

Office of the Public Auditor

A Report to the Citizens of the CNMI Fiscal Year 2019

ABOUT US



The Office of the Public Auditor is an independent agency of the Commonwealth Government tasked with the responsibility to audit the receipt, possession, and disbursement of public funds and to perform such other duties as required by law.

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Vision

Accountability, transparency, and trust in government.

Mission

We promote and advance government accountability and public trust through the prevention and detection of fraud, waste, and abuse, while maintaining the highest standards of independence, integrity, and professionalism.

OPA's Strategic Goals:

1. Conduct independent and objective audits with recommendations to improve the efficiency and economy of government agencies
2. Continuously follow-up with government agencies on the implementation of audit recommendations
3. Investigate cases of misuse, abuse, and fraud of public resources to prevent, detect, and impede the unlawful expenditure of public resources
4. Ensure compliance with laws and regulations
5. Communicate with stakeholders clearly and promptly to promote public awareness of government operations
6. Recruit and retain highly professional individuals

Leadership:

Public Auditor

Michael Pai, CPA

Audit Staff

David Blake, CPA

Geraldine Tenorio, CFE, CGAP

Joaquin Borja, CFE

Wilma Atalig-Fejeran, CFE

Jolene Nicole Muna, CFE

Lallane Guiao

Joshua Diaz

Miguel Demapan

Thomas Gregory Rabago

Investigative Staff

Ashley Kost, JD

Juan Santos

Edward Cabrera

Travis Hurst

Joseph Ogo

Josue Cruz

Administrative Staff

Michelle Camacho

Christine Francisco



Report fraud, theft, waste, and abuse.

Call 670-235-3937 or fill out our online form.

Contact Information:

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Saipan, MP 96950

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An Assessment Team from the Pacific Association of Supreme Audit Institution (PASAI) visited the Office of the Public Auditor from September 9-20, 2019.

What Does OPA do?

OPA's audit staff publishes audits and special reports as well as monitor audit recommendations through a tracking system. Additionally, OPA's Investigations Division presents Ethics Presentations and investigates cases of Fraud, Waste, and Abuse. # 322-6481 Fax: # 322-7812 Website: www.opacnmi.com

OPA's mandates include overseeing the CNMI's Citizen Centric Reporting and the submission of the Campaign Statements of Account, the Statements of Financial Interest as well the CNMI's Financial Statements. OPA also issues out procurement appeals and assists in CNMI Election observations.

2019 Activities

OPA started the following work in 2019:

- AUDIT –Travel Policy
- AUDIT –Hotel and Occupancy Tax
- AUDIT–Fuel
- AUDIT–Government Vehicles

OPA completed the following work in 2019:

- INSPECTION–Department of Public Lands Lease
- INSPECTION–Commonwealth Election Commission
- INSPECTION–Confident Informant Fund
- SPECIAL REPORT–Campaign Statement of Accounts
- MANAGEMENT LETTER–Public School System

STAFF TRAININGS

OPA staff attended the following trainings:

1. 2019 Uniform Guidance and Government and Public Sector Executive Training;
2. Lakewood Experience 2019 in Lakewood, Colorado;
3. Graduate School USA - Citizen Centric Reporting and Quick Response Auditing by Drummond Khan;
4. APIPA 2019 Conference in Tumon, Guam;
5. Interviews & Interrogations/Institute of Police Technology and Management;
6. Contract and Grant Fraud Training Program/ Council of the Inspectors General on Integrity and Efficiency;
7. Public Corruption Investigations Training Program/Inspector General; and
8. National Computer Forensics Institute/US Secret Service

During FY 2019, OPA staff earned a total of **640** CPEs.



With the assistance of Graduate School USA and through a grant by the Department of Interior-Office of Insular Affairs, OPA hosted a Preparing and Using Citizen Centric Reporting training for CNMI government entities on August 22, 2019.

Education and Certifications:

- ◆ **4** audit staff are pursuing master's degrees and **1** administrative staff is pursuing an associate's degree;
- ◆ **4** audit staff and **1** investigative staff are pursuing Certifications in Fraud Examination, Internal Auditing, and Government Financial Management.

Agency	Report No.	Resolved	Unresolved as of 06/2018
CUC	AR-17-02	0	1
CHCC	AR-17-01	1	5
DLNR	AR-15-03	0	4
DPS	AR-15-01	0	1
CUSTOMS	AR-14-01	0	2
DPL	AR-18-01	2	3
DPL Lease	19-02	0	3
CNMI PSS	19-01	0	3
Total		3	22

Pictured above is OPA's latest Audit Recommendations Tracking results. OPA conducts bi-annual follow-up to ensure audit recommendation implementation.

LEGAL AND INVESTIGATIONS

The Investigations Division has received 126 complaints: 105 were from Saipan, 18 were from Rota, and three were from Tinian. Of these, 62 were found to be unsubstantiated or OPA lacked jurisdiction, 26 were referred to the appropriate agency for disciplinary action, three were referred to the United States Attorney's Office, and five were referred to the Office of the Attorney General. At the end of FY 2018, 31 cases were ongoing or pending.



OPA Finances for FY 2019

OPA Budget & Expenditures for Fiscal Year 2019

Fiscal Year	Personnel Costs	Professional Services	Other	Total Budget	Actual**
2016	\$ 1,263,121	\$ 709,500	\$ 301,000	\$ 2,273,621	\$ 1,461,658
	56%	32%	13%	100%	
2017	\$ 1,164,831	\$ 708,000	\$ 216,700	\$ 2,089,531	\$ 1,727,721
	56%	34%	10%	100%	
2018	\$ 1,275,206	\$ 650,000	\$ 276,300	\$ 2,201,056	\$ 1,923,320
	58%	30%	12%	100%	
2019	\$ 1,519,591	\$ 811,630	\$ 161,260	\$ 2,492,481	\$ 1,580,990
	61%	33%	6%	100%	

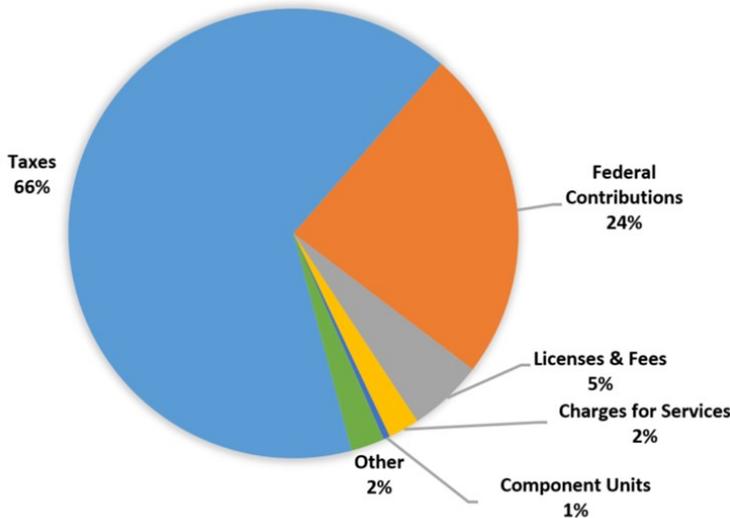
**These numbers were taken from the CNMI Single Audit except for 2019.

OPA's actual expenditures are historically less than budgeted. Further, the two largest costs are Personnel and Professional Services. Professional Services represent the cost of the financial audit of the CNMI and specialized services paid by OPA.

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1% of all amounts appropriated by Commonwealth Law for all Government agencies' and autonomous agencies' operations and activities are to be withheld for OPA.

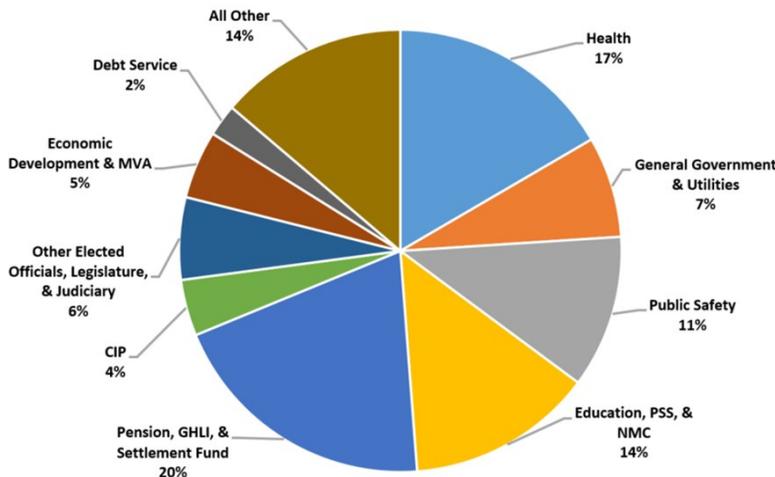
CNMI Operating Revenues - Where did it come from?



REVENUES	Fiscal Year 2018 (in 000s)
Taxes	\$ 279,791
Federal Contributions	\$ 97,642
Licenses & Fees	\$ 22,056
Charges for Services	\$ 9,097
Component Units	\$ 1,905
Other	\$ 9,837
TOTAL REVENUES	\$ 408,328

Source: CNMI FY2018 Financial Audit Report: Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) Governmental Funds for Fiscal Year 2018.

CNMI Operating Expenditures - Where did it go?



EXPENDITURES	Fiscal Year 2018 (in 000s)
Health	\$ 75,173
General Government & Utilities	\$ 33,481
Public Safety	\$ 50,641
Education, PSS, & NMC	\$ 61,765
Pension, GHLI, & Settlement Fund	\$ 90,615
CIP	\$ 18,647
Other Elected Officials, Legislature, & Judiciary	\$ 27,276
Economic Development & MVA	\$ 22,529
Debt Service	\$ 10,573
All Other	\$ 62,240
TOTAL EXPENDITURES	\$ 453,109
Deficiency of Revenues Under Expenditures	\$ (44,781)

Source: CNMI FY2018 Financial Audit Report: Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) Governmental Funds for Fiscal Year 2018.



INITIATIVES

- ◇ OPA underwent its first Pacific Association of Supreme Audit Institution's (PASAI) Supreme Audit Institution Performance Measurement Framework (SAI-PMF) review. The PASAI Secretariat and auditors from Tonga and Chuuk visited the CNMI OPA office to assess the office's:
 - ⇒ Independence and Legal Framework;
 - ⇒ Internal Governance and Ethics;
 - ⇒ Audit Quality and Reporting;
 - ⇒ Financial Management, Assets, and Support Services;
 - ⇒ Human Resources and Training; and
 - ⇒ Communication and stakeholder management.

The results will be summarized in a report.

- ◇ In 2018, OPA awarded its first multi-year contract for the CNMI Single Audit to Deloitte and Touche. Deloitte and Touche is currently in its second year of the two year contract.
- ◇ OPA is actively pursuing the updating and developing of a strategic plan.

CHALLENGES

- ◇ The CNMI General Fund and OPA's budget continues to be negatively impacted by the non-payment by autonomous agencies of the required 1% assessment of expenditures which funds OPA's operations. Exemptions and the lack of enforcement mechanisms are the primary causes of non-payment. OPA will continue to consult with the Administration, the Office of the Attorney General, the Legislature, and the Secretary of Finance to resolve this issue.
- ◇ Public Law 20-83 was recently passed and established that all government agencies publish an annual citizen centric report 30 days after the Fiscal Year. The law also established that these agencies submit their reports to OPA to be posted on OPA's website. The added responsibility increases OPA's current workload. OPA is also concerned that agencies will not be able to provide current financial information given the short amount of time allotted after the fiscal year end.
- ◇ Recruitment efforts have been halted due to current austerity measures. Retention of employees may also be affected.
- ◇ Public Auditor's term will expire on November 2020. OPA hopes for a smooth transition to a new Public Auditor.

THE AUDIT PROCESS

Survey Phase



We obtain background information on an agency to understand its tone and internal controls. We identify and prioritize potential audit topics based on a risk assessment. We conduct testing. If necessary, we move on to the next phase.

Planning Phase



We formulate a clear objective and prepare an audit plan and program to measure that objective. We meet with the agency at an entrance conference to discuss the objective and scope of the audit.

Fieldwork Phase



We collect and examine information relevant to the audit. This is done through interviews, document and data analyses, and observations. We meet with the agency to discuss the preliminary findings.

Report Writing Phase



Based on fieldwork, we finalize our findings and recommendations in a draft report. The draft report is sent to the agency for their response, which is included in the published report. We also meet with the agency to discuss the report at an exit conference.



We want to hear from you! Do you like this report? Do you have any suggestions? Would you like to see any other information? Please let us know by contacting OPA at 322-6481 or mail@opacnmi.com.