOF will accept the audit adjustments based on the audited financial statements to each of the financial reports. DOF will work with the CUs to develop a systematic approach to reconcile differences in a timely manner.

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2022-028	21.027 Activities Allowed or Unallowed and Allowable Costs/Cost Principles	Not Corrected	Tracy B. Norita, Secretary of Finance	The recurrence of this finding is due to system transition disruptions, staff turnover, compressed audit timelines, and delayed legal clarification regarding municipal expenditures. Cause: CNMI did not enforce compliance with applicable allowable costs/cost principles requirements and lack monitoring controls over the following: 1. Adequate documentation and systemic filing of relevant documentation supporting program costs. 2. Municipality of Tinian's expenditures were not recorded in the CNMI's FY2022 and FY2021 financial statements and SEFA schedules. 3. Legal opinion as to whether the Municipality of Tinian is legally separated from the CNMI Central Government was not timely sought. CAP: The Department of Finance agrees with this finding. It is important to note that the issue occurred during FY22, a period marked by the transition from the legacy financial system (JDE) to the new Tyler Munis platform. During this time, processes for retaining and reconciling supporting documents had not been standardized, resulting in inconsistencies and a heightened risk of missing or improperly uploaded records. Furthermore, the Program Manager previously responsible for overseeing this grant is no longer with the Department. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, which contributed to this finding. Nevertheless, the Department is committed to provide relevant supporting documentation upon request from the Grantor. Proposed Completion Date: Ongoing
2022-029	21.027 Procurement and Suspension and Debarment	Not Corrected	Tracy B. Norita, Secretary of Finance	The recurrence of this finding is due to systemic weaknesses in CNMI's procurement framework and monitoring controls. These include outdated procurement regulations, non-compliance with competitive requirements, documentation weaknesses, monitoring control deficiencies, and delayed policy revisions. Cause: 1. CNMI does not use the same policies and procedures for procurements under a federal award as with procurements from its non-federal funds under the small purchases method. 2. The CNMI's procurement regulations are not in accordance with 2 CFR Section 200.317 and 31 CFR Section 19.300 of the Code of Federal Regulations. 3. The CNMI did not meet the minimum requirement of three vendor quotations as required by 70-30.3-220 Small Purchases for procurements that exceed $10,000, but which are less than or equal to $50,000. 4. Inadequate documentation and systemic filing of relevant documentation supporting program costs. 5. Lack of monitoring control procedures to ensure that minority business, women's business enterprises, veteran-owned businesses, and labor surplus area firms are considered during the vendor selection process as required by 2 CFR 200.321. 6. Lack of monitoring control procedures to ensure that the minimum contract provision requirements pursuant to 2 CFR 200.327 are included in all contracts. CAP: The Procurement Services Division agrees with this finding. The Procurement Services Division agrees with this finding. The Division will revise CNMI's procurement regulations to ensure alignment with federal procurement standards as outlined in 2 CFR Part 200, particularly the small purchase threshold requirements and competitive procurement procedures. Proposed Completion Date: Ongoing

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2022-031	21.027 Subrecipient Monitoring	Not Corrected	Tracy B. Norita, Secretary of Finance	The recurrence of this finding was primarily due to the absence of approved policies, delayed adoption of monitoring procedures, and weak enforcement of compliance requirements. With the formal adoption of subrecipient monitoring policies in August 2025 and expanded oversight measures, CNMI anticipates resolving this issue and achieving compliance in future audits. Cause: The CNMI does not have approved/adopted written subrecipient monitoring policies and procedures. In addition, the CNMI failed to enforce compliance with subrecipient monitoring requirements and lacks monitoring controls over the following: 1. Monitoring activities of a subrecipient to ensure that the subrecipient complies with Federal statutes, regulations, and the terms and conditions of the subaward. 2. Adequate documentation and systematic filing of relevant documentation supporting program costs. CAP: The Department of Finance agrees with this finding. The Department has recently adopted and approved (August 2025) a Subrecipient Monitoring Policy and Procedures which specifically focused on the implementation of 2 CFR 200.331. The Department will expand on this policy and procedure to include the development and implementation of a comprehensive subrecipient monitoring policies that clearly outline the process for identifying subawards, assessing the risk of noncompliance, and conducting monitoring activities based n those risks. These policies will be aligned with federal requirements and best practices to ensure consistency and accountability.
2022-038	93.778 Allowable Costs/Cost Principles	Not Corrected	George J. Cruz, Medicaid Director	The recurrence of this finding reflects persistent challenges in CNMI Medicaid's documentation and reconciliation processes. These include audit evidence submission delays, reconciliation gaps, process weaknesses, and resource and staffing constraints. Cause: 1. CNMI did not provide sufficient and appropriate audit evidence to assist the auditors during the fieldwork. 2. Lack of reconciliation between recorded program expenditures and the benefits payment listing. CAP: The CNMI Medicaid Office respectfully disagrees with this finding. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, resulting in this finding. However, the office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor.
2022-041	93.778 Special Tests and Provisions - Provider Eligibility (Screening and Enrollment)	Not Corrected	George J. Cruz, Medicaid Director	The recurrence of this finding was due to lack of awareness of the federal requirement, inadequate documentation practices, and limited personnel capacity. With the establishment of the Program Integrity Division and standardized documentation procedures, CNMI Medicaid anticipates resolving this issue and ensuring compliance in future audits. Cause: CNMI was not aware of the HHS OIG exclusion verification requirement, including the availability of the HHS OIG exclusion listing within the Centers for Medicare and Medicaid Services Portal until subsequent to FY2022. CAP: The CNMI Medicaid Office respectfully disagrees with the finding. While the office did perform OIG exclusion list validation, screenshots were not captured for each individual check. It is important to note that the OIG Exclusion List portal's search function is limited to on-screen viewing and does not provide a built-in option to print or export search results. The CNMI Medicaid Office acknowledges that historically, limited personnel capacity has hindered full compliance with this requirement. However, efforts are currently underway to streamline and strengthen the exclusion verification process. The office is actively developing a fully functional Program Integrity Division that will be responsible for conducting and documenting OIG exclusion checks in a consistent and compliant manner moving forward.

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2021				
2021-007 **2020-010** **2016-006**	Interfund Transactions and Balances	Not Corrected	Ryan Camacho / Pam Marigmen, Secretary of Finance Office	The recurrence of this finding is primarily due to staff turnover, delayed adoption of system-based reconciliation processes, and weak oversight of transfers. With the full implementation of Tyler Munis modules, staff training, and stronger supervisory controls, CNMI anticipates resolving this issue and ensuring timely monitoring of interfund transactions in future audits. 2021-007: <u>Cause</u>: The CNMI did not apply monitoring controls over interfund transactions and balances and monitoring controls over transfers in and transfers out. <u>CAP</u>: The Department of Finance agrees with this finding which resulted from several challenges that include staff turnovers and the implementation of the new financial management system from the legacy system. The Department of Finance's new system Tyler Munis has the capability to manage the year-end process with a module that includes a Year-End Closing Checklist to ensure timely reconciliations are performed and transactions are recorded in the proper accounting period. DOF has begun using this module for FY 2022 and moving forward. 2020-010: <u>Cause</u>: The CNMI did not effectively apply monitoring controls over interfund transactions and balances. <u>CAP</u>: The CNMI accepts the proposed audit adjustments and has agreed that it should timely monitor, review and reconcile interfund transactions as recommended. Furthermore, the CNMI will work with Treasury in ways to effectively apply monitoring controls for these transactions. 2016-006: <u>Cause</u>: The CNMI failed to track specific funds received, lacks a plan to repay such funds, and lacks available cash to fund repayments. <u>CAP</u>: The CNMI will conduct an assessment of the collectability of interfund balances. The CNMI will also develop a process of recording updated balances on a regular basis in compliance with GASB Statement No. 34.

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2021-008 **2020-014** **2019-009** **2018-010** **2017-009** **2016-010** **2015-010** **2014-011** **2013-011** **2012-16** **2011-18** **2010-15** **2009-18**	Beginning Fund Balances	Not Corrected	Ryan Camacho / Pam Marigmen, Secretary of Finance Office	The recurrence of this finding is due to lack of formalized monitoring procedures, staff turnover, and delayed adoption of system-based controls. 2021-008: Cause: The CNMI did not monitor accuracy of posting all prior year audit adjusting journal entries. CAP: The Department of Finance agrees with this finding which resulted from several challenges that include staff turnovers and the implementation of the new financial management system. The Department of Finance has tasked the Secretary of Finance Office with the responsibility of ensuring that all audit adjustments are accurately reflected in our financial records. The Secretary of Finance Office will include this process in the Year-End Closing Checklist to ensure consistency in this process. 2020-014: Cause: The CNMI lacks policies and procedures to monitor recorded encumbrance reserves and lacks adequate file maintenance. CAP: The CNMI agrees with the recommendation and that the responsible DOF personnel should provide supporting documents for all encumbrances with updating encumbrances for actual expenditures. DOF to examine the validity of long outstanding encumbrances and debit balances, as well as take reasonable steps to timely adjust the subsidiary ledger to include valid fund balances at the end of the year. 2019-009/2018-010: Cause: The CNMI lacks policies and procedures to monitor recorded encumbrance reserves and lacks adequate file maintenance. CAP: General Fund 1: DOF accepts the proposed audit reclassification. Contract was not materialized as there was no response from the AG's officer regarding this contract. DOF will review outstanding encumbrances. Grants Assistance Fund: DOF accepts the proposed audit reclassification. DOF will review outstanding encumbrances. The contract process was not completed as DOF was not informed of the outcome. DOF will review for de-obligation. Contract was not materialized as there was no response from the AG's office and the Office of the Governor. Saipan Amusement Fund: DOF accepts the proposed audit reclassification. DOF will review outstanding encumbrances. Other Governmental Funds: DOF accepts the proposed audit reclassification. DOF will review outstanding encumbrances.

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				2017-009: Cause: The CNMI lacks policies and procedures to monitor recorded encumbrance reserves and lacks adequate file maintenance. CAP: CNMI agrees with all proposed audit adjustments. The cash management plan implemented in the latter part of FY17 contains policies and procedures to review the encumbrances. Furthermore, DOF will establish a task force to examine the validity of outstanding encumbrances to timely adjust the subsidiary ledger by year end. 2016-010: Cause: The CNMI lacks policies and procedures to monitor recorded encumbrance reserves and lacks adequate file maintenance. CAP: General Fund 1: DOF has informed the auditor that this testing/finding is invalid as DOF did not receive a request for such documents. Grant Assistance Fund 2: We have reviewed such findings and are currently in contact with the vendors. We have received some confirmations to de-obligate the outstanding encumbrances and expect to clear all by the end of fiscal year 2017. All others - A majority of these encumbrances are carried over from the old accounting system. We have hired a consultant to help us access this old information and make the necessary changes in the new system. 2015-010: Cause: The CNMI lacks policies and procedures to monitor recorded encumbrance reserves and lacks adequate file maintenance. CAP: We agree that encumbrances need to be reviewed and adjusted. Technical assistance has been requested and additional staff will be hired to address this issue. Many of the encumbrances that are references in this finding are very old or otherwise encumbered for CIP and non-lapsing accounts. The technical assistance to address system limitations that prevent correction of this issue will address this long standing issue and the additional staffing will ensure proper entry and reduce, if not prevent, future occurrences of this issue. 2014-011/2013-011/2012-16/2011-18/2010-15/2009-18: Cause: The CNMI lacks policies and procedures to monitor recorded encumbrance reserves and lacks adequate file maintenance. CAP: We agree that encumbrances need to be reviewed and adjusted and we are in the process of reviewing and correcting these balances, including reconciling advance payments and travel encumbrances with the outstanding advance accounts. Prior Year Status: The lack of policies and procedures to monitor recorded reserves for encumbrances and inadequate file maintenance was reported as a finding in the CNMI Single Audits for fiscal years 2009 through 2013.

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2020				
2020-003 **2019-003** **2017-004** **2016-004** **2015-005** **2014-005**	Receivables	Not Corrected	Tracy B. Norita, Secretary of Finance, Department of Finance, Velma Palacios, Program Director, NMI Retirement Fund	The recurrence of this finding is due to the absence of formal policies and procedures, lack of documentation, delayed implementation of corrective actions, system transition challenges, and coordination gaps between DOF and NMIRF. 2020-003: Cause: The CNMI lacks policies and procedures to identify, record, and reconcile valid receivables and lacks written documentation to substantiate the transfer of receivables. CAP: The CNMI agrees with the recommendation. DOF in collaboration with NMIRF are working on a process of updating and recording these receivables. Discussion were made and that the funds in questions should have been booked in 2019. The account that could possibly be used for the transfer would be the account 1000.12000 into the CNMI MUNIS system. DOF and NMIRF are working to process the transfer, but has agree that we need to establish and implement policies and procedures for this transfer. 2019-003/2017-004/2016-004: Cause: The CNMI lacks policies and procedures to identify, record, and reconcile valid receivables and lacks written documentation to substantiate the transfer of receivables. CAP: DOF and the NMIRF are in the process of updating and recording these receivables. The agencies area is also in the process of coordinating the documentation of this transfer if deemed collectible. 2015-005/2014-005: Cause: The cause of the above condition is the lack of established policies and procedures to identify, record and reconcile valid receivables and the lack of written documentation supporting the transfer of receivables. CAP: Staff have been hired by NMIRF to address the outstanding issued that have been pending since the separation of NMIRF and NMISF. Work is ongoing to not only establish policies and procedures related to these outstanding receivables, but also to obtain details of these receivables and determine collectability.

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2020-004 **2019-004** **2018-005** **2017-005** **2016-005** **2015-006** **2014-006**	Receivables - OPA Fees	Not Corrected	Tracy B. Norita, Secretary of Finance, Department of Finance, David Blake, Audit Manager, Office of the Public Auditor.	The recurrence of this finding is due to CNMI's longstanding challenges in managing receivables, particularly the absence of formalized policies and procedures to reconcile balances and assess collectability. In addition, the same deficiencies occurred due to disputed receivables, documentation weaknesses, coordination gaps, and delayed implementation of corrective actions. 2020-004: Cause: The CNMI lacks policies and procedures to reconcile receivables and to assess collectability. CAP: The CNMI agrees with the recommendation and should record and reconcile based on updated calculations. The component units dispute the receivables, and the Department of Finance will engage with the component units to determine the collectability of prior years. 2019-004/2018-005/2017-005: Cause: The CNMI lacks policies and procedures to reconcile receivables and to assess collectability. CAP: The component units dispute the receivables. The Department of Finance will engage with the component units to determine the collectability of prior years. 2016-005/2015-006: Cause: The CNMI lacks policies and procedures to reconcile receivables and to assess collectability. CAP: OPA will provide reports on receivables to DOF on a regular basis to allow DOF to record and reconcile accounts to the payable balances in a timely manner. DOF will also work with the OAG to determine collectability of all in arrears. OPA, OAG, and DOF will work on draft legislation to ensure that all agencies comply with the mandated 1%. 2014-006: Cause: The CNMI lacks policies and procedures to reconcile receivables and to assess collectability. CAP: On June 12, 2015, OPA issued a letter to resolve some areas that had developed in attempts by OPA to collect on the 1% owed. In this letter, OPA stated that unobligated balances in the OPA budget revert to the General Fund and therefore, collection efforts on arrears become the responsibility of the Central Government. OPA also stated that the arrears could be used to partially offset the amounts owed by the CNMI to CUC, as had been done in 2003 via an MOA with CUC. OPA further stated that there was ambiguity in the language of the law and they will be working on legislation to clarify these ambiguities. In that same letter, OPA assigned all rights, if any, to the arrears of DOF. DOF is currently reviewing this letter and will collaborate with OPA and the Office of the Attorney General to determine collectability of all arrears due to the CNMI. Further, DOF will also work with OPA on the legislation to ensure that agencies comply with the law and the mandated 1%.

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2020-005	Advances	Partially Corrected	Tracy B. Norita, Secretary of Finance, Department of Finance, Bernadita Palacios, Director, Division of Finance & Accounting	The recurrence of this finding is due to delayed adoption of formal SOPs, incomplete monitoring controls, system transition challenges and documentation weaknesses. April 2024: The implementation of the Tyler MUNIS ERP system has significantly improved the overall process around travel. In addition, the final Travel SOP was approved, adopted, and disseminated to the departments on 4/24/24. Travel SOP was developed to address these repeated findings and as a result we consider this portion of the finding closed/resolved. The Vendor Advance SOP is currently in draft form and is being reviewed by the Department of Finance team. We anticipate the final SOP to be finalized and published by FY25. CAP from FY20 Audit: Condition 1: The CNMI agrees with the recommendation and will work with the Division of Finance & Accounting to review existing policies and procedures as recommended in relation to advances for those goods and/or services likely being received within a short period of time. Furthermore, DOF will investigate and properly monitor, make timely adjustments, and efficiently document and file upon receipt of those goods and services. Condition 2: The CNMI agrees with the recommendation and will work with the Division of Finance & Accounting to ensure that responsible personnel should support documents for all travel advances. Furthermore, DOF will regularly review travel advances to ensure compliance with travel policies.

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2020-006 **2019-005** **2018-006** **2017-006** **2016-007** **2015-007** **2014-008** **2013-008** **2012-13** **2011-15** **2010-12** **2009-15** **2008-12** **2007-9**	Tax Rebates Payable	Not Corrected	Tracy B. Norita, Secretary of Finance, Department of Finance, Daniel Alvarez, Acting Director, Dept. of Revenue & Taxation	The recurrence of this finding reflects CNMI's continued challenges in managing rebate payable s and reconciling tax receivables. In addition, these deficiencies persisted due to absence of formal policies and procedures, documentation and recordkeeping weaknesses, system limitations, delayed implementation of new system, compliance gaps with Public Law 9-22, and disputed receivables. 2020-006: Cause: The CNMI lacks periodic review of rebate payable reports to determine the accuracy and completeness and lacks policies and procedures to assess the reasonableness of estimated rebates payable. Further, the CNMI lacks compliance with Public Law 9-22 relating to interest calculations on tax overpayments. CAP: 1. DRT disposed of physical tax returns dating tax year 2009 and prior. The Compliance Records Section is developing policies and procedures to track tax returns within office and storage areas. 2. DRT accepts this finding and will implement changes in the development of the new tax system in 2023. 3. DRT does not agree to this finding as we have determined the taxpayer was correctly paid based on the claim on Schedule 8812 - Credits for Qualifying Children and Other Dependents. However, DRT agrees to the extent that further development is needed to update the printing function for tax returns to accurately reflect data that is entered into the tax system. DRT will address standard procedures used to assist taxpayers for necessary improvements. 2019-005: Cause: The CNMI lacks policies and procedures to reconcile receivables and to assess collectability. CAP: The CNMI agrees with the recommendation and will work with the Division of Revenue & Taxation to establish policies and procedures as recommended. Furthermore, DOF will ensure proper filing and maintenance of tax forms as well as reconcile recorded rebates payable with the liability indicated on the tax forms. Variances, if any, shall be investigated, monitored, documented, and timely addressed. 2018-006: Cause: The CNMI lacks policies and procedures to reconcile receivables and to assess collectability. CAP: For unpaid tax year 2017 and prior: a) The requested tax returns were unable to be located due to damage to the file storage facility cause by Super Typhoon Yutu. DRT has suffered a major document loss for filings in tax years 1998-2006 due to water damage. The Division is taking steps to house documents in a new storage unit that will protect documents from future storms. b) DRT - Compliance Branch is currently developing internal standard procedures to properly review returns for completeness prior to data entry.

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				2017-006/2016-007: Cause: The CNMI lacks policies and procedures to reconcile receivables and to assess collectability. CAP: The Division of Revenue and Taxation has increased its personnel in February 2017, and as such, we hope to implement most, if not all, the recommendations by the start of FY2018. It is imperative that the division trains it s employees on the newly established policies and procedures and retain its quality employees to effectively carry out the divisions directives. 2015-007: Cause: The CNMI lacks periodic review of rebate payable reports to determine the accuracy and completeness and lacks policies and procedures to assess the reasonableness of estimated rebates payable. Further, the CNMI lacks compliance with Public Law 9-22 relating to interest calculations on tax overpayments. CAP: Procedures are in place to address these issues. DRT is actively recruiting personnel to fill much needed vacancies to address tax issues including accuracy and completion of tax reporting's which will in turn improve data entry, reconciliation and reporting by the Division. Personnel hired will also address record retentions issues and increase efficiency and effectiveness of the Division. To address the issue of policies and procedures, each section of the Division will consolidate their policies and procedures in one centralized location. 2014-008/2013-008/2012-13/2011-15/2010-12/2009-15/2008-12/2007-9: Cause: The CNMI lacks periodic review of rebate payable reports to determine the accuracy and completeness and lacks policies and procedures to assess the reasonableness of estimated rebates payable. Further, the CNMI lacks compliance with Public Law 9-22 relating to interest calculations on tax overpayments. CAP: In fiscal year 2009, DRT implemented a rebate payable review procedure. Currently, technical personnel conduct review at least twice a year. The review of the summary and detailed reports includes tracing of amounts and verification of totals. In addition, samples are judgmentally selected for tracing to the tax return. As part of DRT's payable processing routines, the CNMI Tax System software is designed to compare the summary of tax liabilities against the summary of all payment credits and the recorded rebate payable to determine any significant discrepancy based on established threshold amounts. A report can be generated and the examination branch is tasked to conduct the review. Prior Year Status: A lack of detailed reports supporting analysis performed and a lack of compliance with Public Law 9-22 relating to interest calculation on tax overpayments was reported as a finding in the CNMI Single Audits for fiscal years 2004 through 2013.

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2020-008 **2019-007** **2017-008** **2016-009** **2015-009** **2014-010** **2013-010** **2012-15** **2011-17** **2010-14** **2009-17** **2008-15**	Compensated Absences	Not Corrected	Bernadita Palacios, Financial Services Division Director	The recurrence of this finding is due to the absence of periodic monitoring procedures, reliance on year-end adjustments, and delayed payroll updates. With standardized mid-year reviews, strengthened payroll controls, and staff training, CNMI anticipates resolving this issue and ensuring accurate reporting of compensated absences in future audits. 2020-008: Cause: The CNMI lacks adequate procedures and controls to determine that accrued annual leave is reviewed for validity and lacks timely updates of payroll records. CAP: DOF agrees with the recommendation and that personnel should records valid charges as compensated absences payable. Currently annual leave is reviewed at the end of the calendar year and amounts more than 360 hours are transferred over to sick leave. DOF to explore updating the processes to include a mid-year review and to timely update payroll records. 2019-007: Cause: The CNMI lacks adequate procedures and controls to determine that accrued annual leave is reviewed for validity and lacks timely updates of payroll records. CAPS: DOF accepts the proposed audit adjustment. Currently annual leave is reviewed at the end of the calendar year and amounts in excess of 360 hours transferred to sick leave. DOF will explore updating processes to include a mid-year review. 2017-008 Cause: The CNMI lacks adequate procedures and controls to determine that accrued annual leave is reviewed for validity and lacks timely updates of payroll records. CAP: The Department of Finance completed its cash management plan in the latter part of FY17. The plan contains policies and procedures to review the validity of charges in compensated absences payable in a timely manner. DOF contracted a consultant who reviewed the balances with DOF staff and made adjustments. They also have been reviewing the compensated absences payable and will continue to review these balances on a regular basis. 2016-009: Cause: The CNMI lacks adequate procedures and controls to determine that accrued annual leave is reviewed for validity and lacks timely updates of payroll records. CAP: DOF has contracted a consultant to update personnel records of inactive, terminated, or retired employees. in the development of the cash management plan, we have included in our policies and procedures to review the validity of charges in compensated absences payable in a timely manner.

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REF	Findings	Status/Completion Date	Contact Person	Remarks
				2015-009: Cause: The CNMI lacks adequate procedures and controls to determine that accrued annual leave is reviewed for validity and lacks timely updates of payroll records. CAP: DOF will establish a calendar of review of these leave balances and ensure timely update of payroll records. DOF will also record valid charges in compensated absences payable on a more frequent basis. 2014-010/2013-010/2012-15/2011-17/2010-14/2009-17/2008-15: Cause: The CNMI lacks adequate procedures and controls to determine that accrued annual leave is reviewed for validity and lacks timely updates of payroll records. CAP: Review of leave balances is underway to determine validity of balances in the system. CNMI regulations require DOF to maintain leave balances for a specific period of time in the event that former employees return to government service. Adjustments are also necessary for those with excess of maximum balances which will be transferred to sick leave on an annual basis. We agree with the audit adjustments above. Prior Year Status: The lack of adequate procedures and controls to determine that accrued annual leave balances are reviewed for validity and the lack of timely updating of payroll records was reported as a finding in the CNMI Single Audits for fiscal years 2008 through 2013.
2020-011	Other Liabilities and Accruals	Not Corrected	Tracy B. Norita, Secretary of Finance, Department of Finance, Connie Agulto, CNMI Treasurer	The recurrence of this finding is due to outdated policies and procedures, system transition challenges, delayed implementation of SOPs, staffing and training gaps, and oversight weaknesses. May 2024: The Department of Finance is currently going through the process of updating outdated policies and procedures as well as creating new standard operating procedures covering various financial reporting and account management functions. This is to ensure that policies and procedures are current and aligned with the recent transition from JD Edwards to the new ERP System (Tyler Munis). CAP from FY20 Audit: The CNMI has agreed to the recommendation and are working to establish and implement adequate policies and procedures to record liabilities in the correct fiscal year.
2020-013	Interim Pension Obligation Bond	Partially Corrected	Tracy B. Norita, Secretary of Finance, Department of Finance, Connie Agulto, CNMI Treasurer	The recurrence of this finding is due to incomplete resolution of reconciliation requirements, delayed adoption of updated policies, and system transition challenges. March 2025: Conditions (a) & (c) have been resolved and condition (b) remains open. For condition (b), pending updates from Treasury (Connie) on the reconciliation documents to close out this finding. Additionally, the Department of Finance recently developed a Debt Management Policy and Procedures which is currently being reviewed prior to its approval/adoption. May 2024: The Department of Finance is currently going through the process of updating outdated policies and procedures as well as creating new standard operating procedures covering various financial reporting and account management functions. This is to ensure that policies and procedures are current and aligned with the recent transition from JD Edwards to the new ERP System (Tyler Munis). CAP from FY20 Audit: The CNMI agrees with the proposed audit adjustments from the interim pension obligation bond account. Therefore, the CNMI also agrees that we should establish adequate monitoring procedures to make certain that applicable loan and interim bond requirements are met per the Pension Obligation Bond Credit Agreement.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS
FISCAL YEAR: September 30, 2023

REF	Findings	Status/Completion Date	Contact Person	Remarks
2020-015	Purchases/Disbursements	Not Corrected	Tracy B. Norita, Secretary of Finance, Department of Finance, Bernadita Palacios, Director, Division of Finance and Accounting, Brien Nicholas, Acting Director, Division of Procurement Services	The recurrence of this finding is due to outdated policies and procedures, delayed SOP development and adoption, system transition challenges, and incomplete resolution of findings. March 2025: Finding remains open and discussions are ongoing within the Department of Finance to resolve this finding. Proposed completion date: Ongoing May 2024: The Department of Finance is currently going through the process of updating outdated policies and procedures as well as creating new standard operating procedures covering various financial reporting and account management functions. This is to ensure that policies and procedures are current and aligned with the recent transition from JD Edwards to the new ERP System (Tyler Munis). CAP from FY20 Audit: The CNMI agrees with that recommendation and are continuing to work with the responsible DOF personnel on how to comply with our CNMI's procurement regulations effectively and efficiently, as well as in compliance with the control public funds and to maintain complete documentation for all applicable expenditures.
2020-017	Other Revenues	Not Corrected	Tracy B. Norita, Secretary of Finance, Department of Finance, Bernadita Palacios, Director, Division of Finance & Accounting, Connie Agulto, CNMI Treasurer	The recurrence of this finding was primarily due to incomplete ERP system integration, delayed SOP adoption, and weak documentation practices. March 2025: Finding remains open and discussions are ongoing within the Department of Finance to resolve this finding. Proposed completion date: Ongoing CAP from FY20 Audit: The Department of Finance is in the process of transitioning into our new financial management system called the MUNIS, which is end user friendly. The new system was established to effectively implement and monitor controls to confirm that documents are properly maintained and safeguarded. Work has begun for the transition into the new financial management system and are continuing to work on ways to record and document revenues effectively and efficiently, which went live since October 2021.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS
FISCAL YEAR: September 30, 2023

REF	Findings	Status/Completion Date	Contact Person	Remarks
2020-018 **2019-010** **2018-011** **2017-012** **2016-011** **2015-011** **2014-012** **2013-012** **2012-17**	Commonwealth Healthcare Corporation	Not Corrected	Esther Muna, CFO, Commonwealth Healthcare Corp., Pearl Santos, CFO, Commonwealth Healthcare Corp., Tracy B. Norita, Secretary of Finance, Department of Finance	The recurrence of this finding is due to incomplete transition of CHCC assets and liabilities, lack of formal coordination procedures, delayed documentation, and weak monitoring controls. 2020-018: Cause: The CNMI lacks coordination over the transfer of assets and liabilities. CAP: The Office of Grants Management received approval from the federal grantor (Office of Insular Affairs) for a transfer of expenses to BU I9875M for payment of prior incurred expenses by the CNMI government. In relation to procurement regulations compliance, the grant award did stipulate that procurement regulations must be adhered to, however, as the expenses were initially recorded under previous BU's (1694 and 1365), the procurement process should have already been completed. The CNMI agrees with the recommendation and will ensure that the responsible personnel monitors and enforces compliance with applicable procurement requirements, to include, a complete review of procurement files for completeness. 2019-010/2018-011: Cause: The CNMI lacks coordination over the transfer of assets and liabilities. CAP: The CNMI and CHCC have been working on the final issues of the transition of CHCC to an independent corporation. CHCC and the CNMI has identified some areas to be transferred to the CHCC, such as fixed assets, and we will continue to review until such matters are formally documented. 2017-012/2016-011: Cause: The CNMI lacks coordination over the transfer of assets and liabilities. CAP: The CNMI and CHCC have been working on the final issues of the transition of CHCC to an independent corporation. CHCC and the CNMI will review and develop a plan for the pending matters. 2015-011: Cause: The CNMI lacks coordination over the transfer of assets and liabilities. CAP: The CNMI and CHCC have been working to transition CHCC from the Executive Branch to an independent corporation. With the hiring of a new Chief Financial Officer, any pending matters related to the transition are expected to be addressed this fiscal year.
				2014-012/2013-012/2012-17: Cause: The CNMI lacks coordination over the transfer of assets and liabilities. CAP: Pursuant to Public Law 16-51 that created CHCC, the CNMI and CHCC have been working to transition CHCC from the Executive Branch to an independent corporation. Fixed asset transfers have been documented and receivables, inventory and obligations will be documented in the coming year. Prior Year Status: The lack of coordination of the transfer of assets and liabilities by CNMI and CHCC officials was reported as a finding in the CNMI Single Audits for fiscal years 2012 and 2013.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS
FISCAL YEAR: September 30, 2023

REF	Findings	Status/Completion Date	Contact Person	Remarks
2020-020 **2019-012** **2018-013** **2017-014**	CNMI Group Health and Life Insurance	Not Corrected	Tracy B. Norita, Secretary of Finance, Department of Finance, Velma Palacios, Program Director, NMI Retirement Fund	The recurrence of this finding is due to incomplete coordination, delayed documentation, system transition challenges, and weak financial reporting procedures. 2020-020: Cause: The CNMI lacks coordination over the transfer of GHLI accounts between NMIRF and the CNMI and lacks procedures over financial reporting. CAP: The CNMI agrees to the recommendation. NMIRF will book the amounts in Peachtree to MUNIS as a liability for the full amount for FY 2022. The accounts in MUNIS that are to be utilized will be the 5000.21500 for Life Insurance and 5000.21600. These are the corresponding accounts in JDE. NMIRF and DOF will need to have further discussion on how the entries will be made for FY2023 into MUNIS. 2019-012: Cause: The CNMI lacks coordination over the transfer of GHLI accounts between NMIRF and the CNMI and lacks procedures over financial reporting. CAP: DOF and GHLI will finalize the transfer of assets in writing and has already completed the work on establishing and assigning general ledger for GHLI. 1) Bank Reconciliations are available for review at the respective office. 2) Ongoing discussion between DOF and GHLI staff are still taking place. Records are in transition from the previous system (Peachtree) to a new financial system. 2018-013: Cause: The CNMI lacks coordination over the transfer of GHLI accounts between NMIRF and the CNMI and lacks procedures over financial reporting. CAP: DOF and GHLI will finalize the transfer of assets in writing and has already completed the work on establishing and assigning general ledger for GHLI. 1) Bank Reconciliations are available for review at the respective office. 2) DOF and GHLI staff have scheduled a meeting to establish new processes to properly record monies received by CU's held in trust. 3) GHLI have since updated the records for receivables from component units and reconcile against the proposed audit adjustments. 2017-014: Cause: The CNMI lacks coordination over the transfer of GHLI accounts between NMIRF and the CNMI and lacks procedures over financial reporting. CAP: The CNMI has been working on the separation of the GHLI program from the NMIRF and integration into the CNMI DOF. As both functions are currently within the DOF area of responsibility, the work to separate all aspects of the two entities will be completed in the current fiscal year.
2017				
2017-011	Expenditures	Not Corrected	Municipal Treasurers and/or Mayors of First and Second Senatorial District	The recurrence of this finding reflects CNMI's ongoing challenges in establishing standardized policies and procedures at the municipal level for managing appropriated funds. March 2025: The Standard Operating Policies and Procedures must be developed by the Municipalities. The CNMI Legislature passes appropriation laws that transfer funds to either the Municipalities of each Senatorial District or the offices of the Mayors of each Senatorial District. Documents pertaining to the transfers are available at the CNMI Department of Finance. Documents supporting the expenditures once the funds are transferred are maintained at each Senatorial District and are recorded when incurred in each of the respective municipalities.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: UG COMPLIANCE FINDINGS AND QUESTIONED COSTS
FISCAL YEAR: September 30, 2023

CNMI - Prepared Schedule											
Ref. Number	**ALN**	**Findings**	**Questioned Costs**	**Status**	**Status Change Date**	**Date Reviewed**	**Contact Person**	**Agency**	**Remarks**	**QC Resolved**	**$Amt Bal Carry Forward**
			$257,466,576							**$4,455,535**	**$253,011,041**
FY2022											
2022-010	10.539	Procurement and Suspension and Debarment	Unknown	Not Corrected			Margaret Aldan, NAP Administrator / Geraldine Cruz, Procurement Services Director	NAP/PS	The recurrence of this finding is primarily due to inconsistent enforcement of procurement policies, lack of centralized oversight, insufficient staff training, and weak verification/documentation processes. Condition 1 (G. Cruz): The Procurement Services Division agrees with this finding on behalf of CNMI NAP. The Division will revise CNMI's procurement regulations to ensure alignment with federal procurement standards as outlined in 2 CFR Part 200, particularly the small purchase threshold requirements and competitive procurement procedures. Proposed Completion Date: Policy updates drafted by December 31, 2025 and adopted by March 31, 2026. Condition 2 (M. Aldan): The CNMI NAP agrees with this audit finding and that vendors were not being vetted using SAMS.gov. CNMI NAP has created and implemented an internal Standard Operating Procedure (SOP) to address this issue to ensure compliance. The SOP went into effect August 2025. A copy of the SOP can be provided upon request. Proposed Completion Date: Completed. NAP has already implemented their SOP (Aug. 2025) to address the finding and CAP.	$0	Unknown
2022-011	10.542	Activities Allowed or Unallowed	$0	Not Corrected			Margaret Aldan, NAP Administrator	NAP	This finding recurred because NAP and PSS did not establish and enforce a clear, standardized process for instructing schools on how to collect and report the necessary data. As a result, benefit levels could not be set in full compliance with the programs plan. CNMI NAP response: The 2022 Compliance Supplement states that the LEA, in this instance, PSS, is responsible for verifying the current free and reduced-price eligibility of households unless the LEA is exempt from the verification requirement. PSS is not exempt from the verification requirement and the CNMI NAP has never given instructions to PSS for data collection as it is the PSS' responsibility to supply the data to NAP for P-EBT. NAP's role is to distribute the benefits only. Similar to the SUN Bucks (S-EBT) program, PSS furnishes the student listing to NAP, after which NAP distributes the benefits according to the listing provided by PSS. Proposed Completion Date: Ongoing	$0	$0

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FISCAL YEAR: September 30, 2023

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Ref. Number	ALN	Findings	Questioned Costs	Status	Status Change Date	Date Reviewed	Contact Person	Agency	Remarks	QC Resolved	$Amt Bal Carry Forward
2022-012	10.542	Eligibility	$58,494	Not Corrected			Margaret Aldan, NAP Administrator	NAP	The recurrence of this finding is due to CNMI's continued failure to establish and enforce adequate processes for documenting eligibility determinations specifically the lack of standardized procedures, insufficient monitoring controls, weak enforcement of compliance, and training gaps. CNMI NAP was informed that this finding had been cleared so we are perplexed as to the re-emergence of this audit finding. CNMI NAP contends that: 1. Eligibility for P-EBT benefits is not determined by CNMI NAP. P-EBT eligibility was determined by identifying children who qualified for free or reduced-price school meals and then correlating that with a reduction of in-person schooling due to COVID-19. Children in households receiving SNAP and young children, under age six, were also eligible, provided their schools or childcare facilities closed or reduced hours for at least five consecutive days due to the pandemic. This data was provided by PSS, as well as the listing of eligible children that corresponded to this data set. 2. There are no "validated eligibility roster data case files" that were not uploaded into MAVEN due to data entry capacity limitations. All rosters provided by PSS were uploaded into MAVEN as this is the only way a case file can be generated in the system. 3. CNMI NAP has reconciled all benefits issued, including the P-EBT benefits for the audit year in question. This is a mandatory, non-negotiable process. Proposed Completion Date: Ongoing	$0	$58,494
2022-013	15.875	Allowable Costs/Cost Principles	$1,828,733	Not Corrected			Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC / Nerissa B. Karakaya, CIP COTR	OGM/CIP	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. Condition 1 (E. Cabrera) / QC:$1,208,745: The Office of Grant Management (OGM) respectfully disagrees with this finding. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, resulting in this finding. However, OGM maintain all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Furthermore, based on our documentation, the Authority to Proceed (ATP) requirement was not fully communicated or operationalized with the relevant agencies until late 2021. During this period, the National Environmental Policy Act (NEPA) compliance processes were nascent for both OGM and the partner agencies, and subsequently required coordination with the U.S. Army Corps of Engineers for proper implementation. Given that these procedural requirements were still in the initial stages of establishment and integration, the CNMI Government should not be deemed liable for noncompliance with obligations that were not yet fully defined or operationalized. Proposed Completion Date: Ongoing Condition 2 (N. Karakaya) / QC:$619,988: We respectfully disagree with this finding. Our office has obtained an Authorization to Proceed (ATP) for all projects funded by the Office of Insular Affairs under the 702 Capital Improvement Project (CIP) grants. It appears that supporting documents may not have been provided to the assigned auditor within the required timeframe; however, our office has maintained all ATPs associated with the projects listed in Condition 2. Proposed Completion Date: December 31, 2025	$0	$1,828,733

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FISCAL YEAR: September 30, 2023

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Ref. Number	ALN	Findings	Questioned Costs	Status	Status Change Date	Date Reviewed	Contact Person	Agency	Remarks	QC Resolved	$Amt Bal Carry Forward
2022-014	15.875	Cash Management	$482,041	Not Corrected			Nerissa B. Karakaya, CIP COTR / Tracy B. Norita, Secretary of Finance	CIP	This finding recurred because CNMI has not yet implemented strong monitoring controls or enforced compliance with cash management requirements, including timely renewal of agreements and adherence to prescribed funding techniques. CIP agrees with the finding. However, this timing is inherent in our established process. For the Capital Improvement Program (CIP), once an expense is entered into Tyler Munis and posted, we request a drawdown for those expenses. The check clearing date will naturally occur after the drawdown request date because payment disbursement and check clearing are subsequent steps in the payment process. Proposed Completion Date: December 31, 2025	$0	$482,041
2022-015	15.875	Equipment and Real Property Management	Unknown	Not Corrected			Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC / Geraldine Cruz, Procurement Services Director	OGM/PS	This finding recurred because CNMI has not yet developed the human resource capacity or financial management system structure necessary to ensure compliance with equipment and real property management requirements. The Procurement Services Division agrees with this finding. The CNMI has recently implemented the MUNIS Financial Management System to improve recordkeeping and compliance processes. All equipment and real property records acquired with federal funds will now be entered, tracked, and maintained within MUNIS. Supporting documentation will also be filed in accordance with standardized retention procedures to ensure that accurate and sufficient audit evidence is readily available.	$0	Unknown

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Ref. Number	ALN	Findings	Questioned Costs	Status	Status Change Date	Date Reviewed	Contact Person	Agency	Remarks	QC Resolved	$Amt Bal Carry Forward
2022-016	15.875	Period of Performance	$494,836	Not Corrected			Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC / Nerissa B. Karakaya, CIP COTR	OGM/CIP	The recurrence of this finding is due to CNMI's continued inability to provide sufficient and appropriate audit evidence to substantiate expenditures in compliance with the applicable period of performance requirements. This includes inadequate documentation practices, weak monitoring controls, and failure to enforce compliance. Condition 1 (E. Cabrera) / QC:$494,660: The Office of Grant Management (OGM) respectfully disagrees with this finding. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, resulting in this finding. However, OGM maintain all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing Condition 2 (N. Karakaya) / QC:$176: CIP agrees with the finding. To address the finding and prevent recurrence, CIP will: - Revise and strengthen written financial management policies to clearly define documentation requirements to substantiate expenditures and ensure costs are within the award's period of performance. - Incorporate federal regulation references, including 2 CFR 200.303 (Internal Controls) and 2 CFR 200.344 (Closeout). - Implement a standardized checklist for technical analyst and program managers to confirm that all expenditure documentation includes dates verifying that costs were incurred within the period of performance. - Require a secondary review and sign-off by the CIP Administrator prior to submission of documentation to auditors. - Conduct mandatory annual training for program on federal period of performance requirements and required supporting documentation standards. - Provide refresher sessions before each audit cycle. The responsible official will report progress on corrective actions to the CNMI leadership and maintain documentation of all implemented changes. Evidence of compliance (updated policies, training records, and self-audit reports) will be provided to the auditors upon request. Proposed Completion Date: December 31, 2025	$0	$494,836

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FISCAL YEAR: September 30, 2023

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Ref. Number	**ALN**	**Findings**	**Questioned Costs**	**Status**	**Status Change Date**	**Date Reviewed**	**Contact Person**	**Agency**	**Remarks**	**QC Resolved**	**$Amt Bal Carry Forward**
2022-017	15.875	Procurement and Suspension and Debarment	$770,427	Not Corrected			Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC / Nerissa B. Karakaya, CIP COTR / Geraldine Cruz, Procurement Services Director	OGM/CIP/PS	The recurrence of this finding is primarily due to inconsistent enforcement of procurement policies, lack of centralized oversight, insufficient staff training, and weak verification/documentation processes. Condition 1 (G. Cruz): The Procurement Services Division agrees with this finding. The Division will revise CNMI's procurement regulations to ensure alignment with federal procurement standards as outlined in 2 CFR Part 200, particularly the small purchase threshold requirements and competitive procurement procedures. Proposed Completion Date: Policy updates drafted by December 31, 2025 and adopted by March 31, 2026. Condition 2 (G. Cruz): The Procurement Services Division agrees with this finding. To address the lack of consistent verification of vendor eligibility under federal debarment and suspension requirements (2 CFR §180.300), a policy will be implemented requiring all agencies to submit debarment verification documentation at the time of vendor selection. Procurement procedures and standard forms will be revised to include debarment verification as a mandatory step prior to any purchase approval involving federal funds. Proposed Completion Date: June 30, 2026 Condition 3(a) (E. Cabrera) / QC:$70,881: The Office of Grant Management (OGM) respectfully disagrees with this finding. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, resulting in this finding. However, OGM maintain all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing Condition 3(b) (N. Karakaya) / QC:$699,546: Capital Improvement Program agrees with this finding. CIP acknowledges the need to maintain sufficient and appropriate audit evidence demonstrating compliance with federal procurement standards. We recognize that our current recordkeeping for bid submissions and ITB publication can be improved to ensure that auditors can readily verify compliance. Proposed Completion Date: December 31, 2025	$0	$770,427
2022-018	15.875	Reporting	$0	Not Corrected			Nerissa B. Karakaya, CIP COTR	CIP	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or adequate staffing and training to ensure compliance with reporting requirements. CIP agrees with this finding. A documentation checklist exists; however, it was not consistently fully extended to program administration records. Monitoring controls focused primarily on project completion, resulting in less attention to verifying that supporting documentation for administrative expenses was fully compiled and properly reconciled. In addition, segregation-of-duties constraints were evident, as the same staff oversaw both the preparation of reports and the maintenance of program administration records, which limited independent verification and delayed the retrieval of required documentation. The following steps will be implemented to address this finding. Proposed Completion Date: December 31, 2025	$0	$0

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Ref. Number	ALN	Findings	Questioned Costs	Status	Status Change Date	Date Reviewed	Contact Person	Agency	Remarks	QC Resolved	$Amt Bal Carry Forward
2022-019	15.875	Subrecipient Monitoring	$549,849	Not Corrected			Nerissa B. Karakaya, CIP COTR / Angelina Phillips, OMB	CIP	This finding recurred because CNMI has not yet implemented written subrecipient monitoring policies, effective monitoring controls, or consistent enforcement of compliance requirements. Condition 1 (N. Karakaya): CIP agrees with this finding. The address this finding, CIP will implement the following: 1. Establish Written Procedures: CNMI has developed and will initiate the implementation of formal written procedures requiring that all potential subrecipients be checked in SAM.gov prior to award and that verification is documented and retained in the official files. 2. Standardized Documentation: A standardized risk assessment checklist will be used for all subrecipients to confirm they are not suspended, debarred, or excluded under 2 CFR §180.300. 3. Staff Training: All staff responsible for subrecipient monitoring will receive training on federal requirements for exclusion checks and proper documentation procedures. 4. Monitoring and Review: CIP will conduct periodic reviews to ensure that SAM.gov checks are consistently performed and documented for all new and existing subrecipients. Condition 2 (N. Karakaya): CIP respectfully disagrees with this finding. The subrecipient was not required to submit the required project narrative report; instead, the report was prepared and submitted by the project manager responsible for managing the project as assigned by the Capital Improvement Program. Proposed Completion Date: December 31, 2025 Condition 3 (N. Karakaya): We acknowledge the finding that documentation was not provided to verify whether eight subrecipients were subject to the audit requirements. The Capital Improvement Program will strengthen its subrecipient monitoring procedures to ensure compliance with 2 CFR 200.331(f) and related audit requirements. Proposed Completion Date: December 31, 2025	$0	$549,849
2022-020	17.225	Eligibility	$80,773	Not Corrected			Zachary Taitano, PUA Program Manager, DOL	DOL	The recurrence of this finding is due to CNMI's continued failure to establish and enforce adequate processes for documenting eligibility determinations specifically the lack of standardized procedures, insufficient monitoring controls, weak enforcement of compliance, and training gaps. Condition 1: The CNMI agrees that the expenditure listing from the Financial System is significantly lower than the listing generated from the HireMarianas Portal. This discrepancy is due to the fact that the expenditure listing reflects only disbursed payments, whereas the HireMarianas Portal listing includes transactions that were removed, cancelled, or rejected by the claimant's financial institution. Additionally, the HireMarianas listing includes payments that were cancelled and subsequently reissued through the portal, which may result in what appear to be duplicate entries. Proposed Completion Date: Completed Condition 2: The CNMI partially agrees with this finding. While it is acknowledged that 8 of the 11 identified users' SAVE verification results were uploaded onto the HireMarianas Portal late, all claimants were of Qualified Alien status in accordance with the definition provided through the Immigration and Nationality Act (INA). Moreover, all SAVE responses are now on the respective applicants' supporting documents tab on the HireMarianas Portal. Proposed Completion Date: Ongoing	$0	$80,773

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Ref. Number	ALN	Findings	Questioned Costs	Status	Status Change Date	Date Reviewed	Contact Person	Agency	Remarks	QC Resolved	$Amt Bal Carry Forward
2022-021	17.225	Special Tests and Provisions - UI Program Integrity - Overpayments	$13,152	Not Corrected			Zachary Taitano, PUA Program Manager, DOL	DOL	This finding recurred because CNMI has not yet implemented strong monitoring controls, system enhancements, or staff training to ensure compliance with UIPL guidance and DOL's SOPs for PUA. Condition 1: The CNMI agrees with this finding, as the CNMI DOL did not forward the case to the OIG and did not charge 15% against the overpayment amounts for the respective benefit types. The CNMI is currently in communication with its grantor to determine the appropriate course of action, considering the last action on this claim was in 2022, The CNMI has sought grantor clarification on how to proceed with this matter and is pending further guidance. Further corrective action items, along with a proposed completion date, will be prepared once clarification is received. Proposed Completion Date: Ongoing	$0	$13,152
2022-022	21.023	Allowable Costs/Cost Principles	$65,865	Not Corrected			Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC	OGM	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. The Office of Grant Management (OGM) respectfully disagrees with this finding. In alignment with program intent and to ensure housing stability, rental arrears were prioritized and satisfied first. However, in cases where households faced imminent risk of eviction, OGM permitted the submission of concurrent prospective rent payments as an emergency stabilization measure. This approach was necessitated by the protracted processing timelines within the Division of Financial Services, which created a critical lag between approval and disbursement of funds. Without this intervention, households would have been exposed to heightened risk of eviction, undermining the program's primary objective of preventing homelessness. Accordingly, the rental arrears totaling $65,864 should be deemed an allowable and reasonable program expenditure consistent with the overarching goals of housing retention and client stabilization. Proposed Completion Date: Ongoing	$0	$65,865

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Ref. Number	ALN	Findings	Questioned Costs	Status	Status Change Date	Date Reviewed	Contact Person	Agency	Remarks	QC Resolved	$Amt Bal Carry Forward
2022-023	21.023	Eligibility	$331,985	Not Corrected			Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC	OGM	The recurrence of this finding is due to CNMI's continued failure to establish and enforce adequate processes for documenting eligibility determinations specifically the lack of standardized procedures, insufficient monitoring controls, weak enforcement of compliance, and training gaps. The Office of Grant Management (OGM) respectfully disagrees with this finding. The delay in document submission was attributable to internal scheduling constraints combined with the compressed timeline required to complete the FY2022 Single Audit. While the requested documentation was not provided by the auditor's specified deadline, OGM maintains all relevant supporting records in accordance with federal grant retention requirements and remains prepared to furnish them upon request from the Grantor. Although the documentation was submitted several days beyond the deadline, the auditors informed OGM that reviewing the late submission would cause additional delays to the overall audit process. OGM disputes the questioned cost amount of $331,985, as complete and accurate records exist to substantiate the eligibility determinations of the CCERA clients in question. Given that the program concluded more than two years ago, additional time was necessary to retrieve and compile archived files. Accordingly, OGM asserts that these costs are allowable, allocable, and fully supported, and recommends that the auditors reconsider the finding in light of the shortened audit review window and the program's recordkeeping context. Proposed Completion Date: Ongoing	$0	$331,985
2022-024	21.023	Period of Performance	$26,329	Not Corrected			Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC	OGM	The recurrence of this finding is due to CNMI's continued inability to provide sufficient and appropriate audit evidence to substantiate expenditures in compliance with the applicable period of performance requirements. This includes inadequate documentation practices, weak monitoring controls, and failure to enforce compliance. Condition 1: The Office of Grant Management (OGM) respectfully disagrees with this finding. OGM recollects prior guidance and program discussions indicating that U.S. Territories administering ERA were afforded greater flexibility in the period of performance, in recognition of their geographic remoteness and the additional time required to receive technical assistance and implement compliant systems. This understanding informed OGM's administration of ERA funds. Additionally, several disbursed checks were returned, which created reconciliation delays and made it difficult to ascertain the true unobligated balance of the grant until sufficient time had passed for all transactions to clear. To address compliance concerns, CNMI officials traveled to Washington, D.C. in February 2025 to meet with U.S. Treasury representatives and resolve outstanding ERA1 documentation issues. Following those meetings, OGM submitted the necessary reports and initiated the closeout process for ERA1 in accordance with federal requirements. Proposed Completion Date: Ongoing Condition 2: The Office of Grant Management (OGM) respectfully disagrees with this finding. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, resulting in this finding. However, OGM maintain all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing	$0	$26,329

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Ref. Number	ALN	Findings	Questioned Costs	Status	Status Change Date	Date Reviewed	Contact Person	Agency	Remarks	QC Resolved	$Amt Bal Carry Forward
2022-025	21.023	Reporting	$0	Not Corrected			Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC	OGM	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or adequate staffing and training to ensure compliance with reporting requirements. The Office of Grants Management (OGM) respectfully admits that accurate and timely financial reporting was significantly challenged due to systemic and operational factors. First, the CNMI's financial management system was transitioning from JD Edwards to Tyler-Munis, resulting in shifting expense allocations and fluctuating fund balances throughout the fiscal year. These system migrations inherently delayed reconciliation and reporting of final totals. Despite these challenges, OGM provided EY with a comprehensive listing of expenses that reconciled to the FMIS-generated ending fund balance for this business unit. Given these circumstances, OGM asserts that any variances observed in the SF-425 are the result of operational and systemic constraints, and the office should not be penalized for discrepancies arising under these extraordinary conditions. Subsequently, all ERA1 Reporting were resolved in February 2025 with US Treasury. This action closed the grant officially. Proposed Completion Date: Ongoing.	$0	$0
2022-026	21.026	Reporting	$0	Not Corrected			Zenie Mafnas, NMHC Director / Tracy B. Norita, Secretary of Finance	NMHC/DOF	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or adequate staffing and training to ensure compliance with reporting requirements. The CNMI agrees with this finding. Department of Finance Program Manager previously responsible for overseeing this grant is no longer with the Department. DOF will work with NMHC to verify whether the required FFATA reports and any other required activities were prepared and submitted to the Subaward Reporting System. Proposed Completion Date: Ongoing	$0	$0
2022-027	21.026	Subrecipient Monitoring	$4,157,924	Not Corrected			Tracy B. Norita, Secretary of Finance	DOF	This finding recurred because CNMI has not yet implemented written subrecipient monitoring policies, effective monitoring controls, or consistent enforcement of compliance requirements. Condition 1-4: The Department of Finance agrees with this finding. The Department has recently adopted and approved (August 2025) a Subrecipient Monitoring Policy and Procedures which specifically focused on the implementation of 2 CFR 200.331. The Department will expand on this policy and procedure to include the development and implementation of a comprehensive subrecipient monitoring policies that clearly outline the process for identifying subawards, assessing the risk of noncompliance, and conducting monitoring activities based on those risks. These policies will be aligned with federal requirements and best practices to ensure consistency and accountability. Proposed Completion Date: December 31, 2025	$0	$4,157,924

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Ref. Number	**ALN**	**Findings**	**Questioned Costs**	**Status**	**Status Change Date**	**Date Reviewed**	**Contact Person**	**Agency**	**Remarks**	**QC Resolved**	**$Amt Bal Carry Forward**
2022-028	21.027	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	$33,815,438	Not Corrected			Tracy B. Norita, Secretary of Finance	DOF	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. Condition 1&6: The Department of Finance agrees with this finding. It is important to note that the issue occurred during FY22, a period marked by the transition from the legacy financial system (JDE) to the new Tyler Munis platform. During this time, processes for retaining and reconciling supporting documents had not been standardized, resulting in inconsistencies and a heightened risk of missing or improperly uploaded records. Furthermore, the Program Manager previously responsible for overseeing this grant is no longer with the Department. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, which contributed to this finding. Nevertheless, the Department is committed to provide relevant supporting documentation upon request from the Grantor. Proposed Completion Date: Ongoing Condition 2-5, 7&8: The Department of Finance respectfully disagrees with this finding. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, resulting in this finding. However, the office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing Condition 9: The Department of Finance agrees with the findings. Following the legal opinion from the CNMI Attorney General's Office in August 2025, we secured all necessary documentation from the Municipality of Tinian to ensure proper recording and reconciliation of transactions in our financial system. Proposed Completion Date: December 31, 2025	$0	$33,815,438

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Ref. Number	ALN	Findings	Questioned Costs	Status	Status Change Date	Date Reviewed	Contact Person	Agency	Remarks	QC Resolved	$Amt Bal Carry Forward
2022-029	21.027	Procurement and Suspension and Debarment	$12,244,415	Not Corrected			Tracy B. Norita, Secretary of Finance / Geraldine Cruz, Procurement Services Director	DOF/PS	The recurrence of this finding is primarily due to inconsistent enforcement of procurement policies, lack of centralized oversight, insufficient staff training, and weak verification/documentation processes. Condition 1&3: The Procurement Services Division agrees with this finding. The Division will revise CNMI's procurement regulations to ensure alignment with federal procurement standards as outlined in 2 CFR Part 200, particularly the small purchase threshold requirements and competitive procurement procedures. Proposed Completion Date: Policy updates drafted by December 31, 2025 and adopted by March 31, 2026. Condition 2&5: The Procurement Services Division agrees with this finding. To address the lack of consistent verification of vendor eligibility under federal debarment and suspension requirements (2 CFR §180.300), a policy will be implemented requiring all agencies to submit debarment verification documentation at the time of vendor selection. Procurement procedures and standard forms will be revised to include debarment verification as a mandatory step prior to any purchase approval involving federal funds. Procurement Services will ensure that debarment verification documents are maintained in the official procurement file for each transaction involving federal funds. Proposed Completion Date: October 1, 2025 Condition 4&6: The Procurement Services Division respectfully disagrees with this finding. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, resulting in this finding. However, the Division maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing	$0	$12,244,415
2022-030	21.027	Reporting	$0	Not Corrected			Tracy B. Norita, Secretary of Finance	DOF	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or adequate staffing and training to ensure compliance with reporting requirements. Condition 1-3: The Department of Finance agrees with this finding. It is important to note that the issue occurred during FY22, a period marked by the transition from the legacy financial system (JDE) to the new Tyler Munis platform. During this time, processes for retaining and reconciling supporting documents had not been standardized, resulting in inconsistencies and a heightened risk of missing or improperly uploaded records. Furthermore, the Program Manager previously responsible for overseeing this grant is no longer with the Department. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, which contributed to this finding. Nevertheless, the Department is committed to provide relevant supporting documentation upon request from the Grantor. Proposed Completion Date: Ongoing.	$0	$0

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2022-031	21.027	Subrecipient Monitoring	$61,003,095	Not Corrected			Tracy B. Norita, Secretary of Finance	DOF	This finding recurred because CNMI has not yet implemented written subrecipient monitoring policies, effective monitoring controls, or consistent enforcement of compliance requirements. Condition 1-3: The Department of Finance agrees with this finding. The Department has recently adopted and approved (August 2025) a Subrecipient Monitoring Policy and Procedures which specifically focused on the implementation of 2 CFR 200.331. The Department will expand on this policy and procedure to include the development and implementation of a comprehensive subrecipient monitoring policies that clearly outline the process for identifying subawards, assessing the risk of noncompliance, and conducting monitoring activities based on those risks. These policies will be aligned with federal requirements and best practices to ensure consistency and accountability. Furthermore, due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, resulting in this finding. However, the Department maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing	$0	$61,003,095

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Ref. Number	**ALN**	**Findings**	**Questioned Costs**	**Status**	**Status Change Date**	**Date Reviewed**	**Contact Person**	**Agency**	**Remarks**	**QC Resolved**	**$Amt Bal Carry Forward**
2022-032	93.489/575/596	Eligibility	$43,100	Not Corrected			Roselle Teregeyo, CCDF Co-Administrator/Accountant	CCDF	The recurrence of this finding is due to CNMI's continued failure to establish and enforce adequate processes for documenting eligibility determinations specifically the lack of standardized procedures, insufficient monitoring controls, weak enforcement of compliance, and training gaps. Condition 1: For Case ID: 2827C, 2528C, 2936A, 2528B, 3062D: CCDF agrees with these findings. To address these findings, effective October 2025, CCDF will not approve applicant/s Certificate of Confirmation without a current and valid work permit. As of January 2025, CCDF Waitlist applications are no longer initially processed by one Eligibility Worker, waitlist applications must be assessed by two eligibility workers to ensure requirements and documents are met. For final approval CCDF waitlist applications are again cross checked by the Eligibility Supervisor to ensure all requirements and documentation are met. Proposed Completion Date: December 31, 2025 Condition 2: CCDF agrees with this finding. To address these findings, effective October 2025, CCDF will not approve applicant/s Certificate of Confirmation without a current and valid work permit. As of January 2025, CCDF Waitlist applications are no longer initially processed by one Eligibility Worker, waitlist applications must be assessed by two eligibility workers to ensure requirements and documents are met. For final approval CCDF waitlist applications are again cross checked by the Eligibility Supervisor to ensure all requirements and documentation are met. Proposed Completion Date: December 31, 2025 Condition 3: CCDF agrees with this finding. For Case ID 3324B: Total overpayment to provider was $300.00. CCDF will recoup the amount from the provider no later than December 2025. CCDF will recoup $150.00 each month from the provider beginning November 2025 and the whole amount will be recouped by December 2025. As of August 2025, CCDF Provider payments are cross checked by the CCDF Accounting section. Additionally, effective October 1, 2025, CCDF Data Specialist will cross check provider payments to ensure base payment rates are applicable to each child based on the child's age. Proposed Completion Date: December 31, 2025	$0	$43,100

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Ref. Number	**ALN**	**Findings**	**Questioned Costs**	**Status**	**Status Change Date**	**Date Reviewed**	**Contact Person**	**Agency**	**Remarks**	**QC Resolved**	**$Amt Bal Carry Forward**
2022-033	93.489/575/596	Special Tests and Provisions – Health and Safety Requirements	$1,757,352	Not Corrected			Roselle Teregeyo, CCDF Co-Administrator/Accountant	CCDF	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or effective oversight of provider training requirements. Condition 1: CCDF respectfully disagrees with this finding. In the middle of the Fiscal year, the CCDF Program transitioned to have the Quality Rating and Improvement System or QRIS perform the announced and unannounced visits. To allow the complete transition of the CCDF Certification and monitoring system, as independent from the Child Care Licensing Program, CCDF extended all expiration dates of CCDF Providers for an additional two months. This extension was given to all CCDF providers renewing from April 2022 to December 31, 2022. With the transition, CCDF allowed for providers to meet provider requirements in a year and were only subjected to an announced visit. Any non-compliance was noted, but supported to compliance through coaching. Effective October 1, 2022, all CCDF Providers are now subjected to announced and unannounced visits. Proposed Completion Date: Completed Condition 2: CCDF respectfully disagrees with this finding. Based on our records, all providers met the annual training hours. Proposed Completion Date: Ongoing	$0	$1,757,352

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Ref. Number	ALN	Findings	Questioned Costs	Status	Status Change Date	Date Reviewed	Contact Person	Agency	Remarks	QC Resolved	$Amt Bal Carry Forward
2022-034	93.767	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	$1,182,511	Not Corrected			George J. Cruz, Medicaid Director	Medicaid	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. Condition 1: The CNMI Medicaid Office respectfully disagrees with this finding. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, resulting in this finding. However, the office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing Condition 2: CNMI Medicaid Office cannot confirm to agree or disagree with the findings stated, as the information references case numbers without sufficient supporting detail. The office does not operate a Medicaid Management Information System (MMIS) and therefore cannot automatically retrieve data to link case numbers with the total benefits paid or questioned costs. Additionally, two of the three case numbers provided are associated with multiple individuals. Even if the case numbers were accurate and beneficiary names included, the office would still need to identify the provider(s) associated with the payments in question. Therefore, to properly evaluate the findings, the office would require not only the case number, but also the beneficiary's full name and the corresponding MUNIS invoice number. The office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing Condition 3: The CNMI Medicaid Office respectfully disagrees with this finding. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, resulting in this finding. However, the office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing	$0	$1,182,511
2022-035	93.767	Period of Performance	$38,556	Not Corrected			George J. Cruz, Medicaid Director	Medicaid	The recurrence of this finding is due to CNMI's continued inability to provide sufficient and appropriate audit evidence to substantiate expenditures in compliance with the applicable period of performance requirements. This includes inadequate documentation practices, weak monitoring controls, and failure to enforce compliance. The CNMI Medicaid Office respectfully disagrees with this finding. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, resulting in this finding. However, the office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing	$0	$38,556

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Ref. Number	**ALN**	**Findings**	**Questioned Costs**	**Status**	**Status Change Date**	**Date Reviewed**	**Contact Person**	**Agency**	**Remarks**	**QC Resolved**	**$Amt Bal Carry Forward**
2022-036	93.767	Reporting	$0	Not Corrected			George J. Cruz, Medicaid Director	Medicaid	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or adequate staffing and training to ensure compliance with reporting requirements. Condition 1: CNMI Medicaid Office respectfully disagrees with this finding. While CNMI Medicaid Office is not the designated entity for submitting SF-425 forms, we recognize the critical importance of these reports in the effective management of federal grant awards. To support overall compliance, the office will proactively coordinate with the submitting agency, the CNMI Department of Finance, by establishing stronger communication protocols. These will include scheduled reminders and regular check-ins with the assigned DOF representative to ensure SF-425 submissions are prioritized and completed ahead of quarterly reporting deadlines. Proposed Completion Date: Ongoing Condition 2: CNMI Medicaid Office respectfully disagrees with this finding. It is unclear where the auditors obtained their reported figures. Based on CMA's records previously provided to the auditors, the CMS-64 report, and the accounting records agree, with only a $2 difference due to rounding. This alignment is based on the CMS-64 for FY22, Q3, as last revised on October 21, 2022. Proposed Completion Date: Ongoing	$0	$0
2022-037	93.767	Special Tests and Provisions - Provider Eligibility (Screening and Enrollment)	$7,932,110	Not Corrected			George J. Cruz, Medicaid Director	Medicaid	The recurrence of this finding is due to CNMI's lack of awareness and implementation of federal exclusion verification requirements, absence of monitoring controls, and training and communication gaps. CNMI Medicaid Office respectfully disagrees with the finding. While the office did perform OIG exclusion list validation, screenshots were not captured for each individual check. It is important to note that the OIG Exclusion List portal's search function is limited to on-screen viewing and does not provide a built-in option to print or export search results. Additionally, the CMS access process for exclusion checks involves a rigorous background clearance, and only one personnel of three total successfully gained access. CNMI Medicaid Office acknowledges that historically, limited personnel capacity has hindered full compliance with this requirement. However, efforts are currently underway to streamline and strengthen the exclusion verification process. The office is actively developing a fully functional Program Integrity Division that will be responsible for conducting and documenting OIG exclusion checks in a consistent and compliant manner moving forward. Proposed Completion Date: Ongoing	$0	$7,932,110

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2022-038	93.778	Allowable Costs/Cost Principles	$27,816,686	Not Corrected			George J. Cruz, Medicaid Director	Medicaid	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. Condition 1: The CNMI Medicaid Office respectfully disagrees with this finding. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, resulting in this finding. However, the office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing Condition 2: The CNMI Medicaid Office respectfully disagrees with this finding. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, resulting in this finding. However, the office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing Condition 3: CNMI Medicaid Office respectfully disagrees with this finding. The agency currently does not have a Medicaid Management Information System (MMIS) in place to collect and accurately report comprehensive Benefits Paid data. All data processing is done manually, and information is maintained using Excel spreadsheets, which limits the ability to generate complete and reliable reports. Additionally, the "Benefits Paid" data provided to the auditor does not include services covered under the Certified Public Expenditures (CPE) payments made to CHCC. Therefore, these records should not be used as the sole basis for evaluating program eligibility, total expenditures, or compliance with eligibility requirements. However, the CNMI Medicaid Office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing	$0	$27,816,686
2022-039	93.778	Reporting	$0	Not Corrected			George J. Cruz, Medicaid Director	Medicaid	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or adequate staffing and training to ensure compliance with reporting requirements. Condition 1: The CNMI Medicaid Office respectfully disagrees with this finding for several reasons, including but not limited to the fact that the auditor's calculation includes a separate funding source that should not have been attributed to the actual total. Additionally, the stated variances were addressed through prior period adjustments, which are reflected in the succeeding quarter(s). However, the office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing	$0	$0

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2022-040	93.778	Special Tests and Provisions - ADP Risk Analysis and System Security Review	$0	Not Corrected			George J. Cruz, Medicaid Director	Medicaid	This finding recurred because CNMI has not yet implemented strong monitoring procedures, accountability mechanisms, or adequate staffing to ensure that biennial reviews of the ADP system security are consistently performed and documented. The CNMI Medicaid Office respectfully disagrees with this finding. Due to internal scheduling constraints and the compressed timeline required to complete the FY22 audit, the requested documents were not submitted by the specified deadline, resulting in this finding. However, the office maintains all relevant supporting documentation and is prepared to provide it upon request from the Grantor. Proposed Completion Date: Ongoing	$0	$0
2022-041	93.778	Special Tests and Provisions - Provider Eligibility (Screening and Enrollment)	$3,640,189	Not Corrected			George J. Cruz, Medicaid Director	Medicaid	The recurrence of this finding is due to CNMI's lack of awareness and implementation of federal exclusion verification requirements, absence of monitoring controls, and training and communication gaps. The CNMI Medicaid Office respectfully disagrees with the finding. While the office did perform OIG exclusion list validation, screenshots were not captured for each individual check. It is important to note that the OIG Exclusion List portal's search function is limited to on-screen viewing and does not provide a built-in option to print or export search results. Additionally, the CMS access process for exclusion checks involves a rigorous background clearance, and only one personnel of three total successfully gained access. The CNMI Medicaid Office acknowledges that historically, limited personnel capacity has hindered full compliance with this requirement. However, efforts are currently underway to streamline and strengthen the exclusion verification process. The office is actively developing a fully functional Program Integrity Division that will be responsible for conducting and documenting OIG exclusion checks in a consistent and compliant manner moving forward. Proposed Completion Date: January 1, 2027	$0	$3,640,189

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2022-042	97.036	Period of Performance	$423,234	Not Corrected			Patrick Guerrero, Governor's Authorized Rep., PAO	PAO	The recurrence of this finding is due to CNMI's continued inability to provide sufficient and appropriate audit evidence to substantiate expenditures in compliance with the applicable period of performance requirements. This includes inadequate documentation practices, weak monitoring controls, and failure to enforce compliance. Condition 1: 1. Regarding the finding related to DR4235MP, PW 95, the Public Assistance Office agrees that the liquidation was processed after the liquidation deadline. 2. Regarding the finding related to DR4396MP, PW 4, the Public Assistance Office disagrees with this finding. Liquidation was done prior to the closeout deadline of December 31, 2022. 3. Regarding the finding related to DR4511MP, PW 27, the Public Assistance Office disagrees with this finding. Liquidation was done prior to the closeout deadline of June 30, 2025. 4. Regarding the finding related to DR4511MP, PW 8, the Public Assistance Office disagrees with this finding. Liquidation was done prior to the closeout deadline of June 30, 2025. Proposed Completion Date: Ongoing Condition 2: The Public Assistance Office respectfully disagrees with this finding. • Regarding the finding related to DR4235MP, PW 49, the Public Assistance Office disagrees with this finding. The invoice was dated and recorded after the period of performance (June 30, 2022), but date of actual work completed as shown on the Megger Test was May 20, 2022. The Public Assistance Office acknowledges that the record of the Megger Test had not been submitted to the auditors when submitting documentation. The Public Assistance Office will continue to exercise diligence in reviewing project documentation to ensure that all work is verified and completed prior to payment/reimbursement. The office will continue to monitor performance timelines to confirm that work is completed on or before the established period of performance deadlines. This process will include periodic internal reviews and coordination with subrecipients to ensure compliance. When delays are anticipated, the office will coordinate with subrecipients and promptly request necessary time extension approvals from Grantor to maintain compliance. Proposed Completion Date: Ongoing	$0	$423,234
2022-043	97.036	Reporting	$0	Not Corrected			Patrick Guerrero, Governor's Authorized Rep., PAO	PAO	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or adequate staffing and training to ensure compliance with reporting requirements. Condition 1: The Public Assistance Office agrees with this finding and is aware of the need to submit the Federal Funding Accountability and Transparency Act ("FFATA") reports. The Public Assistance Office will continue to work on gaining access through SAM.gov to ensure timely reporting of all subawards to FFATA/SAM.gov. As of September 2025, the Public Assistance Office has continued to attempt to gain access to enter these reports. Should the Public Assistance Office be granted access and necessary permissions to FFATA/SAM.gov, the Compliance and Audit Manager will input all previously unreported FFATA subaward data. Proposed Completion Date: December 31, 2025	$0	$0

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: UG COMPLIANCE FINDINGS AND QUESTIONED COSTS
FISCAL YEAR: September 30, 2023

CNMI - Prepared Schedule

Ref. Number	ALN	Findings	Questioned Costs	Status	Status Change Date	Date Reviewed	Contact Person	Agency	Remarks	QC Resolved	$Amt Bal Carry Forward
2022-044	97.036	Subrecipient Monitoring	$1,540,330	Not Corrected			Patrick Guerrero, Governor's Authorized Rep., PAO	PAO	This finding recurred because CNMI has not yet implemented written subrecipient monitoring policies, effective monitoring controls, or consistent enforcement of compliance requirements. Condition 1: The Public Assistance Office agrees with this finding and acknowledges that, as the pass-through entity, we are responsible for monitoring subrecipients. The Public Assistance Office will strengthen monitoring procedures to ensure compliance with 2 CFR 200.332(e). Beginning September 2025, PAO has begun conducting biannual risk assessments. The PAO will also strengthen documentation and audit trails by maintaining monitoring checklists, review notes, and communications in subrecipient files. Proposed Completion Date: Ongoing Condition 2: The Public Assistance Office agrees with this finding and acknowledges that, as the pass-through entity, we are responsible for monitoring subrecipients. The Public Assistance Office will strengthen monitoring procedures to ensure compliance with 2 CFR 200.332(g). Beginning September 2025, PAO has begun conducting biannual risk assessments. Proposed Completion Date: Ongoing	$0	$1,540,330

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2022-045	97.039	Allowable Costs/Cost Principles	$99,924	Not Corrected			Patrick Guerrero, Governor's Authorized Rep., PAO	PAO	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. The Hazard Mitigation Grant Program (HMGP) agrees with this finding. During the audit submission process, HMGP provided the support documents for the journal entries and reversals associated with the $99,923.27 to the auditor, as requested. However, it was only upon receiving this audit finding # 2022-049, that the discrepancy of a duplicate audit drawdown was called into question. HMGP's ledger for this project as well as the Munis drawdown history does not indicate a remaining balance of $99,923.73 and the project related to this finding has already been closed out. To address this audit finding that HMGP received this last week on September 17th, HMGP reached out to the Department of Finance to provide related documents for the drawdowns. Based on the documents provided by DOF, the questioned cost was not a direct result of the duplicate drawdown but as a result of the reverse journal entries made by Tyler Munis staff in an effort to correct the duplicate drawdown. To address the finding, a significant action step already taken is the transition that occurred in 2024 for agencies to initiate their own drawdowns. This drawdown process ensures HMGP's direct oversight of all expenditures moving forward to reduce the risk of future duplications. HMGP created an internal drawdown tracker upon DOF's transition to agency-initiated drawdown requests for 2024 expenses to present. HMGP will work with DOF to correct the journal entry on Munis in relation to the questioned cost and process the return of funds to FEMA. HMGP will create a tracker for all requested transactions made to DOF, such as reversals or corrections if needed as that function cannot be completed on Munis by HMGP. HMGP will review the tracker on a bi-weekly basis to ensure that all MUNIS journal entries and transfers related to HMGP to ensure expenditures are completed accurately and on a timely basis to avoid future misclassifications or duplications. HMGP will continue to ensure that all payments are correctly coded and submitted into Munis with the appropriate documentation and supporting details. HMGP will update the financial management portion of the HMGP standard operating procedures to reflect these action items. Proposed Completion Date: September 30, 2026	$0	$99,924
2022-046	97.039	Cash Management	$2,687,277	Not Corrected			Patrick Guerrero, Governor's Authorized Rep., PAO	PAO	This finding recurred because CNMI has not yet implemented strong monitoring controls or enforced compliance with cash management requirements, including timely renewal of agreements and adherence to prescribed funding techniques. Condition 1: HMGP respectfully disagrees with this finding. According to 31 CFR part 205, which is the default procedure if a Treasury-State Agreement (TSA) is not formally in effect, it is permissible and standard practice for a reimbursement check to clear after the disbursement request date, provided the subrecipient has submitted proof of prior payment with local funds. Although HMGP does believe that the current process meets federal and FEMA requirements, HMGP will develop and document a formal written procedure clearly outlining the expenditure timing process under the reimbursement system. This procedure will explain how costs are verified as incurred and demonstrate compliance with applicable federal and FEMA standards for fund control and accountability. Provide additional clarification and support documents to the auditor, if requested. Proposed Completion Date: September 30, 2025.	$0	$2,687,277

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Ref. Number	**ALN**	**Findings**	**Questioned Costs**	**Status**	**Status Change Date**	**Date Reviewed**	**Contact Person**	**Agency**	**Remarks**	**QC Resolved**	**$Amt Bal Carry Forward**
2022-047	97.039	Reporting	$0	Not Corrected			Patrick Guerrero, Governor's Authorized Rep., PAO	PAO	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or adequate staffing and training to ensure compliance with reporting requirements. Condition 1: HMGP agrees with this finding. HMGP acknowledges that this FFATA reporting condition was not addressed during the time period under review. However, HMGP became aware of the issue during a previous audit and have since been working to implement corrective measures. An action already taken for HMGP includes reaching out to the Public Assistance Office who had already begun the process of obtaining the necessary permissions on the FFATA Subaward Reporting System (FSRS) online submission portal to assign a designated administrator for our programs. The next action steps are: o To continue to work with the Governor's office staff at to gain access through SAM.gov to ensure timely reporting of all subawards to FFATA/SAM.gov. o To establish adequate policies and procedures within HMGP's standard operating procedures for the preparation and submission of FFATA reports to the FSRS. Once HMGP is provided with the necessary guidance and submission access on the FSRS, HMGP will promptly establish written internal controls to prevent any future non-compliance. HMGP understands that although the action steps taken to meet FFATA reporting compliance is actively underway, each subsequent Fiscal Year will unfortunately reflect a lack of FFATA submissions until the process is resolved and implemented. Proposed Completion Date: September 30, 2026	$0	$0
			$163,084,625							**$0**	**$163,084,625**

FY2021											
2021-012	10.539	Allowable Costs/Cost Principles	$1,620	Not Corrected		12/6/2024	Margaret Aldan, NAP Administrator	NAP	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. December 6, 2024: Per NAP Administrator, the USDA-FNS officials will be on island and these findings will be brought up and discussed to determine next steps to resolving the finding. Waiting on an update from the NAP Administrator. Condition 1: The CNMI-NAP disagrees with this finding. The following employee is not a NAP employee. When work is performed for NAP, the hours spent will be compensated but in a Journal Entry procedure. This is a fund transfer from one account to another under the MOA. Conditions 2 and 3: CNMI-NAP disagrees with the finding. The attached NOPAs and other payroll documents indicated the correct pay rate specified to the employees. Please refer to the supporting documents provided to clear this finding.	$0	$1,620

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2021-013	10.539	Procurement and Suspension and Debarment	$97,850	Not Corrected		12/6/2024	Margaret Aldan, NAP Administrator	NAP	The recurrence of this finding is primarily due to inconsistent enforcement of procurement policies, lack of centralized oversight, insufficient staff training, and weak verification/documentation processes. Condition 1: The CNMI-NAP disagrees with the finding. This transaction was supposed to be process in FY 2020 but because of the delay and completion date was done in FY 2021, a Change Order Contract No. 01 was processed, and the funds was carried over to FY 2021 (see attached copies of original contract and the change order. The Account number A1551L is a carryover account number from FY 2020 to FY 2021. Copy of the bid is also attached. The bid summary was not necessary because a change order was processed changing the account from A0551E to A1551L per NAP email dated 1/11/21 (Pending Change Order Contract) - CNC 01/13/21 Change Order #1 to charge $35,989.60 (Contract #707410-OC) to A1551L.64560 to extend the delivery period from thirty (30) days to ninety (90) days. (Researched in JDE and found the remarks made by Ms. Cozy N. Camacho - Financial Management) Condition 2: The CNMI-NAP disagrees with the finding. The Nutrition Assistance Program did follow the proper procurement method by processing Invitation to Bid and obtained the lowest bidder and processed the contract with a notice to proceed, please see attached copy of the Contract and the Summary of the bidders to prove that it went through the proper procurement process. Condition 3: The CNMI-NAP disagrees with the finding. The Nutrition Assistance Program tried to obtain quotations to purchase perforator machines on island and there was none. However, ARMATECH company submitted their price quotation stating that they are able to from off-island and NAP can purchase from them.	$0	$97,850

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2021-014	10.539	Special Tests and Provisions – NAP Coupon Reconciliation	$3,375,452	Not Corrected		12/6/2024	Margaret Aldan, NAP Administrator	NAP	This finding recurred because CNMI has not yet implemented strong monitoring controls, clear accountability, or standardized reconciliation procedures to ensure that recorded program benefit costs align with the total food coupons redeemed. December 6, 2024: Per NAP Administrator, the USDA-FNS officials will be on island and these findings will be brought up and discussed to determine next steps to resolving the finding. Waiting on an update from the NAP Administrator. QC Breakdown: 1. ALN 10.539 - $3,375,452 2. ALN 10.551/10.561 - $442,933 Condition 1 & 2: The CNMI-NAP disagrees with both findings. FNS-388 is only for regular NAP benefits and thus reports only on benefit distribution. CNMI-NAP realized that FNS388 Reports for FY2021 records only Regular NAP Benefit (LAN 10.539). Team Auditors combined the Pandemic-Electronic Benefit (P-EBT) (10.551/10.561) SNAP Cluster together with regular NAP (10.539). Moreover, to derive from the Actual Redemption Report, Team Auditor needs to recognize the old series. These old series are usually received and verified in the months following. However, during the redemption process, one must abstract the old series and add to the previous month and vice versa deduct the amount from the current month received. CNMI-NAP, with the assistance of the grantor agency (Food and Nutrition Service) had implemented a tool called Recon Tool to identify the total benefit versus actual redemption reports. In addition, a weekly virtual meeting with the grantor had enabled the CNMI-NAP to be able to work with the Recon Tool to ensure the reconciliation process is in place. This process began in January 2024 with the reports starting in October 2023. The format for the Recon Tool is in excel which enable the person to work with flexibility. See attached sample of the Recon Tool.	$0	$3,375,452

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2021-014	10.551 / 10.561	Special Tests and Provisions – EBT Reconciliation	$442,933	Not Corrected		12/6/2024	Margaret Aldan, NAP Administrator	NAP	This finding recurred because CNMI has not yet implemented strong monitoring controls, clear accountability, or standardized reconciliation procedures to ensure that recorded program benefit costs align with the total food coupons redeemed. December 6, 2024: Per NAP Administrator, the USDA-FNS officials will be on island and these findings will be brought up and discussed to determine next steps to resolving the finding. Waiting on an update from the NAP Administrator. QC Breakdown: 1. ALN 10.539 - $3,375,452 2. ALN 10.551/10.561 - $442,933 Condition 1 & 2: The CNMI-NAP disagrees with both findings. FNS-388 is only for regular NAP benefits and thus reports only on benefit distribution. CNMI-NAP realized that FNS388 Reports for FY2021 records only Regular NAP Benefit (LAN 10.539). Team Auditors combined the Pandemic-Electronic Benefit (P-EBT) (10.551/10.561) SNAP Cluster together with regular NAP (10.539). Moreover, to derive from the Actual Redemption Report, Team Auditor needs to recognize the old series. These old series are usually received and verified in the months following. However, during the redemption process, one must abstract the old series and add to the previous month and vice versa deduct the amount from the current month received. CNMI-NAP, with the assistance of the grantor agency (Food and Nutrition Service) had implemented a tool called Recon Tool to identify the total benefit versus actual redemption reports. In addition, a weekly virtual meeting with the grantor had enabled the CNMI-NAP to be able to work with the Recon Tool to ensure the reconciliation process is in place. This process began in January 2024 with the reports starting in October 2023. The format for the Recon Tool is in excel which enable the person to work with flexibility. See attached sample of the Recon Tool.	$0	$442,933
2021-015	10.542	Eligibility	$151,626	Not Corrected		12/6/2024	Margaret Aldan, NAP Administrator	NAP	The recurrence of this finding is due to CNMI's continued failure to establish and enforce adequate processes for documenting eligibility determinations specifically the lack of standardized procedures, insufficient monitoring controls, weak enforcement of compliance, and training gaps. December 6, 2024: Per NAP Administrator, the USDA-FNS officials will be on island and these findings will be brought up and discussed to determine next steps to resolving the finding. Waiting on an update from the NAP Administrator. CNMI-NAP disagrees with the finding. Under the Pandemic Electronic Benefit Transfer (P-EBT) Plan, CNMI NAP received the listing of the eligible children from CNMI Child Nutrition Program (CNP). CNMI-NAP only prepared and distributed the benefits. Applications and other requirements should be obtained from CNMI Public School System under CNP office. Due to the confidentiality and sensitivity of the records, the Auditor was informed to work with Mr. Dale Roberts to review the documents. In addition, emails and correspondence with the Auditor were made to work with CNP regarding the records. NAP provided the auditor with the sample listings. NAP informed the audit team to contact PSS Child Nutrition Program (CNP) to review applications and documents pertaining to eligibility determination for P-EBT as it was PSS CNP that determined the eligibility. Contact information for PSS CNP was provided to the audit team by NAP staff. CNMI NAP wants to understand under the "Cause" of the finding.	$0	$151,626

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2021-016	10.551 / 10.561	Special Tests and Provisions - ADP System for SNAP	$1,421	Not Corrected		12/6/2024	Margaret Aldan, NAP Administrator	NAP	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or consistent system management procedures to ensure that the applicable monthly income level schedule is on file in the ADP system for SNAP. December 6, 2024: Per NAP Administrator, the USDA-FNS officials will be on island and these findings will be brought up and discussed to determine next steps to resolving the finding. Waiting on an update from the NAP Administrator. Condition 1,2,3: The CNMI-NAP disagrees with this finding. NAP staff has to guide the auditors during the time the audit is being performed to understand the history and process of files being audited. We disagree with the findings. When the auditor reviewed the case files, there was a misunderstanding of changes in household composition and income which is also affected by the increase in income guidelines and benefit levels between the certification period. This created the variances that the auditor noted in the findings. *CNMI NAP recommends having NAP staff guide the auditor during time the audit is being performed to understand history and process of files being audited. CNMI-NAP recently hired a Certification Unit Supervisor who had been on board for close to three months. He had been actively working closely with the EWs and especially the Management Evaluation Unit (MEU) who oversees the program reviews and quality control. Mini Trainings and assessments of the Certification Unit are in the works. One training was done sometimes in April by the MEU to ensure compliance is met. More trainings and workshops are in being planned between the Certification Unit and Management Evaluation Unit for a better process and procedures	$0	$1,421
2021-024	17.225	Eligibility	$1,023,627	Partially Corrected		2/14/2025	Zachary Taitano, PUA Program Manager, DOL	DOL	The recurrence of this finding is due to CNMI's continued failure to establish and enforce adequate processes for documenting eligibility determinations specifically the lack of standardized procedures, insufficient monitoring controls, weak enforcement of compliance, and training gaps. February 14, 2025: Final Determination Letter dated 2/12/25 confirms that this finding remains open/uncorrected. However, $107,489.70 was allowed and the remaining $1,023,627.30 amount disallowed are not subject to federal debt collection. 9/30/24: Letter received from USDOL/ETA regarding this finding which is tied to finding no. 2020-037. Pending receipt of initial determination letter from federal agency and final determination will be issued by February 18, 2025.		$1,023,627

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2021-025	17.225	Special Tests and Provisions - UI Program Integrity - Overpayments	$0	Not Corrected		2/14/2025	Zachary Taitano, PUA Program Manager, DOL	DOL	This finding recurred because CNMI has not yet implemented strong monitoring controls, system enhancements, or staff training to ensure compliance with UIPL guidance and DOL's SOPs for PUA. February 14, 2025: Final Determination Letter dated 2/12/25 confirms that this finding remains open/uncorrected. DOL will continue to work on a resolution to close out this finding. Condition 1: CNMI DOL agrees with this finding. However, on September 18, 2020, CNMI DOL reached out to the National Association of State Workforce Agency (NASWA) with respect to establishing access to the Integrity Data Hub's Fraud Alert System. Moreover, on April 19,2023, CNMI DOL established a direct line of communication with the Office of Inspector General via email and registered for the Integrity Data Hub. Currently, the CNMI does not have access to report fraudulent cases to the National Association of State Workforce Agency (NASWA). Rather, as advised by our point of contact at the OIG, we are to inform them of any cases deemed as fraud and transmit via an encrypted file for further investigation. Condition 2: CNMI DOL agrees with this finding. Overpayment Case No. PUAOP000181 was initially served their Notice of Overpayment on September 14, 2020 and was later revised/resent on May 13, 2021 due to discrepancies found within the initial Notice of Overpayment. Condition 3: CNMI DOL does not agree with this finding. With respect to OP Case No. PUAOP000691, repayment was not necessary as the payment in this overpayment case was processed as a paper check. The paper check was noted as "Intercepted" due to having an out-of-state mailing address. Therefore, the initial benefit disbursement was not received by the claimant. No official overpayment determination was issued as payment was intercepted. Condition 4: CNMI DOL agrees with this finding. However, it is important to note that the PUA program's applicable law is based on a combination of federal statutes, changing federal guidance/operating instructions, state laws from a jurisdiction that already had an established local unemployment program, and established federal regulations from a different program. Condition 5: CNMI DOL agrees with this finding and is collaborating with the Secretary of Finance's Office to establish a streamlined process for handling cancelled, stale-dated, voided, and/or rejected paper checks or ACH payments.	$0	$0
2021-026	21.019	Allowable Costs/Cost Principles	$20,341,913	Not Corrected		2/5/2025	Ryan Camacho, Sr. Financial Analyst / Pam Marigmen, Sr. Financial Analyst, SOF Office	DOF	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. November 19, 2025: Meeting with US Treasury on these CRF Findings. Supporting documents have been provided. Currently under review by US Treasury and we are waiting on a final determination letter. February 5, 2025: Coronavirus Relief Fund (CRF): Responses and Supporting documents were provided to US Treasury (Alyson Saylors/ORP_SingleAudits@treasury.gov) on 2/5/25. Currently under review by Treasury and we are waiting on a final determination letter. The Department of Finance agrees with this finding under ALN# 21.019. We have completed our review and proposed adjustments to accurately reflect expenditures in compliance with grant policies and requirements. Moving forward, we have implemented policies and procedures to ensure that all documentation is uploaded to the new financial system, and proper review and documentation are included to verify the allowability of expenditures within grant policies and requirements.	$0	$20,341,913

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2021-027	21.019	Reporting	$0	Not Corrected		2/5/2025	Ryan Camacho, Sr. Financial Analyst / Pam Marigmen, Sr. Financial Analyst, SOF Office	DOF	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or adequate staffing and training to ensure compliance with reporting requirements. November 19, 2025: Meeting with US Treasury on these CRF Findings. Supporting documents have been provided. Currently under review by US Treasury and we are waiting on a final determination letter. February 5, 2025: Coronavirus Relief Fund (CRF): Responses and Supporting documents were provided to US Treasury (Alyson Saylors/ORP_SingleAudits@treasury.gov) on 2/5/25. Currently under review by Treasury and we are waiting on a final determination letter. The Department of Finance agrees with this finding under ALN# 21.019. We have completed our review and proposed adjustments to accurately reflect expenditures in compliance with grant policies and requirements. Moving forward, we have implemented policies and procedures to ensure that all documentation is uploaded to the new financial system, and proper review and documentation are included to verify the allowability of expenditures within grant policies and requirements.	$0	$0
2021-028	21.019	Subrecipient Monitoring	$59,158	Not Corrected		2/5/2025	Ryan Camacho, Sr. Financial Analyst / Pam Marigmen, Sr. Financial Analyst, SOF Office	DOF	This finding recurred because CNMI has not yet implemented written subrecipient monitoring policies, effective monitoring controls, or consistent enforcement of compliance requirements. November 19, 2025: Meeting with US Treasury on these CRF Findings. Supporting February 5, 2025: Coronavirus Relief Fund (CRF): Responses and Supporting documents were provided to US Treasury (Alyson Saylors/ORP_SingleAudits@treasury.gov) on 2/5/25. Currently under review by Treasury and we are waiting on a final determination letter. The Department of Finance agrees with this finding under ALN# 21.019. We have completed our review and proposed adjustments to accurately reflect expenditures in compliance with grant policies and requirements. Moving forward, we have implemented policies and procedures to ensure that all documentation is uploaded to the new financial system, and proper review and documentation are included to verify the allowability of expenditures within grant policies and requirements.	$0	$59,158
2021-029	21.023	Eligibility	$4,252	Not Corrected		3/7/2025	Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC	OGM	The recurrence of this finding is due to CNMI's continued failure to establish and enforce adequate processes for documenting eligibility determinations specifically the lack of standardized procedures, insufficient monitoring controls, weak enforcement of compliance, and training gaps. March 7, 2025: Emergency Rental Assistance Program (ERA): Follow-up email from US Treasury (Alyson Saylors/ORP_SingleAudits@treasury.gov) was sent to OGM requesting for supporting documents, however OGM has not provided a response to the request. The Office of Grants Management agrees with this finding. We were unable to locate these two folders due to the high volume of application files, moving between offices, and staff turnover experienced during the period of performance; however, we do have copies of the invoices, check payments, and lease agreements for these two cases. The CCERA Program does not exist anymore, it closed in December 2023 and all the documents were not fully digitized, making the retention of records partly difficult. OGM has learned that it would be more prudent to have a database software that could hold vital information for any large social assistance program. It is my understanding that the CCERA staff did verify that these clients are eligible to receive federal assistance and it was checked by their program officers and coordinators. Although, these particular files had case workers assigned to them, multiple staff had access to these folders as well.	$0	$4,252

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2021-030	21.023	Reporting	$0	Not Corrected		3/7/2025	Epiphanio Cabrera, Jr., Grants Administrator, OGM-SC	OGM	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or adequate staffing and training to ensure compliance with reporting requirements. March 7, 2025: Emergency Rental Assistance Program (ERA): Follow-up email from US Treasury (Alyson Saylors/ORP_SingleAudits@treasury.gov) was sent to OGM requesting for supporting documents, however OGM has not provided a response to the request. The Office of Grants Management disagrees with the finding because OGM was not in charge of reporting in the beginning; we had no access to upload the reports nor knew exactly what to load. The Secretary of Finance Office personnel at that time had all the controls and knowledge of what was needed.	$0	$0
2021-031	21.027	Allowable Costs/Cost Principles	$1,035,442	Not Corrected		2/5/2025	Thomasa DLG. Naraja, Sr. Financial Analyst, SOF Office	DOF	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. February 5, 2025: Coronavirus State and Local Fiscal Recovery Funds (SLFRF): Responses and Supporting documents were provided to US Treasury (Alyson Saylors / ORP_SingleAudits@treasury.gov) on 2/5/25. Currently under review by Treasury and we are waiting on a final determination letter. The Department of Finance agrees with this finding. To address the findings identified, the Department of Finance (DOF) will conduct a thorough review of policies and procedures related to allowable costs/cost principles. We will review the $1,035,442 in questioned costs to identify specific deficiencies in documentation and expand our sample to ensure all instances of insufficient documentation are captured. The DOF will review current policies and procedures governing allowable costs/cost principles. This review aims to identify any gaps or ambiguities that may have contributed to the audit findings. The DOF is committed to updating these policies and procedures promptly to clarify requirements for documenting costs and strengthen controls over compliance.	$0	$1,035,442

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2021-032	21.027	Procurement and Suspension and Debarment	$2,775,965	Not Corrected		2/5/2025	Ryan Camacho, Sr. Financial Analyst / Pam Marigmen, Sr. Financial Analyst, SOF Office / Brien Nicholas, Procurement Services	DOF	The recurrence of this finding is primarily due to inconsistent enforcement of procurement policies, lack of centralized oversight, insufficient staff training, and weak verification/documentation processes. February 5, 2025: Coronavirus State and Local Fiscal Recovery Funds (SLFRF): Responses and Supporting documents were provided to US Treasury (Alyson Saylors / ORP_SingleAudits@treasury.gov) on 2/5/25. Currently under review by Treasury and we are waiting on a final determination letter. Condition 1: The Department of Finance – Procurement Services disagrees with this finding. No procurement documents were provided because these thirty-four transactions were for payments made out for Travel, Medical Referral Patients, etc. Condition 2: The Department of Finance – Procurement Services agrees with this finding. The supporting documents were subsequently located. PO #725713-OP - FUJI Pacific - Office Space Rental. Copy of purchase order is available for inspection. Condition 3: The Department of Finance – Procurement Services disagrees with these findings. For 732176-000 OP $13,440 - No other quotes provided as it was the PS Acting Director's (FC Aguon) discretion, and the purchase requisition was approved by the former SOF (D. Atalig). The Emergency Declaration suspended the procurement regulations and authorized the Expenditure Authority to procure any items/procure services exceeding the threshold without obtaining any price quotes. For PO #732176 & 728470, these are not part of the Gov's Executive Order #2022-04. The Division of Procurement Services will accept the findings as noncompliance with the CNMI Procurement Regulations. Condition 4: The Department of Finance – Procurement Services agrees with these findings. For 726353-000 OP - No quotes were obtained. (FCA) former Acting Director of PS was off island. No DOA given for PS. The former SOF, David Atalig signed the requisition and M. Torres signed the P.O. Condition 5: The Department of Finance – Procurement Services agrees with these findings. This transaction doesn't relate to Procurement Services and is not a procurement matter. Donation/Gov's Office - September 2021 Heritage Month.	$0	$2,775,965
2021-033	21.027	Subrecipient Monitoring	$0	Not Corrected		2/5/2025	Thomasa DLG. Naraja, Sr. Financial Analyst, SOF Office	DOF	This finding recurred because CNMI has not yet implemented written subrecipient monitoring policies, effective monitoring controls, or consistent enforcement of compliance requirements. February 5, 2025: Coronavirus State and Local Fiscal Recovery Funds (SLFRF): Responses and Supporting documents were provided to US Treasury (Alyson Saylors / ORP_SingleAudits@treasury.gov) on 2/5/25. Currently under review by Treasury and we are waiting on a final determination letter. The Department of Finance agrees with this finding. To address the findings identified, the Department of Finance (DOF) will conduct a thorough review of policies and procedures governing subrecipient monitoring. This review aims to identify any gaps or ambiguities that may have contributed to the audit findings. The DOF is committed to updating these policies and procedures promptly to clarify requirements and strengthen controls over compliance.	$0	$0

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Ref. Number	ALN	Findings	Questioned Costs	Status	Status Change Date	Date Reviewed	Contact Person	Agency	Remarks	QC Resolved	$Amt Bal Carry Forward
2021-034	93.489 / 93.575 / 93.596	Eligibility	$39,200	Not Corrected		1/9/2025	Roselle Teregeyo, CCDF Co-Administrator/Accountant	CCDF	The recurrence of this finding is due to CNMI's continued failure to establish and enforce adequate processes for documenting eligibility determinations specifically the lack of standardized procedures, insufficient monitoring controls, weak enforcement of compliance, and training gaps. January 9, 2025: Per CCDF Co-Administrator, finding is currently under review. Updates to be provided as soon as its available. JG (11/14): Communication received on 11/14/24 from Misty King from DHHS requesting additional information on the findings. Condition 1: CCDF disagrees with this finding. Please refer to the documents submitted. Case ID 3170B: CW1-upon submission of the CCDF Waitlist application the CW1 was valid. Case ID 3242B: CW1-upon submission of the CCDF Waitlist application the CW1 was valid. Case ID 3097A: CW1-upon submission of the CCDF Waitlist application the CW1 was valid. Condition 2: CCDF agrees with this finding. This is correct that there were no dates indicated on the affidavits. The cases questioned happened during Covid-19 which applicants are sending their applications through email. (Please see documents submitted). As a policy, CCDF is already in practice of ensuring date is stated with the signature of the affiant and such affidavit is notarized. Condition 3: CCDF disagrees with this finding. 1040 tax forms are not required for the CCDF Renewal application, and it is only required for self-employed applicants. Please see the application checklist on the questioned cases. Condition 4: CCDF disagrees with this finding. At the time of the submission of the renewal application, the applicant had a valid CW1. The application was submitted on June 15, 2020, the CW1 that was submitted did not expire until September 9, 2020. All documents for verification are on file. Applicant was off island for medical purposes at the time of Certificate of Confirmation (renewal certificate) routing, upon her return she submitted a copy of her passport that indicated that she became a CW2 holder, CCDF then proceeded with termination because of her CW2 status.	$0	$39,200

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2021-035	93.489 / 93.575 / 93.596	Special Tests and Provisions – Health and Safety Requirements	$1,303,790	Not Corrected		1/9/2025	Roselle Teregeyo, CCDF Co-Administrator/Accountant	CCDF	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or effective oversight of provider training requirements. January 9, 2025: Per CCDF Co-Administrator, finding is currently under review. Updates to be provided as soon as its available. JG (11/14): Communication received on 11/14/24 from Misty King from DHHS requesting additional information on the findings. Condition 1: CCLP disagrees with this finding. Because CCLP does not administer any amount of federal monies, CCLP does not comprehend the rationale behind these monetary figures. However, because it mentions that documentation was not provided for the unannounced inspections, please refer to the documentation submitted on this matter. Therefore, as a matter of record, CCLP hereby disagrees with this section in its entirety. Relative to NMIS Early Head Start, on January 22, 2021, NMIS EHS closed its doors and stopped providing childcare services. The announced inspection was scheduled for April 6, 2021 while the unannounced inspection was scheduled for August 3, 2021. In light of that information, an inspection report was never generated because NMIS EHS ceased its operation before the scheduled CCLP inspection. However, NMIS EHS was included in the listing of 21 providers due to the fact that it fell within the fiscal year (FY21) that was requested from CCLP. Condition 2: A response from CCLP is not necessary for this section as it states that the matter has been resolved. Condition 3: CCLP disagrees with these findings. The topics listed above are topics under the pre-service training requirements under the Child Care and Development Fund program, not under the Child Care Licensing Program.	$0	$1,303,790
2021-036	93.778	Special Tests and Provisions – ADP Risk Analysis and System	$0	Not Corrected		1/7/2025	Vicenta Borja, Program Manager, Medicaid	Medicaid	This finding recurred because CNMI has not yet implemented strong monitoring procedures, accountability mechanisms, or adequate staffing to ensure that biennial reviews of the ADP system security are consistently performed and documented. January 7, 2025: Waiting on the final determination letter from the Grantor. CNMI Medicaid agrees with this finding. Medicaid began performing its own ADP Risk Analysis and System Security Review around March-April 2022 to address this finding.	$0	$0

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2021-037	97.030	Procurement and Suspension and Debarment	$18,353,963	Not Corrected		3/14/2025	Ryan Camacho, Sr. Financial Analyst / Pam Marigmen, Sr. Financial Analyst, SOF Office / Brien Nicholas, Procurement Services	DOF	The recurrence of this finding is primarily due to inconsistent enforcement of procurement policies, lack of centralized oversight, insufficient staff training, and weak verification/documentation processes. June 2, 2025: Community Disaster Loan (CDL) - Email communication from Maria Medina-Garcia (FEMA) confirms the final review and validation of the use of CDL funds. Awaiting final determination letter from FEMA to close-out this finding. Condition 1: The Department of Finance – Procurement Services agrees with this finding. For 709918-000 OP - Gov's Executive Order #2022-04 was issued renewing the declaration of State of Public Health Emergency establishing response, quarantine, and preventive containment measures concerning Corona Virus Disease 2019 (COVID-19) and renewing the order directing the CNMI Homeland Security & Management Office, through the CNMI COVID-19 Task Force, and in partnership with CHCC. The Emergency Contract does not require the PS Director's signature. The Emergency Contract was created by HSEM and is a template being used when an Emergency Declaration is in effect. The person who prepared the Emergency Contract made an error in selecting the procurement method as it should have been selected as Emergency Procurement instead of Competitive Sealed Proposal. This PO was issued to exercise the option to extend performance provided for in COVID19-0163 and provide the Commonwealth with 40,800 square feet of warehouse space for staging and distribution of supplies, equipment, and other necessary support items including electricity (power) as well as other amenities in the initial contract. For 719000-000 OP / 723730-000 OP - Gov's Executive Order #2022-04 was issued renewing the declaration of State of Public Health Emergency establishing response, quarantine, and preventive containment measures concerning Corona Virus Disease 2019 (COVID-19) and renewing the order directing the CNMI Homeland Security & Management Office, through the CNMI COVID-19 Task Force, and in partnership with CHCC. The Emergency Contract does not require the PS Director's signature. The Emergency Contract was created by HSEM and is a template being used when an Emergency arises. The person who prepared this contract should have selected the Emergency Procurement instead of Competitive Sealed Proposal.	$0	$18,353,963
2021-038	97.036	Matching, Level of Effort and Earmarking	$944,661	Not Corrected		2/14/2025	Patrick Guerrero, Governor's Authorized Rep., PAO	PAO	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or consistent enforcement of matching requirements. February 14, 2025: Disaster Grants - Public Assistance - MDL received on February 14, 2025 requesting for additional supporting documentation. PAO working on providing an updated response/supporting documents by the April 15, 2025 due date. The CNMI PAO disagrees with this finding. For that specific transaction, the CNMI Government paid the vendor 100% of the invoice(s), which the CNMI PAO later reimbursed the Government for 90%. As for the following line items we acknowledge that this may be a finding. As we were looking through our documents and through the PW history, we had previously been awarded hazard mitigation to replace wooden poles with concrete poles. Approved hazard mitigation work would be covered at 100%. In the latest version, concrete poles are still written in the scope of work, but the cost of hazard mitigation was removed. We believe this to be an error which we will discuss and work out with our grantor.	$0	$944,661

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2021-039	97.036	Reporting	$0	Not Corrected		2/14/2025	Patrick Guerrero, Governor's Authorized Rep., PAO	PAO	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or adequate staffing and training to ensure compliance with reporting requirements. February 14, 2025: Disaster Grants - Public Assistance - MDL received on February 14, 2025 requesting for additional supporting documentation. PAO working on providing an updated response/supporting documents by the April 15, 2025 due date. The CNMI PAO agrees with the finding. The CNMI PAO agrees that it did not comply with FFATA reporting requirements. Moving forward, the CNMI PAO and the CNMI Office of Grants Management and State Clearinghouse have agreed to jointly coordinate the timely submission of FFATA reports.	$0	$0
2021-040	97.050	Allowable Costs/Cost Principles	$247,774	Not Corrected		2/14/2025	Patrick Guerrero, Governor's Authorized Rep., PAO	PAO	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. February 14, 2025: Disaster Grants - Public Assistance - MDL received on February 14, 2025 requesting for additional supporting documentation. PAO working on providing an updated response/supporting documents by the April 15, 2025 due date. The CNMI disagrees with this finding. The Lost Wages Assistance Program is not a reimbursement program. A drawdown of funds obligated was needed prior to services being rendered. After all payments were made, eligible expenses were calculated and submitted in the Lost Wages Assistance Program Final Closeout that was submitted to FEMA. After the closeout, the CNMI understands that the remaining funds will need to return the overdrawn amount. The final closeout document was received from FEMA on June 13, 2024.	$0	$247,774
2021-041	97.050	Eligibility	$2,430	Not Corrected		2/14/2025	Zachary Taitano, PUA Program Manager, DOL	DOL	The recurrence of this finding is due to CNMI's continued failure to establish and enforce adequate processes for documenting eligibility determinations specifically the lack of standardized procedures, insufficient monitoring controls, weak enforcement of compliance, and training gaps. February 14, 2025: Presidential Declared Disaster Assistance - Other Needs - MDL received on February 14, 2025 requesting for additional supporting documentation. DOL working on providing an updated response/supporting documents by the April 15, 2025 due date. CNMI DOL agrees with this finding. The three remaining applicants noted above were indeed paid then later found to be ineligible for benefits. Currently, they are pending to undergo audit and potentially recollection should fault not reside with CNMI DOL. However, it is important to note that the amount of questioned costs indicated by the auditors in both Draft 2 of the Audit Report does not reflect the updated amount of $2,430.	$0	$2,430

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Ref. Number	**ALN**	**Findings**	**Questioned Costs**	**Status**	**Status Change Date**	**Date Reviewed**	**Contact Person**	**Agency**	**Remarks**	**QC Resolved**	**$Amt Bal Carry Forward**
2021-042	97.050	Reporting	$0	Not Corrected		2/14/2025	Patrick Guerrero, Governor's Authorized Rep., PAO	PAO	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or adequate staffing and training to ensure compliance with reporting requirements. February 14, 2025: Disaster Grants - Public Assistance - MDL received on February 14, 2025 requesting for additional supporting documentation. PAO working on providing an updated response/supporting documents by the April 15, 2025 due date. The CNMI disagrees with this finding. The SF-425 is prepared by Financial Services and reflects the total amount that has been drawn down for the Lost Wages Assistance Program. The Lost Wages Assistance Program is not a reimbursement program and a drawdown of funds obligated was needed prior to services being rendered. After the overdraft amount is returned to FEMA, there will be a SF-425 that reflects the actual amount expensed.	$0	$0
			$50,203,077							**$0**	**$50,203,077**
FY2020											
2020-023	10.539	Eligibility	$20,901	No Longer Valid		12/6/2024	Margaret Aldan, NAP Administrator	NAP	December 10, 2025: In accordance with the UG Section 200.511(b)(3), this finding has been deemed to not warrant further action per the memorandum dated 12/10/25 from CNMI OGM-SC.	**$20,901**	$0
2020-024	10.539	Matching, Level of Effort, Earmarking	$178,399	No Longer Valid		12/6/2024	Margaret Aldan, NAP Administrator	NAP	December 10, 2025: In accordance with the UG Section 200.511(b)(3), this finding has been deemed to not warrant further action per the memorandum dated 12/10/25 from CNMI OGM-SC.	**$178,399**	$0
2020-025	10.539	Period of Performance	$10,276	No Longer Valid		12/6/2024	Margaret Aldan, NAP Administrator	NAP	December 10, 2025: In accordance with the UG Section 200.511(b)(3), this finding has been deemed to not warrant further action per the memorandum dated 12/10/25 from CNMI OGM-SC.	**$10,276**	$0
2020-026	10.539	Procurement and Suspension and Debarment	$10,545	No Longer Valid		12/6/2024	Margaret Aldan, NAP Administrator	NAP	December 10, 2025: In accordance with the UG Section 200.511(b)(3), this finding has been deemed to not warrant further action per the memorandum dated 12/10/25 from CNMI OGM-SC.	**$10,545**	$0
2020-027	11.016	Allowable Costs/Cost Principles	$1,957,419	No Longer Valid		1/8/2025	Francisco Cabrera, Secretary of Commerce	Commerce	December 10, 2025: In accordance with the UG Section 200.511(b)(3), this finding has been deemed to not warrant further action per the memorandum dated 12/10/25 from CNMI OGM-SC.	**$1,957,419**	$0
2020-028	11.016	Equipment and Real Property Management	$0	No Longer Valid		1/8/2025	Francisco Cabrera, Secretary of Commerce	Commerce	December 10, 2025: In accordance with the UG Section 200.511(b)(3), this finding has been deemed to not warrant further action per the memorandum dated 12/10/25 from CNMI OGM-SC.	**$0**	$0
2020-029	11.016	Procurement and Suspension and Debarment	$62,207	No Longer Valid		1/8/2025	Francisco Cabrera, Secretary of Commerce	Commerce	December 10, 2025: In accordance with the UG Section 200.511(b)(3), this finding has been deemed to not warrant further action per the memorandum dated 12/10/25 from CNMI OGM-SC.	**$62,207**	$0
2020-036	17.225	Allowable Costs/Cost Principles	$180,213	Partially Corrected		9/30/2024	Leila Staffler, Secretary of Labor	DOL	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. September 30, 2024: Final Determination Letter dated 8/1/23 from USDOL identifies conditions 1,3,5 as closed and conditions 2,4 remains open. Partial QC resolved. QC carry forward is $180,213 and QC resolved is $39,334.		$180,213

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2020-037	17.225	Eligibility	$2,063,557	Partially Corrected		9/30/2024	Leila Staffler, Secretary of Labor	DOL	The recurrence of this finding is due to CNMI's continued failure to establish and enforce adequate processes for documenting eligibility determinations specifically the lack of standardized procedures, insufficient monitoring controls, weak enforcement of compliance, and training gaps. September 30, 2024: Final Determination Letter dated 8/1/23 from USDOL identifies only condition 7 as unresolved and the remaining 16 conditions have been closed. Partial QC resolved. QC carry forward is $2,063,557 and QC resolved is $8,386.		$2,063,557
2020-040	21.019	Activities Allowed or Unallowed	$19,600,539	Not Corrected		2/5/2025	Tracy Norita, Secretary of Finance	DOF	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. November 19, 2025: Meeting with US Treasury on these CRF Findings. Supporting documents have been provided. Currently under review by US Treasury and we are waiting on a final determination letter. February 5, 2025: Coronavirus Relief Fund (CRF): Responses and Supporting documents were provided to US Treasury (Alyson Saylors/ORP_SingleAudits@treasury.gov) on 2/5/25. Currently under review by Treasury and we are waiting on a final determination letter. May 2024: DOF is currently in communication with the grantor in hopes to resolve this finding.	$0	$19,600,539
2020-041	21.019	Allowable Costs/Cost Principles	$14,632,280	Not Corrected		2/5/2025	Tracy Norita, Secretary of Finance	DOF	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. November 19, 2025: Meeting with US Treasury on these CRF Findings. Supporting documents have been provided. Currently under review by US Treasury and we are waiting on a final determination letter. February 5, 2025: Coronavirus Relief Fund (CRF): Responses and Supporting documents were provided to US Treasury (Alyson Saylors/ORP_SingleAudits@treasury.gov) on 2/5/25. Currently under review by Treasury and we are waiting on a final determination letter. May 2024: DOF is currently in communication with the grantor in hopes to resolve this finding.	$0	$14,632,280
2020-042	21.019	Period of Performance	$0	Not Corrected		2/5/2025	Tracy Norita, Secretary of Finance	DOF	The recurrence of this finding is due to CNMI's continued inability to provide sufficient and appropriate audit evidence to substantiate expenditures in compliance with the applicable period of performance requirements. This includes inadequate documentation practices, weak monitoring controls, and failure to enforce compliance. November 19, 2025: Meeting with US Treasury on these CRF Findings. Supporting documents have been provided. Currently under review by US Treasury and we are waiting on a final determination letter. February 5, 2025: Coronavirus Relief Fund (CRF): Responses and Supporting documents were provided to US Treasury (Alyson Saylors/ORP_SingleAudits@treasury.gov) on 2/5/25. Currently under review by Treasury and we are waiting on a final determination letter. May 2024: DOF is currently in communication with the grantor in hopes to resolve this finding.	$0	$0

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2020-043	21.019	Reporting	$70,711	Not Corrected		2/5/2025	Tracy Norita, Secretary of Finance	DOF	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or adequate staffing and training to ensure compliance with reporting requirements. November 19, 2025: Meeting with US Treasury on these CRF Findings. Supporting documents have been provided. Currently under review by US Treasury and we are waiting on a final determination letter. February 5, 2025: Coronavirus Relief Fund (CRF): Responses and Supporting documents were provided to US Treasury (Alyson Saylors/ORP_SingleAudits@treasury.gov) on 2/5/25. Currently under review by Treasury and we are waiting on a final determination letter. May 2024: DOF is currently in communication with the grantor in hopes to resolve this finding.	$0	$70,711
2020-046	84.425	Matching, Level of Effort, Earmarking	$2,215,788	No Longer Valid		5/1/2024	Tracy Norita, Secretary of Finance	DOF	December 10, 2025: In accordance with the UG Section 200.511(b)(3), this finding has been deemed to not warrant further action per the memorandum dated 12/10/25 from CNMI OGM-SC.	**$2,215,788**	$0
2020-047	84.425	Subrecipient Monitoring	$0	No Longer Valid		5/1/2024	Tracy Norita, Secretary of Finance	DOF	December 10, 2025: In accordance with the UG Section 200.511(b)(3), this finding has been deemed to not warrant further action per the memorandum dated 12/10/25 from CNMI OGM-SC.	$0	$0
2020-049	93.575	Eligibility	$0	Partially Corrected	11/16/2023	5/1/2024	Maribel Loste, Childcare Director	CCDF	The recurrence of this finding is due to CNMI's continued failure to establish and enforce adequate processes for documenting eligibility determinations specifically the lack of standardized procedures, insufficient monitoring controls, weak enforcement of compliance, and training gaps. May 1, 2024, Final Determination Letter dated 11/16/23 from ACF confirms this finding as open but the QC ($6,900) has been removed.	$0	$0
2020-051	93.575	Special Tests and Provisions - Health and Safety Requirements	$663,275	Partially Corrected	11/16/2023	5/1/2024	Maribel Loste, Childcare Director	CCDF	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized documentation practices, or effective oversight of provider training requirements. May 1, 2024: Final Determination Letter dated 11/16/23 from ACF identifies condition 1 as partially closed and the QC remains. And condition 2 will remain open.	$0	$663,275
2020-052	93.767	Allowable Costs/Cost Principles	$2,338,718	Not Corrected		9/24/2025	Vicenta Borja, Medicaid Director	Medicaid	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. September 24, 2025: Waiting on the final determination letter from the Grantor. May 2024: Current communication is on-going with the grantor and are awaiting a determination letter to resolve this finding.	$0	$2,338,718

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2020-053	93.767	Special Tests and Provisions - Provider Eligibility	$0	Not Corrected		9/24/2025	Vicenta Borja, Medicaid Director	Medicaid	The recurrence of this finding is due to CNMI's lack of awareness and implementation of federal exclusion verification requirements, absence of monitoring controls, and training and communication gaps. September 24, 2025: Waiting on the final determination letter from the Grantor. May 2024: Current communication is on-going with the grantor and are awaiting a determination letter to resolve this finding.	$0	$0
2020-054	93.767	Special Tests and Provisions - Refunding of Federal Share of CHIP Overpayments to Providers	$0	Not Corrected		9/24/2025	Vicenta Borja, Medicaid Director	Medicaid	This finding recurred because CNMI has not yet implemented strong monitoring controls, standardized billing review procedures, or effective oversight mechanisms to ensure timely detection and refunding of federal share CHIP overpayments to providers. September 24, 2025: Waiting on the final determination letter from the Grantor. May 2024: Current communication is on-going with the grantor and are awaiting a determination letter to resolve this finding.	$0	$0
2020-055	93.778	Allowable Costs/Cost Principles	$74,499	Not Corrected		9/24/2025	Vicenta Borja, Medicaid Director	Medicaid	The recurrence of this finding is because CNMI has not yet implemented strong monitoring controls, standardized documentation and filing procedures, or consistent adherence to grant approval requirements. September 24, 2025: Waiting on the final determination letter from the Grantor. May 2024: Current communication is on-going with the grantor and are awaiting a determination letter to resolve this finding.	$0	$74,499
2020-056	93.778	Special Tests and Provisions - ADP Risk Analysis and System Security Review	$0	Not Corrected		9/24/2025	Vicenta Borja, Medicaid Director	Medicaid	This finding recurred because CNMI has not yet implemented strong monitoring procedures, accountability mechanisms, or adequate staffing to ensure that biennial reviews of the ADP system security are consistently performed and documented. September 24, 2025: Waiting on the final determination letter from the Grantor. May 2024: Current communication is on-going with the grantor and are awaiting a determination letter to resolve this finding.	$0	$0
2020-057	93.778	Special Tests and Provisions - Provider Eligibility and Provider Health and Safety Standards	$99,547	Not Corrected		9/24/2025	Vicenta Borja, Medicaid Director	Medicaid	The recurrence of this finding is due to CNMI's lack of awareness and implementation of federal exclusion verification requirements, absence of monitoring controls, and training and communication gaps. September 24, 2025: Waiting on the final determination letter from the Grantor. May 2024: Current communication is on-going with the grantor and are awaiting a determination letter to resolve this finding.	$0	$99,547
2020-062	20.205	Procurement and Suspension and Debarment	$0	No Longer Valid		5/1/2024	Ray Yumul, Secretary of Public Works	DPW	December 10, 2025: In accordance with the UG Section 200.511(b)(3), this finding has been deemed to not warrant further action per the memorandum dated 12/10/25 from CNMI OGM-SC.	**$0**	$0
			$44,178,874							**$4,455,535**	**$39,723,339**
FY2019											

Office of the Secretary
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: UG COMPLIANCE FINDINGS AND QUESTIONED COSTS
FISCAL YEAR: September 30, 2023

CNMI - Prepared Schedule

Ref. Number	ALN	Findings	Questioned Costs	Status	Status Change Date	Date Reviewed	Contact Person	Agency	Remarks	QC Resolved	$Amt Bal Carry Forward
2019-020	93.767	Eligibility	$0	Not Corrected		9/24/2025	Vicenta Borja, Acting Director Commonwealth Medicaid Agency	Medicaid	The recurrence of this finding is due to CNMI's continued failure to establish and enforce adequate processes for documenting eligibility determinations specifically the lack of standardized procedures, insufficient monitoring controls, weak enforcement of compliance, and training gaps. December 5, 2025: Per Medicaid, holdoff on closing this finding as these are repeats and will be addressed in the current finding.	$0	$0
2019-021	93.767	Special Tests and Provisions-Provider Eligibility	$0	Not Corrected		9/24/2025	Vicenta Borja, Acting Director Commonwealth Medicaid Agency	Medicaid	The recurrence of this finding is due to CNMI's lack of awareness and implementation of federal exclusion verification requirements, absence of monitoring controls, and training and communication gaps. December 5, 2025: Per Medicaid, holdoff on closing this finding as these are repeats and will be addressed in the current finding.	$0	$0
2019-023	93.778	Special Tests and Provisions - Provider Eligibility	$0	Not Corrected		9/24/2025	Vicenta Borja, Acting Director Commonwealth Medicaid Agency	Medicaid	The recurrence of this finding is due to CNMI's lack of awareness and implementation of federal exclusion verification requirements, absence of monitoring controls, and training and communication gaps. December 5, 2025: Per Medicaid, holdoff on closing this finding as these are repeats and will be addressed in the current finding.	$0	$0
			$0							**$0**	**$0**

FY2015											
2015-036	20.205	Equipment and Real Property Management	$0	No Longer Valid	10/1/2025		Ray Yumul DPW Secretary	DPW	December 10, 2025: In accordance with the UG Section 200.511(b)(3), this finding has been deemed to not warrant further action per the memorandum dated 12/10/25 from CNMI OGM-SC.	**$0**	$0
			$0							**$0**	**$0**