

TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

\_\_\_\_\_ Session, 2024

H. B. 23- 112

A BILL FOR AN ACT

To establish the Office of Financial Integrity and Compliance (OFIC) and the OFIC Oversight Committee to improve the CNMI Government's financial management and reporting.

**BE IT ENACTED BY THE 23<sup>RD</sup> NORTHERN MARIANAS  
COMMONWEALTH LEGISLATURE:**

1           **Section 1. Short Title.** This Act shall be known as the "CNMI Financial  
2 Integrity and Compliance Act."

3           **Section 2. Findings and Purpose.** The Legislature finds that the  
4 Commonwealth of the Northern Mariana Islands (CNMI) Government undergoes  
5 regular audits conducted annually by independent auditors. These audits aim to  
6 assess the accuracy and completeness of the government's financial statements,  
7 ensure compliance with relevant accounting standards, and evaluate the  
8 effectiveness of financial management practices. The audit for the year ended  
9 September 30, 2020, which is the latest audit report available, highlighted several  
10 critical areas of the CNMI Government's finances that need to be improved.

11           The audit revealed several egregious issues indicative of financial  
12 mismanagement. Notably, there were disclaimers of opinion on Governmental

1 Activities, General Fund, Grants Assistance Governmental Fund, Coronavirus  
2 Relief Governmental Fund, and Saipan Amusement Governmental Fund, due to  
3 significant deficiencies in financial reporting and compliance with accounting  
4 standards.

5 For example, according to the FY 2020 audit, the CNMI Government failed  
6 to meet Governmental Accounting Standards Board (GASB) Statement No. 68 due  
7 to not meeting certain financial reporting requirements, such as recording change  
8 related to net pension asset or liability. Additionally, inadequate accounting records  
9 led to insufficient audit evidence for balances and financial activities related to  
10 advances, general receivables, other liabilities and accruals, and other revenues and  
11 expenditures.

12 The audit also issued adverse opinions for the aggregate remaining fund  
13 information and aggregate discretely presented component units because the  
14 financial statements did not include the Commonwealth Healthcare Corporation  
15 and the Northern Mariana Islands Settlement Fund. Furthermore, the audit found  
16 that the CNMI was non-compliant with Sections 4 and 9 of the Interim Pension  
17 Obligation Bond Credit Agreement.

18 The Legislature finds that to understand the scope of financial oversight in  
19 the CNMI, one must consider the role of the Office of the Public Auditor (OPA).  
20 The OPA is an independent office responsible for auditing and evaluating the  
21 financial operations of the CNMI Government. The OPA conducts external audits

1 of all government entities, including performance audits, financial audits, and  
2 compliance audits. Additionally, the OPA investigates instances of fraud, waste,  
3 and abuse within government operations. The office provides recommendations to  
4 improve government operations and financial practices and ensures accountability,  
5 efficiency, and effectiveness in the use of public resources. OPA reports its audit  
6 findings to the public, the Legislature, and other relevant stakeholders.

7         The Legislature finds that because OPA operates at an external and  
8 independent audit level, there is a need for the establishment of a government office  
9 that will address matters on operational and strategic levels, focusing on internal  
10 compliance and financial management practices.

11         Thus, this legislation establishes both the Office of Financial Integrity and  
12 Compliance (OFIC) within the Department of Finance and the OFIC Oversight  
13 Committee (OOC). The OFIC's primary responsibilities include developing and  
14 implementing robust internal control systems, monitoring and enforcing  
15 compliance with GASB standards, conducting regular internal audits, and  
16 providing training and support to financial management personnel. The OFIC is  
17 required to report its findings to the Legislature, aiming to ensure accurate financial  
18 reporting and maintain strong internal controls within government departments. To  
19 ensure the OFIC remains effective and that the overall objectives of this Act are  
20 met, the OOC, an independent body providing strategic direction and oversight to  
21 the OFIC, will, among other things, review and assess the OFIC's performance,

1 approve OFIC plans and audit schedules, and conduct independent investigations  
2 into financial discrepancies.

3 **Section 3. Enactment.** The Act shall read as follows:

4 “ CMC § 100: Definitions

5 For purposes of this Part, the following terms shall have the  
6 meanings set forth below:

7 (a) “Act” shall mean the CNMI Financial Integrity and Compliance  
8 Act.

9 (b) “Audit report” shall mean a formal opinion or disclaimer, issued  
10 by an auditor as a result of an internal audit, detailing the findings,  
11 discrepancies, inefficiencies, and areas of non-compliance, along with  
12 recommended corrective actions.

13 (c) “Component units” shall mean legally separate organizations for  
14 which the CNMI Government is financially accountable as well as other  
15 entities for which the nature and significance of their relationship with the  
16 CNMI are such that exclusion would cause the CNMI’s basic financial  
17 statements to be misleading or incomplete. An entity is a component unit if  
18 the CNMI Government has appointed a voting majority of an organization’s  
19 governing body and either has the ability to impose its will on the entity or  
20 there is potential for the entity to provide specific financial benefits to or  
21 impose specific financial burdens on the CNMI Government.

1 (d) "Compliance" shall mean adherence to laws, regulations,  
2 guidelines, and specifications relevant to financial management and  
3 accounting practices.

4 (e) "Financial management software" shall mean the modern  
5 technological tools and systems used to automate and improve the accuracy  
6 of financial reporting, budgeting, and compliance processes implemented  
7 as of the effective date of this Act or as determined by the Office of  
8 Financial Integrity and Compliance (OFIC) and the OFIC Oversight  
9 Committee.

10 (f) "Fiscal Year" shall mean October 1 of one year through  
11 September 30 of the next year and shall be named by the latter year.

12 (g) "Governmental Accounting Standards Board (GASB)  
13 standards" shall mean the accounting and financial reporting standards for  
14 U.S. state and local governments, set by the GASB, to ensure consistency,  
15 transparency, and accountability in financial reporting.

16 (h) "Internal audit" shall mean an independent and objective  
17 evaluation and advisory service aimed at assessing and improving an  
18 organization's internal controls, risk management, and governance  
19 processes.

20 (i) "Internal controls" shall mean the processes designed to ensure  
21 the accuracy and reliability of financial reporting; compliance with

1 applicable laws, standards, and regulations; and the efficiency and  
2 effectiveness of operations.

3 (j) “Legislature” shall mean the legislative body of the Government  
4 of the Commonwealth of the Northern Mariana Islands, which is composed  
5 of the Senate and the House of Representatives and is vested with the  
6 legislative power of the CNMI Government.

7 (k) “OFIC Oversight Committee (OOC)” shall mean the  
8 independent body responsible for providing oversight, guidance, and  
9 strategic direction to the Office of Financial Integrity and Compliance.

10 (l) “Office of Financial Integrity and Compliance (OFIC)” shall  
11 mean the independent office within the Department of Finance responsible  
12 for implementing, monitoring, and enforcing internal controls, as well as  
13 ensuring compliance with applicable laws, standards, and regulations across  
14 all CNMI Government departments and component units.

15 (m) “Semi-annual” shall mean occurring twice within one Fiscal  
16 Year.

17 (n) “Whistleblower” shall mean an employee or individual who  
18 reports financial mismanagement, irregularities, or non-compliance with  
19 financial and accounting standards within the CNMI Government or its  
20 component units.

1           **\_\_\_ CMC § 101: Establishment of the Office of Financial Integrity and**  
2           **Compliance**

3           (a) There is hereby established the Office of Financial Integrity and  
4           Compliance (OFIC), which shall operate as an independent office  
5           within the Department of Finance. The OFIC is the operational body  
6           responsible for implementing, monitoring, and enforcing internal  
7           controls and compliance with accounting standards across all CNMI  
8           Government departments and component units. The OFIC operates  
9           under the strategic direction and oversight of the OFIC Oversight  
10          Committee (OOC).

11          **\_\_\_ CMC § 102: Powers and Duties of the Office of Financial Integrity**  
12          **and Compliance**

13          The OFIC shall have the power and duty to:

- 14          (a) Oversee the implementation of robust internal controls.
- 15               (1) Develop and implement robust internal control systems to ensure  
16               the accuracy and reliability of financial reporting.
- 17               (2) Regularly review and update internal control procedures to address  
18               any emerging risks or issues.
- 19               (3) Provide day-to-day management of internal controls and  
20               compliance.
- 21          (b) Ensure compliance with Governmental Accounting Standards Board

- 1 (GASB) standards.
- 2 (1) Ensure all government departments and component units comply  
3 with GASB standards.
- 4 (2) Provide guidance and support to ensure proper accounting  
5 practices are followed.
- 6 (c) Conduct regular internal audits and reviews of financial activities.
- 7 (1) Perform semi-annual internal audits of all financial transactions and  
8 activities.
- 9 (2) Identify discrepancies, inefficiencies, and areas of non-compliance,  
10 and recommend corrective actions.
- 11 (3) Investigate whistleblower complaints and take appropriate action.
- 12 (d) Provide training and support to accounting and financial management  
13 personnel.
- 14 (1) Coordinate training programs for accounting and financial  
15 management personnel to ensure they are knowledgeable about  
16 current accounting standards and best practices.
- 17 (2) Oversee certification processes to maintain high standards of  
18 financial integrity.
- 19 (e) Report its findings to the OFIC Oversight Committee (OOC), the  
20 Legislature, and the public.
- 21 (1) Prepare and publish reports and findings to the OOC, the



1                   Legislature, and the public to maintain transparency.

2                   (2) Develop a standardized reporting template to ensure consistency in  
3                   audit reports.

4                   \_\_\_ **CMC § 103: Director and Staff of the Office of Financial Integrity**  
5                   **and Compliance**

6                   (a) The office is headed by a Director of the OFIC, appointed by the  
7                   Governor based on their qualifications and experience in financial  
8                   oversight.

9                   (b) The OFIC shall be staffed by professionals with expertise in  
10                  accounting, auditing, compliance, and financial management.

11                  \_\_\_ **CMC § 104: Training and Certification of Accounting and Financial**  
12                  **Management Personnel**

13                  (a) All accounting and financial management personnel within the CNMI  
14                  Government and its component units must undergo training and  
15                  certification in GASB standards, best practices in government  
16                  accounting, and financial management software within one year of the  
17                  enactment of this Act. The accounting and financial management  
18                  personnel within the CNMI Government and its component units  
19                  include those individuals primarily responsible for the financial  
20                  management of the entity, all personnel substantially involved in  
21                  financial management as determined by the individual primarily

1 responsible, and personnel who will use the selected financial  
2 management software.

3 (b) The OFIC shall coordinate with accredited institutions to provide  
4 necessary training programs.

5 **\_\_\_ CMC § 105: Mandatory Compliance with Accounting Standards**

6 (a) The CNMI Government and its component units are required to comply  
7 with all relevant financial and accounting laws, regulations, and  
8 standards, including GASB standards.

9 (b) The OFIC shall establish a compliance timeline, with full compliance  
10 to be achieved within two fiscal years of the enactment of this Act.

11 (c) The OFIC shall submit periodic progress reports to the Legislature  
12 detailing the status of compliance efforts. The Legislature may request  
13 the submission of these reports, and the OFIC shall fulfill that request  
14 within a reasonable time period.

15 **\_\_\_ CMC § 106: Regular Internal Audits and Public Reporting**

16 (a) Semi-annual internal audits of the CNMI Government and its  
17 component units' financial transactions shall be conducted by the  
18 OFIC.

19 (b) Audit reports shall be submitted to the Legislature and made publicly  
20 available within 30 days of completion.

21 (c) The OFIC shall develop a standardized audit procedure and reporting

1           template.

2              **CMC § 107. Performance Metrics**

3           (a) The OFIC shall establish and regularly review performance metrics to  
4           evaluate the effectiveness of its efforts in enhancing financial  
5           accountability within the CNMI Government.

6           (b) The performance metrics shall include, but not be limited to, the  
7           following:

8               (1) Timeliness and accuracy of financial reporting.

9               (2) Compliance with Governmental Accounting Standards Board  
10              (GASB) standards and other relevant financial and accounting laws,  
11              regulations, and standards.

12              (3) Reduction in audit findings and material weaknesses identified in  
13              external audits.

14              (4) Efficiency gains in financial management processes, such as cost  
15              savings achieved through improved controls or streamlined  
16              procedures.

17           (c) The OFIC shall report performance metrics to the OFIC Oversight  
18           Committee (OOC) on a quarterly basis. The OFIC shall make  
19           performance metrics and related reports available to the public.

20           (d) Based on the results of performance metrics, the OFIC shall develop  
21           action plans to address areas of improvement and enhance the overall

1 effectiveness of financial accountability efforts.

2 **\_\_\_ CMC § 108: Financial Management Software**

3 (a) The Department of Finance shall invest in and implement modern  
4 financial management software to automate and improve the accuracy  
5 of financial reporting.

6 (b) An initial assessment and phased implementation plan shall be  
7 developed within six months of the enactment of this Act.

8 **\_\_\_ CMC § 109: Establishment of the OFIC Oversight Committee**

9 (a) There is hereby established the OFIC Oversight Committee (OOC).  
10 The OOC is an independent body responsible for providing oversight,  
11 guidance, and strategic direction to the OFIC. The OOC shall ensure  
12 that the OFIC remains effective and that the overall objectives of the  
13 CNMI Financial Integrity and Compliance Act are met.

14 (b) The OOC shall conduct independent reviews of the OFIC's  
15 implementation of internal controls and accounting improvements. The  
16 OOC shall provide guidance to the OFIC, approve OFIC plans, ensure  
17 the effectiveness of the OFIC's efforts, review audit reports, assess  
18 governmental compliance with accounting standards, recommend  
19 corrective actions, and report its findings to the Legislature.

20 (c) The OOC shall be comprised of financial experts, government officials,  
21 and independent auditors. The Governor shall appoint five members,

1 with the advice and consent of the Senate, and all members shall be  
2 appointed based on their expertise in financial management, auditing,  
3 and public administration. The Chair of the Committee shall have  
4 significant experience in financial oversight.

5 (d) The OOC shall be compensated in accordance with 1 CMC § 8247.

6 **\_\_\_ CMC § 110: Powers and Duties of the OFIC Oversight Committee**

7 The OOC shall have the power and duty to:

8 (a) Oversee OFIC activities.

9 (1) Review the performance and effectiveness of the OFIC in  
10 implementing internal controls and compliance measures.

11 (2) Assess the OFIC's audit reports and findings, and ensure that  
12 appropriate actions are taken to address identified issues.

13 (b) Provide guidance and strategic direction.

14 (1) Provide strategic direction and recommendations to enhance the  
15 effectiveness of financial management practices across the  
16 government.

17 (2) Identify emerging risks and areas for improvement in financial  
18 oversight and compliance.

19 (c) Review and approve plans.

20 (1) Review and approve the OFIC's annual plans, audit schedules, and  
21 key initiatives.

1           (2) Ensure that the OFIC's activities align with the broader goals of  
2           financial accountability and transparency.

3           (d) Report to the Legislature.

4           (1) Submit periodic reports to the Legislature on the status of financial  
5           oversight and compliance efforts.

6           (2) Highlight significant issues, progress, and recommendations for  
7           legislative action.

8           (e) Investigate financial discrepancies.

9           (1) Conduct independent investigations into financial discrepancies or  
10          non-compliance issues reported by the OFIC or other sources.

11          (2) Provide recommendations for corrective actions and policy changes  
12          based on investigation findings.

13          \_\_\_ **CMC § 111: OFIC Whistleblower Protection Plan**

14          (a) The OFIC shall establish and maintain an OFIC Whistleblower  
15          Protection Plan to safeguard employees who report financial  
16          mismanagement, irregularities, or non-compliance with financial and  
17          accounting standards within the CNMI Government and its component  
18          units.

19          (b) Reporting System

20          (1) The OFIC shall set up a secure and anonymous reporting system,  
21          such as a hotline or online portal, to facilitate the reporting of

- 1 financial misconduct or irregularities.
- 2 (2) The OFIC Whistleblower Protection Plan shall include provisions
- 3 to ensure confidentiality and anonymity for individuals reporting
- 4 concerns.
- 5 (c) Investigation and Reporting
- 6 (1) Upon receiving a whistleblower complaint, the OFIC shall promptly
- 7 investigate the allegations and take appropriate action to address any
- 8 substantiated concerns.
- 9 (2) All reported issues shall be investigated within 30 days.
- 10 (3) The OFIC shall submit reports on the number and nature of
- 11 whistleblower complaints received, investigations conducted, and
- 12 actions taken to the OOC on a semi-annual basis.
- 13 (4) The OFIC shall make information about whistleblower complaints
- 14 and investigations available to the public to the extent permitted by
- 15 law, while maintaining confidentiality and privacy protections for
- 16 individuals involved.
- 17 (d) Protection Against Retaliation
- 18 (1) Retaliation against employees who report financial misconduct or
- 19 irregularities is strictly prohibited. Any instances of retaliation shall
- 20 be subject to disciplinary action, up to and including termination of
- 21 employment.

1           (2) Any person with authority to take, direct others to take, recommend,  
2           or approve any personnel action shall not retaliate against anyone  
3           making a complaint or disclosing information, unless the complaint  
4           or information was made with actual knowledge of its falsehood or  
5           with willful disregard for its truth or falsity.

6           (e) Confidentiality

7           (1) The OFIC shall not disclose the identity of the whistleblower  
8           without their written consent unless necessary and unavoidable. In  
9           such cases, the person shall be notified in writing prior to the  
10          disclosure.

11          (f) Training and Awareness

12          (1) The OFIC shall provide training and awareness programs to educate  
13          CNMI Government employees about their rights and protections  
14          under OFIC Whistleblower Protection Plan.

15          (2) Information about the OFIC Whistleblower Protection Plan,  
16          including reporting procedures and employee rights, shall be readily  
17          available to all CNMI Government employees through employee  
18          handbooks, training materials, or other appropriate channels.

19          (g) Compliance

20          (1) The OFIC shall ensure that OFIC Whistleblower Protection Plan  
21          complies with all relevant laws and regulations governing



1 whistleblower protections.

2 **\_\_\_ CMC § 112: Funding and Resources**

3 (a) Adequate funding shall be allocated to support the operations of the  
4 OFIC and OOC.

5 (b) An annual budget proposal shall be submitted to the Legislature to  
6 ensure ongoing support for the initiatives outlined in this Act.

7 **\_\_\_ CMC § 113: Collaboration Between the Office of Financial Integrity  
8 and Compliance (OFIC) and the Office of the Public Auditor (OPA)**

9 (a) The Office of Financial Integrity and Compliance (OFIC) and the  
10 Office of the Public Auditor (OPA) shall collaborate to the extent  
11 authorized by law to avoid duplication of efforts and ensure efficient  
12 use of public resources.

13 (b) The OFIC and the OPA may share information regarding ongoing and  
14 upcoming audits, investigations, and other relevant activities. Joint  
15 audit planning sessions may be conducted to identify potential areas for  
16 collaboration and to prevent overlapping audits.

17 (c) The OFIC and OPA may establish and administer joint training  
18 programs and provide shared access to financial management software.

19 (d) The OFIC and OPA may share specialized knowledge, personnel, or  
20 tools to enhance the effectiveness of audits and investigations.

21 (e) The OFIC and OPA are authorized to enter into written agreements to

1           establish and set the requirements for their collaboration efforts,  
2           including provisions related to the safeguarding and protection of  
3           confidential information, the roles and responsibilities of each office in  
4           collaborative efforts, the protocols for communication and  
5           coordination, the sharing and management of data and information, and  
6           any other requirements deemed necessary to facilitate effective  
7           collaboration.”

8           **Section 3. Severability.** If any provisions of this Act or the application of  
9           any such provision to any person or circumstance should be held invalid by a court  
10          of competent jurisdiction, the remainder of this Act or the application of its  
11          provisions to persons or circumstances other than those to which it is held invalid  
12          shall not be affected thereby.

13          **Section 4. Savings Clause.** This Act and any repealer contained herein  
14          shall not be construed as affecting any existing right acquired under contract or  
15          acquired under statutes repealed or under any rule, regulation, or order adopted  
16          under the statutes. Repealers contained in this Act shall not affect any proceeding  
17          instituted under or pursuant to prior law. The enactment of the Act shall not have  
18          the effect of terminating, or in any way modifying, any liability, civil or criminal,  
19          which shall already be in existence on the date this Act becomes effective.

20          **Section 5. Effective Date.** This Act shall take effect upon its approval by  
21          the Governor, or its becoming law without such approval.

Prefiled: 6/20/2024

Date: \_\_\_\_\_ Introduced by: \_\_\_\_\_

Reviewed for Legal Sufficiency by:  
John 6/20/24  
House Legal Counsel

A collection of handwritten signatures and initials. At the top is a large signature. Below it, a signature with the text "ALDAN V KOBRE" written underneath. To the right, a signature with "John" written below it. Further down are several other signatures and initials, including one that looks like "John" and another that looks like "John".