



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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July 31, 2026

OPA-2026-41

Interagency Audit Coordinating Advisory Group:

The Honorable Karl R. King-Nabors, Senate President

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

The Honorable Roy Christopher A. Ada, Minority Leader of the House of Representatives

Ms. Tracy B. Norita, Secretary of Finance

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

Report on CNMI Agencies' Implementation of Audit & Inspection Recommendations

Dear Interagency Audit Coordinating Advisory Group:

Enclosed is a copy of the status report on CNMI agencies' implementation of recommendations reported in audit and inspection reports issued by the Office of the Public Auditor (OPA). OPA tracked a total of 30 audit and inspection recommendations as of June 30, 2026.

OPA's procedures include issuing follow-up letters, sending email messages, meeting with, and/or contacting government agencies with unresolved recommendations. This report incorporates agency responses obtained by OPA on or before June 30, 2026.

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

Sincerely,

Dora I. Deleon Guerrero, CPA
Temporary Public Auditor

Cc: Honorable David M. Apatang, Governor
Honorable Dennis James C. Mendiola, Lt. Governor



REPORT NO. 26-03

REPORT ON CNMI AGENCIES' IMPLEMENTATION OF AUDIT & INSPECTION RECOMMENDATIONS

As of June 30, 2026

Table of Contents

Executive Summary	1
Commonwealth Election Commission	2
Report No. 19-04: Inspection of the CEC Ballot Accountability for the 2018 General Election	2
Commonwealth Healthcare Corporation	4
Report No. 21-03: Audit of the CNMI Medical Referral Services Office	4
Report No. 17-01: Audit of the CHCC Patient Revenue Cycle Management	5
Department of Finance	6
Report No. 23-02: Audit of Collections on Saipan	6
Report No. 22-02: Audit of Government Vehicles	7
Report No. 21-06: Audit of the Cash on Tinian and Rota	10
Report No. 20-07: Audit of the Division of Revenue and Taxation Hotel Occupancy Tax	12
Report No. 20-06: Audit of the CNMI Government Travel Policy	15
Report No. 20-03: Audit of Government Vehicles	16
Report No. 20-02: Audit of the CNMI Government Fuel Contract	18
Department of Lands and Natural Resources	20
Report No. 21-04: Audit of the DLNR Outer Cove Marina Facility	20

Executive Summary

Report on CNMI Agencies' Implementation of Audit & Inspection Recommendations

As of June 30, 2026

Report No. 26-03, July 31, 2026

Background

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

The provisions of 1 CMC § 2307 established the Interagency Audit Coordinating Advisory Group (Coordinating Group) consisting of the presiding officer and minority leader of each house of the Legislature, the Secretary of Finance, and the Special Assistant for Management and Budget. According to the law, the Coordinating Group shall review all audit reports of the Public Auditor, and the Public Auditor will discuss the manner in which audit recommendations can be implemented with the assistance of the members of the Coordinating Group. The Coordinating Group shall also recommend to the Governor and the Legislature any changes in laws or regulations which it finds necessary or desirable as a result of its work with the Public Auditor.

Since 2000, OPA has not received any request for consultation from the Coordinating Group. However, OPA continues to issue follow-up letters, email messages, meet, and/or contact agencies with outstanding recommendations to request information on corrective actions taken to implement OPA's audit and inspection recommendations. This report incorporates agency responses obtained by OPA on or before June 30, 2026. In accordance with statutory restrictions in the Auditing Act, the names of individuals are not disclosed in OPA's ARTS report.

Classification of OPA Audit Recommendations

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

Status of OPA Audit Recommendations

As of June 30, 2026, OPA tracked a total of 30 audit and inspection recommendations. OPA requested agencies to provide updates on the corrective actions they have taken to resolve each recommendation. Of the 30 recommendations, 3 were resolved. The table below presents the status of OPA's audit and inspection recommendations.

Audit and Inspection Reports	Report No.	Report Date	Response Received	Resolved	Unresolved
Commonwealth Election Commission (CEC):					
Inspection of the CEC Ballot Accountability for the 2018 General Election	19-04	06/18/2019	No	-	3
Commonwealth Healthcare Corporation (CHCC):					
CHCC – Audit of the CNMI Medical Referral Services Office	21-03	09/23/2021	Yes	-	1
CHCC – Audit of the CHCC Patient Revenue Cycle Management	17-01	03/16/2017	Yes	-	1
Department of Finance (DOF):					
Audit of Collections on Saipan	23-02	08/04/2023	Yes	1	-
Audit of Government Vehicles	22-02	08/02/2022	Yes	-	5
Audit of Cash on Tinian and Rota	21-06	12/28/2021	Yes	2	-
Audit of the Division of Revenue and Taxation Hotel Occupancy Tax	20-07	09/02/2020	Yes	-	9
Audit of the CNMI Government Travel Policy	20-06	08/18/2020	No	-	1
Audit of Government Vehicles	20-03	02/26/2020	Yes	-	2
Audit of CNMI Government Fuel Contract	20-02	01/28/2020	Yes	-	3
Department of Lands & Natural Resources (DLNR):					
Audit of the DLNR Outer Cove Marina Facility	21-04	11/10/2021	No	-	2
Total:				3	27

Commonwealth Election Commission

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

Inspection of the CEC Ballot Accountability for the 2018 General Election

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

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

Corrective Action/
Agency Response:

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

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

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

CEC implemented the use of the Chain of Custody Security Log Sheet, Ballot Control Sheet, and Ballot Inventory Sheet for the Poll Officials on Election Day.

Agency Proposed
Completion Date:

Unknown

Status:

Unresolved

OPA Note:

Implemented policies and procedures for ballot accountability have not been officially adopted.

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

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

Corrective Action/
Agency Response:

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

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

STATUS OF AUDIT & INSPECTION RECOMMENDATIONS

The SOP Draft is still under review and currently on hold by the board as they intend to submit proposed amendments to election laws and regulations. Nonetheless, implementation of ballot accountability and procedures have been in place, utilizing the forms mentioned in recommendation 1.

Agency Proposed
Completion Date:

Unknown

Status:

Unresolved

OPA Note:

Implemented policies and procedures for ballot accountability have not been officially adopted.

Other Observation:

Potential non-compliance with the law:

- ABS return envelopes were not properly labeled;
- ABS master list was not immediately updated;
- Ballots cast by ABS applicants on election day were not treated as ABS votes; and
- Handwritten names on the voter roster were not treated as provisional ballots.

Recommendation 3:

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

Corrective Action/
Agency Response:

Ballots cast by ABS applicants are no longer treated as ABS votes because applicants would have been issued new ballots at their respective polling sites after they have surrendered their ABS ballots. Whether an applicant claims to have received or not received a ballot, the applicant would still receive a provisional ballot at the polling site until such time that the Commission confirms that the applicant had in fact only cast one ballot.

As mentioned in our latest response, the implementation of segregating poll officials by titles proved to be efficient, and we will continue to practice the procedure. As for the Poll Workers Guide, please refer to the attachments provided.

Agency Proposed
Completion Date:

Unknown

Status:

Unresolved

OPA Note:

OPA observed various issues pertaining to ABS voting, EV, and poll worker responsibilities during the 2024 General Election.

Commonwealth Healthcare Corporation

Report No. 21-03, Issued September 23, 2021

Audit of the CNMI Medical Referral Services Office

Finding 2:	MRSO lacks internal controls pertaining to its contracts and agreements.
Recommendation 2:	Collaborate with applicable stakeholders to review previously executed contracts and/or agreements and renegotiate terms to ensure a cost-effective and equitable program.
Corrective Action/ Agency Response:	CHCC has incorporated internal controls with other functions of the CHCC, and agreements are in place. An updated memo/directive (CEO-M26-169) has been provided to OPA.
Agency Proposed Completion Date:	Unknown
Status:	Unresolved
OPA Note:	OPA acknowledges receipt of CHCC's updated memo/directive relating to its 3275 Health Network Program (HNP) policy. After further examination of CHCC's HNP policy, OPA requested copies of CHCC's agreements and/or contracts with its approved HNP partners for further review. Therefore, the status of this recommendation remains unresolved.

Commonwealth Healthcare Corporation

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

Audit of the CHCC Patient Revenue Cycle Management

Finding 3: Billings are not timely.

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

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

Agency Proposed
Completion Date: 06/30/2028

Status: Unresolved

Department of Finance

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

Finding 1:	The Department of Finance (DOF) lacks a Standard Operating Procedure (SOP) to ensure daily collections are adequately accounted for at all DOF-sanctioned collection points.
Recommendation 1:	DOF develops and implements a uniform SOP for accountability of collections at all DOF-sanctioned collection points and ensures strict adherence. The SOP should have adequate procedures to ensure that (1) reconciliation of daily collections is performed at the end of each business day; (2) collections are deposited timely; (3) collection duties are properly segregated; (4) internal controls are established to ensure that all unremitted collections to the Treasury and Manual Official Cash Receipts are properly secured; and (5) the need for change fund at all collection points are reassessed.
Corrective Action/ Agency Response:	The CNMI Cash Management Policies and Procedures have been implemented and followed since its approval on October 1, 2025. A copy of the change fund by location was provided for reference.
Agency Proposed Completion Date:	Completed
Status:	Resolved

Department of Finance

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

Division of Procurement Services

Audit of Government Vehicles

Finding 1: Documents were not provided for review or lacked sufficient information.

Recommendation 1: DOF's Division of Procurement Services (PS) establishes policies and procedures to ensure all supporting documents for all purchases are complete, properly filed, monitored, and maintained.

Corrective Action/
Agency Response:

Our 3rd party vendor has been given the task of assisting with the creation of SOPs for Procurement Services, which includes the Procurement Administrative Manual and Standard Operating Procedures. Updates on the progress of the SOP will be provided in the next report.

The CNMI Procurement Policies and Procedures and the CNMI Procurement Contract Policies and Procedures are currently in draft form and are being reviewed by the review team within the SOF office for cleanup and final review. We anticipate having these approved and implemented in the coming months. Updates to this recommendation will be provided in the next ARTs report.

Agency Proposed
Completion Date:

09/30/2026

Status:

Unresolved

Recommendation 2: DOF-PS properly stores documents in an orderly and efficient manner to ensure all supporting documents are easily accessible and readily available.

Corrective Action/
Agency Response:

Internal testing was conducted and evaluated to determine readiness for closure of this open action. After further deliberation with DOF-PS personnel responsible for the various branches (Admin, Purchasing, Property Management), it was determined that DOF-PS seeks to further solidify existing efforts to properly store and organize filings. While most expenses and documents are captured via Munis, DOF-PS sees a need to ensure that consistency is better adhered to in other areas, including bid documentation, etc. To this end, DOF-PS humbly requests that this item remain open, pending ongoing efforts. DOF-PS looks to provide further updates on this progress in the next ARTS reporting period.

DOF-PS is already implementing this practice. All supporting documents are currently being organized, stored, and maintained in an orderly and efficient manner to ensure they are easily accessible and readily available when needed. The recommendation will be ready for testing at the completion of the SOP in recommendation 1.

Agency Proposed
Completion Date:

09/30/2026

Status:

Unresolved

Finding 3: Government vehicles were not accurately reflected on DOF-PS and government agency inventory listings.

Recommendation 6: DOF-PS conducts an annual inventory of government vehicles and maintains detailed property records in accordance with the CNMI Property Management Policies and

STATUS OF AUDIT & INSPECTION RECOMMENDATIONS

Procedures Manual and as recommended in OPA's previous audit report (*Report No. 20-03*) issued on February 26, 2020.

Corrective Action/
Agency Response:

Consistent with our December 2025 update, DOF-PS has conducted several internal inspections to determine the completeness of vehicle files. These inspections have resulted in similar findings involving documentation from various government agencies. DOF-PS agrees with this finding, remaining open as we continue to work both internally and externally to ensure there is greater consistency within the process, and looks to apprise of further development in the December 2026 ARTS follow-up update.

DOF-PS is currently in the process of conducting random audits in connection with the Fixed Asset Inventory Reconciliation (FAIR) project. As part of this effort, we are ensuring that all government vehicles assigned to each agency are properly accounted for. This ongoing process complements the annual inventory of government vehicles, which is conducted and maintained in accordance with the CNMI Property Management Policies and Procedures Manual and the recommendation outlined in OPA's Audit Report No. 20-03. Updates to be provided in the next ARTS report.

Agency Proposed
Completion Date:

12/31/2026

Status:

Unresolved

Finding 4:

Procurement regulations lack provisions for vehicle rentals.

Recommendation 7:

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

Corrective Action/
Agency Response:

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

Agency Proposed
Completion Date:

12/31/2026

Status:

Unresolved

Other Observation:

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

Recommendation 8:

The SOF performs an analysis on the appropriateness of the number of government vehicles currently issued to CNMI agencies and if additional vehicles are warranted based on the scope of the assignments of the agencies, regardless of the availability of non-local funding sources.

Corrective Action/
Agency Response:

DOF-PS, in coordination with the SOF, will await further information as it pertains to this recommendation. As the responsibility of this determination, in the view of DOF-PS, rests

STATUS OF AUDIT & INSPECTION RECOMMENDATIONS

with the expenditure authority, it would be inappropriate for DOF to increase or minimize existing motor pools absent justifiable cause. This concern may potentially give rise to federal inquiries from grantor agencies who approve grant applications and have concerns about the progression of funded priorities within the Commonwealth.

Agency Proposed
Completion Date:

12/31/2026

Status:

Unresolved

OPA Note:

Per 1 CMC § 2553(j), one of DOF's duties is to be in control of and responsible for procurement and supply in the Commonwealth. In addition, Northern Mariana Islands Administrative Code (NMIAC) § 70-30.2-101(a) highlights that the procurement of vehicles shall be in accordance with the vehicle fleet management plan approved by the DOF-PS Director. Furthermore, NMIAC § 70-30.2-315(b) allows for the DOF-PS Director to exercise general oversight and control on the use of physical assets and other capital equipment to prevent waste, abuse, or unauthorized use.

Department of Finance

Report No. 21-06, Issued December 28, 2021

Audit of Cash on Tinian and Rota

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

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

Auditee: DOF-Tinian

Corrective Action/
Agency Response: The collection point responsible for remitting daily collections at the end of each month has been terminated due to inadequate funds-security measures and insufficient security. As a result, all payments are now being made directly to the Department of Finance, Division of Treasury.

Agency Proposed
Completion Date: Completed

Status: Resolved

OPA Note: OPA’s review of supporting documentation obtained from the DOF-Division of Treasury (Saipan) and DOF-Tinian, and the testing procedures performed provided sufficient evidence to resolve this recommendation.

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

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

Auditee: DOF-Rota & Tinian

Corrective Action/
Agency Response: *DOF-Tinian:* Collection points are not issued a change fund, and customers are required to provide the exact payment amount. This process prevents the need to return change and reduces the risk of cash-handling discrepancies.

Agency Proposed
Completion Date: Completed

Corrective Action/
Agency Response: *DOF-Rota:* We continue to operate our collection points without a change fund and remit all daily collections to CNMI Treasury, Rota, which performs the daily deposit procedures. Collection points have been informing all customers to bring the exact payment amount, thereby eliminating the need for change and reducing the risk of overages or shortages at the close of the cashiers’ drawers. This procedure will continue until DOF-Rota’s request for a change fund is approved.

Agency Proposed
Completion Date: Completed

Status: Resolved

STATUS OF AUDIT & INSPECTION RECOMMENDATIONS

OPA Note:

OPA's review of DOF Rota and Tinian's current process to reduce the risk of overages and shortages is sufficient to address this recommendation.

Department of Finance

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

Division of Revenue and Taxation

Audit of the Division of Revenue and Taxation Hotel Occupancy Tax

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

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

Corrective Action/
Agency Response:

This continues to remain open; however, DOF-DRT disagrees, as this should be a non-issue, as DOF-DRT doesn't see any risk associated with it. DOF-DRT is proposing that it be deemed closed/resolved. Let DOF-DRT know if this requires a meeting to be set for further discussions. Further review will be conducted by the DRT team to address this finding.

Agency Proposed
Completion Date:

12/31/2026

Status:

Unresolved

OPA Note:

The position that this is a "non-issue" and presents no risk overlooks several concerns related to regulatory clarity, enforcement consistency, and public accountability. OPA's recommendation remains valid and necessary to ensure uniform application and effective administration of the HOT Law.

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

Recommendation 2: Adopt a procedures manual for auditing HOT.

Corrective Action/
Agency Response:

The draft Examinations SOP was provided for OPA's review. The Examinations SOP has not been finalized and is pending review by DOF-DRT.

Agency Proposed
Completion Date:

12/31/2026

Status:

Unresolved

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

Corrective Action/
Agency Response:

A procedural manual is still in progress, and an update will be provided in the next OPA follow-up in December 2026. Further review will be conducted by the DRT team to address this finding.

Agency Proposed
Completion Date:

12/31/2026

Status:

Unresolved

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

STATUS OF AUDIT & INSPECTION RECOMMENDATIONS

Corrective Action/ Agency Response:	The automation feature will not be developed in the AS/400 tax system as DOF-DRT is transitioning into the Revenue Management Information System tax system. However, this feature will be included in the Examinations Module as a criterion for flagging audits. DOF-DRT can query the AS/400 data to manually flag HOT audits.
Agency Proposed Completion Date:	The Examination Module's estimated completion is December 2026. See Section 4.2 of the Examinations SOP provided for OPA's review. Further review will be conducted by the DRT team to address this finding. 12/31/2026
Status:	Unresolved
Finding 3:	DRT does not have procedures in place to effectively detect underreported HOT: • Does not proactively address non-filings of HOT • Does not require the proper reporting of revenues in the BGRT form
Recommendation 5:	Implement procedures using the automation capabilities of the tax system to routinely identify non-filings or non-filers of HOT and Business Gross Revenue Tax (BGRT).
Corrective Action/ Agency Response:	DOF-DRT will establish system-automated procedures to identify Forms OS-3300 non-filers and encourage their compliance through examination or penalty assessments. The estimated date will be December 2026. The Compliance SOP was provided for a manual verification of HOT non-filers. Further review will be conducted by the DRT team to address this finding.
Agency Proposed Completion Date:	12/31/2026
Status:	Unresolved
Recommendation 6:	Implement procedures for staff to immediately notify and request operators to file all missing HOT and BGRT filings.
Corrective Action/ Agency Response:	The draft Compliance SOP was provided. Further review will be conducted by the DRT team to address this finding.
Agency Proposed Completion Date:	12/31/2026
Status:	Unresolved
Recommendation 7:	Formally require operators to report revenues that are subject to both HOT and BGRT under a specific business activity code(s) in the monthly BGRT form.
Corrective Action/ Agency Response:	A draft announcement to operators was provided for OPA's review. Further review will be conducted by the DRT team to address this finding.
Agency Proposed Completion Date:	12/31/2026
Status:	Unresolved
Recommendation 8:	Implement the automation capabilities of the tax system to streamline the verification of revenues reported in HOT and BGRT forms.

STATUS OF AUDIT & INSPECTION RECOMMENDATIONS

Corrective Action/
Agency Response: DOF-DRT will establish system-automated procedures to identify Forms OS-3300 non-filers and encourage their compliance through examination or penalty assessments. An update will be provided in the next OPA follow-up in December 2026. Further review will be conducted by the DRT team to address this finding.

Agency Proposed
Completion Date: 12/31/2026

Status: Unresolved

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

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

Corrective Action/
Agency Response: The Enforcement SOP was provided for OPA's review. Further review will be conducted by the DRT team to address this finding.

Agency Proposed
Completion Date: 12/31/2026

Status: Unresolved

Department of Finance

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

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

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

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

Corrective Action/

Agency Response: No Response

Agency Proposed

Completion Date: No Response

Status:

Unresolved

Department of Finance

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

Division of Procurement and Supply

Audit of Government Vehicles

Finding 1: DOF-PS does not maintain accurate vehicle records.

Recommendation 1: DOF-PS should:

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

Corrective Action/

Agency Response:

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

- (a) As DOF-PS continues to review documentation for completeness of files, the Munis Financial System has allowed PMB to manage and store information associated with inventory on the system, a feature JDE was unable to provide. As such, accuracy and completeness are validated occasionally, as receiving reports must be evident for an invoice to be liquidated at Financial Services. In August 2024, DOF-PS issued an internal memo, moving the annual physical inventory requirements from annually to biennially. This determination was necessary to ensure that DOF-PS can reasonably comply with the requirement given the existing shortfalls associated with manpower and funding. DOF-PS, however, in our efforts to better strengthen the Fixed Asset Inventory Reconciliation (FAIR) Program, has and will continue to conduct random audit inspections in an effort to address long-standing information gaps associated with the CNMI's Inventory Reconciliation.
- (b) DOF-PS continues to promote personal growth and understanding to ensure individuals have the necessary knowledge and tools to perform the duties assigned. DOF-PS has made capacity building a critical focus. While good progress has been made, DOF-PS believes that further work is necessary to develop comfort and confidence in the data gathered and verified. To this end, DOF-PS agrees that this finding remains open and looks to provide further updates in December 2026.

At present, DOF-PS is conducting random audits under the FAIR project and performing physical inventories of government vehicles on-site. These efforts aim to verify the accuracy and completeness of property records and ensure all assets are properly accounted for. In addition, we are reviewing and reconciling inventory data within the JDE system to maintain accurate and up-to-date records. Furthermore, we recognize the importance of staff training and capacity building. DOF-PS will provide training to staff to ensure they are fully knowledgeable of relevant laws, regulations, and policies governing property management and control. These ongoing initiatives demonstrate our commitment to maintaining effective internal controls and enhancing the integrity of our property management process.

STATUS OF AUDIT & INSPECTION RECOMMENDATIONS

Agency Proposed
Completion Date: 12/31/2026

Status: Unresolved

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

Recommendation 2: DOF-PS should:

- (a) Monitor or enforce agencies' compliance with laws and regulations pertaining to government vehicles;
- (b) Hold agencies accountable for properties in their control; and
- (c) Make a determination whether "factory tint" is allowable under 1 CMC § 7406(e). This may include obtaining clarification from the Office of the Attorney General or the Legislature.

Corrective Action/
Agency Response: The initial update provided by DOF-PS identified this matter as being up for closure; however, upon review and conduct of internal measures to validate concerns, it was determined that further guidance is necessary with several agencies to ensure that we are properly monitoring and enforcing regulations pertaining to Government vehicles. Likewise, DOF-PS continues to hold agencies accountable and will have the necessary paperwork in place to reflect these engagements come December 2026.

In January 2024, DOF-PS submitted an LSR to the Attorney General, inquiring about the use of "factory tint" and whether it falls within the limitations of government vehicles. The AG has since determined that factory tint is permissible, given that the tint is embedded in the glass and cannot be easily removed. In addition to addressing this clarification, DOF-PS will conduct random audits of Government vehicles and enforce compliance with existing laws and regulations. Updates will be provided in the next ARTS reporting period.

Agency Proposed
Completion Date: 12/31/2026

Status: Unresolved

Department of Finance

Report No. 20-02, Issued January 28, 2020

Division of Procurement and Supply

Audit of the CNMI Government Fuel Contract

Finding 1: DOF did not regulate the issuance, renewal, and cancellation of fuel cards.

Recommendation 2: Maintain a listing of all fuel cards.

Corrective Action: DOF-PS continues to update information via Munis to ensure data is consistently and accurately captured. Through this process, several inefficiencies were identified, of which DOF-PS is currently working with those agencies to properly remit all necessary documents for file completeness. Additionally, this same validation process has produced shortfalls identified within the container card reconciliation process, which DOF-PS and PMB personnel are further exploring options. Consistent with the ongoing efforts, DOF-PS agrees that this finding remains open, pending further updates by December 2026.

**Agency Proposed
Completion Date:**

12/31/2026

Status:

Unresolved

Finding 2: DOF was unable to implement controls over corporate cards due to its inherent nature.

Recommendation 3: Replace all corporate cards with fleet cards until DOF develops and implements controls, including monitoring controls, over the government's use of corporate cards.

**Corrective Action/
Agency Response:**

DOF-PS has adopted policies involving the use of corporate cards. These policies have been shared with other government agencies, and encouragement has been made to increase internal capacity through this control. We have also requested that agencies that have a justified reason for utilizing corporate cards adopt policies and procedures to ensure transparency and eliminate waste, fraud, and abuse of government funds. To date, three agencies have justified a need, of which two have provided evidence of the adoption of a corporate card policy that contains ample internal measures to address waste, fraud, and abuse. As DOF-PS awaits the adoption of a Corporate Card Policy from one entity, we agree that the finding remains open, pending submission, validation, and approval of the final entity.

**Agency Proposed
Completion Date:**

12/31/2026

Status:

Unresolved

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

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

**Corrective Action/
Agency Response:**

(a) DOF-PS completed the review and update of Government Fuel Fleet Cards in February 2024; however, DOF-PS awaits confirmation of the same validation process from our Fuel Contractor. Several emails have been sent in an attempt to rectify any errors in identified fleet cards, but no update has been provided at this time.

STATUS OF AUDIT & INSPECTION RECOMMENDATIONS

- (b) DOF, through the SOF, has established a process whereby expenses are reviewed and discrepancies brought forth for further discussion. Since its implementation, DOF-PS has seen an influx of “on-time” payments and encourages other entities to remain vigilant of their accruing expenses and obligations.
- (c) DOF-PS continues to tag gas containers and receive requests for container cards. While meticulous, DOF-PS favors this current approach until such time agencies can better demonstrate compliance with maintaining and accounting for this asset. Given several ongoing areas that require further discussion with IP&E, DOF-PS requests that this finding remain open until such time DOF-PS and IP&E have addressed these deficiencies. Update to be provided in the next follow-up (December 2026).

Agency Proposed
Completion Date:

12/31/2026

Status:

Unresolved

Department of Lands and Natural Resources

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

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

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

Corrective Action/
Agency Response:

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

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

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

DLNR has been actively searching for funds to rehabilitate the marina, recognizing this facility as critical infrastructure. DLNR has met with former Congressman Kilili's Office, members of the Legislature, CIP, OPD, CDBG, OGM, DOD, and other agencies to seek assistance with funding. We will continue to flesh out opportunities to rehabilitate; once funding is identified, an action plan will be formulated with stakeholder input to identify priorities for planning.

Any work would require several years, whether to rehabilitate or to demolish; we intend to rehabilitate, contingent on securing federal funds, as OCM is the only commercial port outside of the CPA ports. The tenants signed waivers to remain at the OCM at their own risk, and DLNR is not charging them any fee for allowing the vessels to remain at such location due to lack of space anywhere else in the CNMI. Their only other option is to relocate their vessels to Guam.

Agency Proposed
Completion Date:

12/2027

Status:

Unresolved

Finding 2: DLNR has not established safety standards.

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

STATUS OF AUDIT & INSPECTION RECOMMENDATIONS

Corrective Action/
Agency Response:

The OCM has been inoperable since September 30, 2019. Tenants have been notified and vacated.

Any work would require several years, whether to rehabilitate or to demolish; we intend to rehabilitate, contingent on securing federal funds, as OCM is the only commercial port outside of the CPA ports. The tenants signed waivers to remain at the OCM at their own risk, and DLNR is not charging them any fee for allowing the vessels to remain at such location due to lack of space anywhere else in the CNMI. Their only other option is to relocate their vessels to Guam.

Agency Proposed
Completion Date:

12/2027

Status:

Unresolved

OPA Note:

DLNR did not properly address the recommendation.



REPORT ON CNMI AGENCIES' IMPLEMENTATION OF AUDIT & INSPECTION RECOMMENDATIONS

Report No. 26-03

CONSTITUTIONAL MANDATE

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

REPORTING FRAUD, WASTE, AND ABUSE

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- Contact the OPA Investigators at (670) 322-3937/8 or 284-0161
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