



COMMONWEALTH OF THE  
NORTHERN MARIANA ISLANDS

REPORT ON THE AUDIT OF FINANCIAL  
STATEMENTS IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE

YEAR ENDED SEPTEMBER 30, 2019

COMMONWEALTH OF THE  
NORTHERN MARIANA ISLANDS

BASIC FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2019

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS

	<u>Page No.</u>
I. Independent Auditors' Report	1
II. <b>Management's Discussion</b> and Analysis	5
III. Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Governmental Fund Financial Statements:	
Balance Sheet	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities	17
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
Discretely Presented Component Unit Financial Statements:	
Statement of Net Position	20
Statement of Revenues, Expenses, and Changes in Net Position	21
Notes to the Basic Financial Statements	22
IV. Required Supplementary Information:	77
Schedule of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund	78
Notes to Required Supplementary Information - Budgetary Reporting	79
Schedule of Proportionate Share of the Net Pension Liability	81
Schedule of Pension Contributions	82
V. Other Supplementary Information:	83
Combining Schedule of Expenditures by Account - Governmental Funds	84
Major Governmental Fund - General Fund	85
Major Governmental Fund:	
Combining Schedule of Balance Sheet Accounts - General Fund	87
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficit) - General Fund	88

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS, CONTINUED

	<u>Page No.</u>
V. Other Supplementary Information, Continued:	
Major Governmental Fund - Grants Assistance Fund	89
Major Governmental Fund:	
Combining Balance Sheet - Grants Assistance Fund	90
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Grants Assistance Fund	91
Major Governmental Fund - Saipan Amusement Fund	92
Major Governmental Fund - Department of Public Lands	93
Nonmajor Governmental Funds - Special Revenue Funds	94
Nonmajor Governmental Funds - Capital Projects Funds	97
Nonmajor Governmental Funds:	
Combining Balance Sheet - Special Revenue Funds	98
Combining Balance Sheet - Capital Projects Funds	100
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Special Revenue Funds	101
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Capital Projects Funds	103
Fiduciary Funds:	104
Combining Statement of Fiduciary Net Position	105
Combining Statement of Changes in Fiduciary Net Position	106
Fiduciary Funds - Agency:	107
Statement of Changes in Assets and Liabilities	108

## INDEPENDENT AUDITORS' REPORT

Honorable Ralph DLG. Torres  
Governor  
Commonwealth of the Northern Mariana Islands:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands (CNMI) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which **collectively comprise the CNMI's basic financial statements** as set forth in Section III of the foregoing table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marianas Public Land Trust (MPLT), the Northern Marianas College (NMC), the Public School System (PSS) and the Marianas Visitors Authority (MVA), which represent 40%, 44% and 51%, respectively, of the assets, net position, and program **revenues of the CNMI's** discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for MPLT, NMC, PSS and MVA, is based solely on the reports of the other auditors. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the **auditor's judgment, including the assessment of the risks of material misstatement** of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor **considers internal control relevant to the entity's** preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the **effectiveness of the entity's internal control. Accordingly,** we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and adverse audit opinions.

*Summary of Opinions*

Opinion Unit	Type of Opinion
Governmental Activities	Adverse
Aggregate Discretely Presented Component Units	Adverse
Each Major Governmental Fund	Unmodified
Aggregate Remaining Fund Information	Adverse

*Basis for Adverse Opinions on the Governmental Activities, the Aggregate Discretely Presented Component Units and the Aggregate Remaining Fund Information*

Management has not adopted Governmental Accounting Standards Board (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*. As discussed in note 1 to the financial statements, the CNMI has not determined the liability associated with the payment of 25% of the class members full benefits that are considered to be substantively automatic. GASB Statement 73 requires the pension liability to include all benefits to be provided to current active and inactive employees through the pension plan in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. The amount of which the departure would affect the assets and deferred outflows of resources, liabilities and deferred inflows of resources, net position and expenses of the governmental activities has not been determined.

Further, the **CNMI's component units' column does not include the financial statements of the Commonwealth Utilities Corporation (CUC) and the Commonwealth Healthcare Corporation (CHCC)**. Accounting principles generally accepted in the United States of America require the financial statements of CUC and CHCC be **reported with the financial data of the CNMI's component units' column** unless the CNMI also issues financial statements for the financial reporting entity that include the financial data for its component units. The CNMI has not issued such reporting **entities' financial statements**. Because of the departure from accounting principles generally accepted in the United States of America, the assets and deferred outflows, liabilities and deferred inflows, net position, revenues, and expenses of the aggregate discretely presented component units could not be determined.

Finally, **the CNMI's aggregate remaining fund information does not include the financial statements of the Northern Mariana Islands Settlement Fund (NMISF), a fiduciary fund component unit**. Accounting principles generally accepted in the United States of America require the financial statements of NMISF be reported with the financial data of the **CNMI's aggregate remaining fund information**. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, additions, and deductions of the fiduciary funds has not been determined.

*Adverse Opinions*

**In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinions on the Governmental Activities, the Aggregate Discretely Presented Component Units and the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above do not present fairly, the respective financial position of the aggregate discretely presented component units and the aggregate remaining fund information of the CNMI as of September 30, 2019, or the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.**

## *Unmodified Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the CNMI as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis-of-Matters*

### *Implementation of Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 71*

As discussed in note 1W to the financial statements, during the year ended September 30, 2019, the CNMI implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result, the CNMI has elected to restate its 2018 financial statements to reflect the implementation of these standards.

## *Correction of Errors*

As discussed in note 19 to the financial statements, the beginning net position of the aggregate discretely presented component units has been restated for the correction of errors.

## *Going Concern*

**The CNMI's plans regarding its General Fund deficit position and the related governmental activities net deficiency position are described in note 16 to the financial statements.**

## *COVID-19*

Economic uncertainties as a result of the COVID-19 coronavirus pandemic may negatively impact the CNMI's **future financial results as described in note 20** to the financial statements.

Our opinion is not modified with respect to these matters.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that **the Management's Discussion and Analysis on pages 5 through 11** as well as the Schedule of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund and notes thereto, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions, as set forth in Section IV of the foregoing table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for **consistency with management's responses to our inquiries, the basic financial statements**, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CNMI's basic financial statements. The Other Supplementary Information, as set forth in Section V of the foregoing table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2021 on our consideration of the CNMI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CNMI's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CNMI's internal control over financial reporting and compliance.

*Deloitte & Touche LLC*

April 21, 2021





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**Management's Discussion and Analysis (MD&A)**  
Year Ended September 30, 2019

Our discussion and analysis of the Commonwealth of the Northern Mariana Islands (CNMI) financial performance provides an overview of the CNMI's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the CNMI's financial statements, which follow this section. Fiscal year 2018 information has been included where appropriate for comparative purposes.

**FINANCIAL HIGHLIGHTS**

- For the fiscal year ended September 30, 2019, the CNMI exacerbated its net position by 10.7%, or \$48.9 million, to an increased deficit net position of over \$504.7 million. The increased deficit is due, largely in part, to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, requiring the inclusion of the net pension liability for fiscal year 2019, which was not adopted in the previous fiscal years.
- During the year, the CNMI's expenses for primary governmental activities were approximately \$524.2 million which includes expense payments made or due to autonomous agencies. These expenses were funded in part by program revenues of \$270.4 million and general revenues of \$204.9 million.
- At September 30, 2019, the General Fund reported an unassigned fund deficit of \$134.2 million. This is a 67.1% increase **from prior year's** \$80.3 million unassigned fund deficit.
- For budgetary reporting purposes, General Fund revenues of \$210.1 million were slightly under projections. In addition, actual expenditures were higher than final projected estimates by 10.0%, or \$22.7 million. These amounts do not include transfers to and from other funds, nor do they include the receipt or use of long-term debt proceeds.
- Due to the implementation of GASB 68, the governmental activities net position has been restated by \$404.4 million, from a deficit net position of \$51.4 million to a deficit net position of \$455.8 million as at October 1, 2018. Refer to note 1W for additional discussion on this restatement.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the CNMI and its component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for the governmental activities of the CNMI, which include the CNMI's discretely presented component units, also known as autonomous agencies. The government-wide financial statements present the complete financial picture of the CNMI from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the CNMI (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

**Reporting the CNMI as a Whole**

*The Statement of Net Position and the Statement of Activities*

One of the most frequently asked questions about the CNMI's finances is, "Has the CNMI's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the CNMI as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.



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These two government-wide statements report the CNMI's net position and changes in them from the prior year. You can think of the CNMI's net position - the difference between assets and liabilities - as one way to measure the CNMI's financial condition or position. Over time, increases or decreases in the CNMI's net position are indicators of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the CNMI's tax base, the conditions of the CNMI's roads and infrastructure, and the quality of services to assess the overall health and performance of the CNMI.

As mentioned above in the Statement of Net Position and the Statement of Activities, we divide the CNMI into two kinds of activities:

*Governmental Activities* - Most of the CNMI's basic services are reported here, including public safety, general administration, streets, and parks. Income taxes, business gross receipt taxes, other taxes and fees, fines, and federal grants finance most of these activities.

*Discretely Presented Component Units* - These account for activities of the CNMI's reporting entities that do not meet the criteria for blending within the CNMI's primary government. These discretely presented component units are often referred to as autonomous agencies.

## Reporting the CNMI's Most Significant Funds

### *Fund Financial Statements*

The Fund financial statements provide detailed information about the most significant funds - not the CNMI as a whole. Some funds are required to be established by law or regulation and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies.

*Governmental Funds* - Most of the CNMI's basic services are reported in governmental funds, which focus on how money flows into and out of those funds, as well as the remaining balances at year-end that are available for spending. These funds are reposted using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the CNMI's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the CNMI's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

*Fiduciary Funds* - The CNMI is responsible for assets that, because of a trust arrangement or other fiduciary requirement, can be used only for trust beneficiaries or other parties, such as pensions and other employee benefit trust funds and agency fund. The CNMI is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the CNMI's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the CNMI's government-wide financial statement because the CNMI cannot use these assets for finance operations.

## A FINANCIAL ANALYSIS OF THE CNMI AS A WHOLE

### *Net Position*

The CNMI's governmental activities deficit net position increased from \$455.8 million (inclusive of prior period adjustments of \$404.4 million) to a deficit net position of \$504.7 million, an increase of 10.7% between fiscal years 2018 and 2019.

A summary of net position (condensed) of fiscal year 2019 is presented below with comparable balances of fiscal year 2018:



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	<u>Governmental Activities</u>		
	<u>2019</u>	<u>2018</u> <u>(As Restated)</u>	<u>Change</u>
Current assets	\$ 84,843,262	\$ 107,876,452	\$ (23,033,190)
Capital assets, net	148,389,440	152,078,484	(3,689,044)
Other noncurrent assets	2,500,000	2,500,000	-
Deferred outflows from cost of refunding debt	4,336,168	4,645,894	(309,726)
Deferred outflows of resources from pension	<u>59,895,340</u>	<u>78,953,755</u>	<u>(19,058,415)</u>
Total assets and deferred outflows	<u>299,964,210</u>	<u>346,054,585</u>	<u>(46,090,375)</u>
Long-term debt outstanding	66,363,477	71,329,797	(4,966,320)
Net pension liability	529,283,156	574,761,225	(45,478,069)
Other liabilities	208,998,853	154,478,157	54,520,696
Deferred inflows of resources from pension	<u>-</u>	<u>1,299,978</u>	<u>(1,299,978)</u>
Total liabilities	<u>804,645,486</u>	<u>801,869,157</u>	<u>2,776,329</u>
Net position:			
Net investment in capital assets	86,362,131	85,394,581	967,550
Restricted	5,232,755	6,975,449	(1,742,694)
Unrestricted	<u>(596,276,162)</u>	<u>(548,184,602)</u>	<u>(48,091,560)</u>
Total net position	\$ <u>(504,681,276)</u>	\$ <u>(455,814,572)</u>	\$ <u>(48,866,704)</u>

Significant results from the prior year in the Statement of Net Position include decreases in long-term debt from payments toward pension liabilities under the settlement agreement and debt services. The inclusion of the net pension liability is also a factor that significantly impacted the Statement of Net Position due to the implementation of GASB 68 and 71.

*Changes in Net Position*

For the year ended September 30, 2019, net position of the primary government changed as follows, with comparable amounts for fiscal year 2018:

	<u>Governmental Activities</u>		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues:			
Program revenues	\$ 270,357,328	\$ 130,700,293	\$ 139,657,035
Taxes and other general revenues	<u>204,926,617</u>	<u>277,628,313</u>	<u>(72,701,696)</u>
Total revenues	<u>475,283,945</u>	<u>408,328,606</u>	<u>66,955,339</u>
Expenses:			
Health	75,478,836	66,174,538	9,304,298
Public safety and law enforcement	162,857,819	50,816,397	112,041,422
General government	25,633,378	28,076,946	(2,443,568)
Community and social services	53,388,116	36,098,021	17,290,095
Other elected officials	12,039,889	13,584,291	(1,544,402)
Utilities	2,080,437	1,934,374	146,063
Public works and capital projects	27,328,079	14,342,240	12,985,839
Lands and natural resources	23,325,185	25,995,116	(2,669,931)
Legislative branch	6,113,700	7,115,563	(1,001,863)
Judicial branch	6,788,734	6,856,485	(67,751)
Education	7,278,594	7,192,464	86,130
Interest and fiscal charges	3,948,432	4,432,605	(484,173)
Economic development	4,675,013	5,682,400	(1,007,387)
Payments to CNMI Group Health and Life Insurance Trust Fund	12,296,401	10,013,861	2,282,540
Payments to autonomous agencies	84,637,668	119,559,026	(34,921,358)
Pension expense	<u>16,280,368</u>	<u>-</u>	<u>16,280,368</u>
Total expenses	<u>524,150,649</u>	<u>397,874,327</u>	<u>126,276,322</u>
Change in net position	<u>(48,866,704)</u>	<u>10,454,279</u>	<u>(59,320,983)</u>
Net position, beginning, as previously reported	(455,814,572)	(61,910,563)	(393,904,009)
Implementation of GASB Statement No. 68	<u>-</u>	<u>(404,358,288)</u>	<u>404,358,288</u>
Net position, beginning of year, as restated	<u>(455,814,572)</u>	<u>(466,268,851)</u>	<u>10,454,279</u>
Net position, end of year	\$ <u>(504,681,276)</u>	\$ <u>(455,814,572)</u>	\$ <u>(48,866,704)</u>



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The CNMI's primary governmental activities' increase in deficit net position to \$504.7 million represents a \$48.9 million increase from the prior year which is due, largely in part to, the adoption of GASB 68 and 71. Relative to other activities outside of the net pension liability, the results indicate that the CNMI's financial condition improved. Significant changes from 2018 in the Statement of Activities include a decrease in general revenues by \$72.7 million and increased expenditures of \$112.0 million in public safety and law enforcement for disaster efforts.

*Governmental Activities*

To aid in the understanding of the Statement of Activities some additional explanation is given.

Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this format is to highlight the relative financial burden of each of the functions on the CNMI's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

The following table illustrates the financial weight governmental activities affect the general sources after collecting for fees and charges on services:

Net (Expenses) Revenues of Governmental Activities

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Health	\$ (22,095,645)	\$ (28,224,289)	\$ 6,128,644
Public safety and law enforcement	(52,921,996)	(35,164,624)	(17,757,372)
General government	12,503,691	(8,468,400)	20,972,091
Community and social services	(11,026,787)	(10,438,397)	(588,390)
Other elected officials	(12,039,889)	(13,584,291)	1,544,402
Utilities	(713,507)	(1,852,030)	1,138,523
Public works and capital projects	(21,306,811)	(2,706,091)	(18,600,720)
Land and natural resources	(7,919,423)	(9,045,382)	1,125,959
Legislative branch	(6,113,700)	(7,115,563)	1,001,863
Judicial branch	(6,788,734)	(6,856,485)	67,751
Education	(7,278,594)	(7,192,464)	(86,130)
Interest and fiscal charges	(3,948,432)	(4,432,605)	484,173
Economic development	(2,121,666)	(3,655,332)	1,533,666
Payments to CNMI Group Health and Life Insurance Trust Fund	(12,296,401)	(10,013,861)	(2,282,540)
Pension expense	(16,280,368)	-	(16,280,368)
Payments to autonomous agencies	<u>(83,445,059)</u>	<u>(118,424,220)</u>	<u>34,979,161</u>
Total	\$ <u>(253,793,321)</u>	\$ <u>(267,174,034)</u>	\$ <u>13,380,713</u>

For the year ended September 30, 2019, the CNMI's governmental activities were funded from general revenues of \$204.9 million. The following chart illustrates the areas of revenue sources:

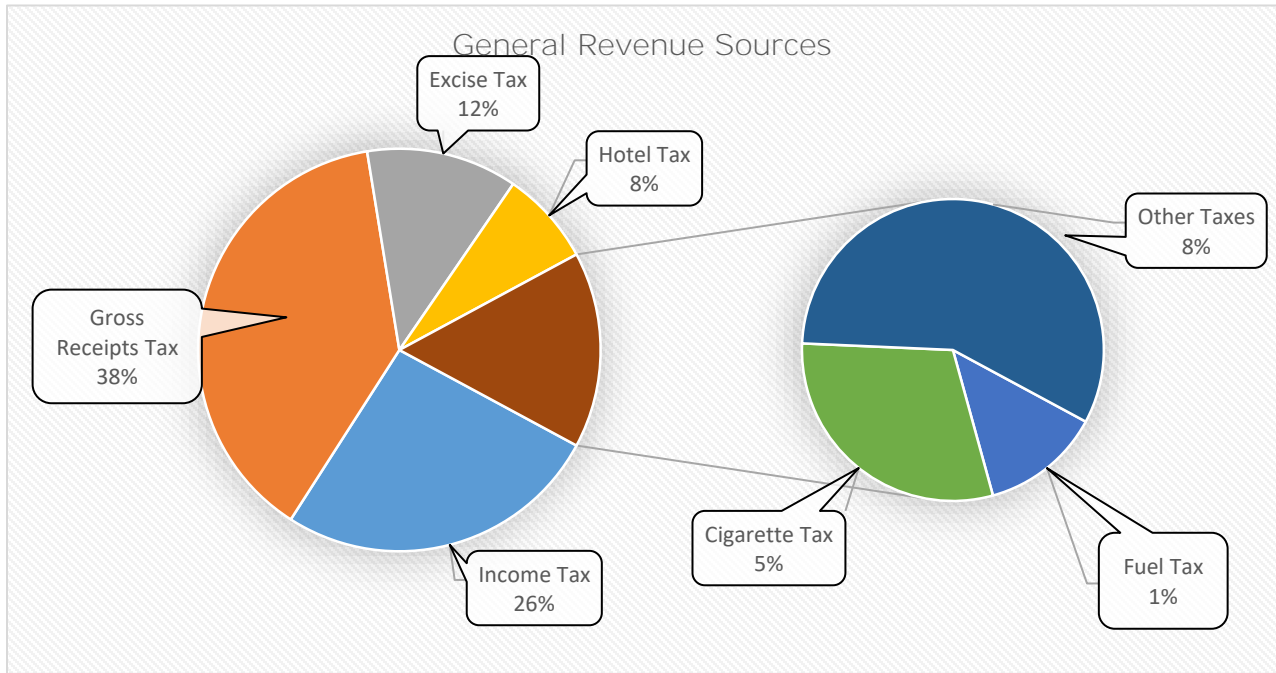


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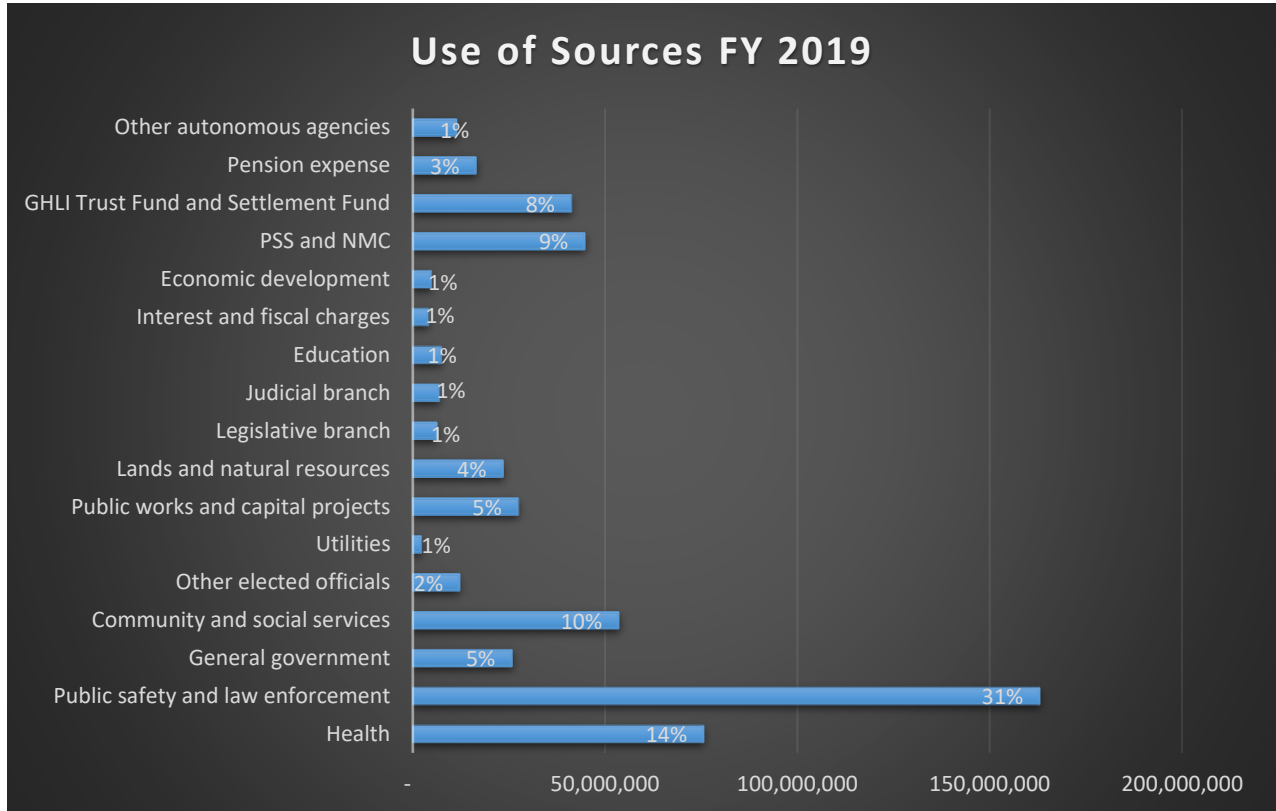


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For the year ended September 30, 2019, the CNMI's activities by function are as follows:



For the year ended September 30, 2019, total expenses for governmental activities amounted to \$524.2 million. Of these total expenses, taxpayers funded \$204.9 million, \$227.8 million from grants and other contributions, and \$42.5 million from charges for services.



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**A FINANCIAL ANALYSIS OF THE CNMI'S FUNDS**

The CNMI completed its 2019 fiscal year with a reported combined fund deficit of \$95.9 million.

Individual fund highlights include:

- For the year ended September 30, 2019, the General Fund's total fund deficit increased by \$53.9 million or 71.8%, for a total fund deficit of \$129.0 million, largely through an increase in the unassigned general fund.
- The Grants Assistance Fund balance significantly decreased by \$1.8 million from prior year with a fund balance of \$2.7 million for fiscal year 2019. This decrease is heavily attributed primarily to expenses related to the disaster response.
- The Saipan Amusement Fund accounts for casino license fees and other electronic gaming fees. Revenues and expenditures netted a \$25.7 million decrease; however accounting for operating transfers, there is a significant decrease ending the year at a deficit of \$0.8 million.
- The Department of Public Lands fund balance decreased by \$1.5 million from \$7.1 million in 2018 to \$5.6 million in 2019
- The Pension and Other Employee Benefit Trust Fund's fiduciary net position increased by \$4.0 million or 9.9% for the year. This fund type includes the retirement fund.

*General Fund Budgetary Highlights*

Original revenue estimates for the General Fund was at \$257.3 million compared to final revenue estimates at \$231.1 million and actual revenues at \$210.1 million. General Fund actual expenditures of \$249.4 million exceeded appropriations by \$22.7 million, contributed mainly to unanticipated expenditures in health programs (\$14.7 million) and disaster expenditures (\$19.0 million).

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

At the end of September 30, 2019, the CNMI had just over \$147.1 million invested in capital assets, net of accumulated depreciation where applicable, including land, infrastructure, vehicles and other machinery and equipment, buildings, and various projects under construction (see table below). See note 7 to the financial statements for more detailed information on the CNMI's capital assets and changes therein.

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2019</u>	<u>2018</u>	
Infrastructure, net	\$ 32,142,348	\$ 38,388,006	\$ (6,245,658)
Buildings and improvements, net	58,824,352	62,929,882	(4,105,530)
Machinery and equipment, net	13,002,991	10,294,860	2,708,131
Land	30,064,154	30,064,154	-
Construction in progress	<u>14,355,595</u>	<u>10,401,582</u>	<u>3,954,013</u>
Total	\$ <u>148,389,440</u>	\$ <u>152,078,484</u>	\$ <u>(3,689,044)</u>

*Long-Term Debt*

At year end, the CNMI had \$66.3 million in long-term debt outstanding, which represents a net decrease of \$4.9 million or 7.0% from the prior year. The CNMI's changes in long-term debt outstanding are as follows:



**Office of the Secretary  
Department of Finance**



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	Governmental Activities		
	2019	2018	Change
Bonds payable	\$ <u>66,363,477</u>	\$ <u>71,329,797</u>	\$ <u>(4,966,320)</u>

As of September 30, 2019, no rating information was provided from Fitch Ratings or Standard and Poor's Financial Services, LLC for the CNMI's General Obligation Bonds.

Article X, Section 4, of the CNMI Constitution limits public indebtedness, other than bonds or other obligations of the government payable solely from the revenues derived from a public improvement or undertaking, to no more than 10% of the aggregate assessed valuation of the real property within the CNMI. The CNMI aggregate assessed valuation has not been determined as of September 30, 2019. See note 11 to the financial statements for more detailed information on the CNMI's long-term debt and changes therein.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The cessation of airline flights due to COVID-19 is projected to negatively impact growth prospects in the short-term. The CNMI is unable to reasonably estimate its ultimate financial impact. Construction is anticipated to be performed due to continued construction and improvements to new and existing visitor accommodations, various public projects, and road construction.

The CNMI underwent two typhoons during the months of September and October 2018: Typhoon Mangkhut destroyed much of the resources for the island of Rota, and Super Typhoon Yutu devastated the islands of Tinian and Saipan. These disasters had detrimental effects on **the CNMI's economic activity, leaving two main sectors of our economy (tourism and gaming)** at a standstill for the first quarter of the fiscal year. Despite these setbacks, the CNMI remains resilient, moving forward with investments in infrastructure and disaster aid services to rebuild the economy and the lives of its residents.

Furthermore, the CNMI is optimistic as foreign direct investment is continuing in the tourism sector with developments in the northern end of Saipan and on Tinian. The re-opening of established small and medium sized businesses after the typhoons stood at 85% in March 2019 and is anticipated to reach completion by the end of the fiscal year. Our forecasts for the gaming and casino industry remain conservatively steady as this sector shows signs of slight contraction for a short period in the near future. Moreover, the cannabis industry emerged in the latter part of fiscal year 2019 to help revitalize the economy and increase CNMI financial resources.

The CNMI is optimistic for the year ahead as the continued improvement in infrastructure and economic activity rebounds from the shocking events experienced.

### CONTACTING THE CNMI'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the CNMI's finances and to show the CNMI's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department of Finance, Office of the Secretary of Finance at P.O. Box 5234 CHRB, Saipan, MP 96950 or phone (670) 664-1100.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Net Position  
September 30, 2019

	<u>Primary Government</u>	<u>Component Units</u>
<u>ASSETS AND DEFERRED OUTFLOWS</u>		
Current assets:		
Cash and cash equivalents	\$ 27,582,488	\$ 53,717,842
Time certificates of deposit	112,643	11,698,914
Receivables, net of allowance for uncollectibles	30,303,420	19,728,279
Due from primary government		14,192,207
Due from component units	1,832,726	-
Due from fiduciary funds	2,523,810	-
Inventories	804,343	508,374
Advances	1,189,075	-
Other assets	-	782,765
Restricted assets:		
Cash and cash equivalents	18,929,315	10,946,995
Time certificates of deposit	-	10,500,000
Investments	1,565,442	54,843,349
Total current assets	<u>84,843,262</u>	<u>176,918,725</u>
Noncurrent assets:		
Other assets	2,500,000	-
Investments	-	97,661,921
Receivables:		
Loans, net of allowance for uncollectibles	-	9,859,561
Notes, net of allowance for uncollectibles	-	13,805,466
Foreclosed real estate	-	1,995,141
Nondepreciable capital assets	44,419,749	99,684,327
Depreciable capital assets, net of accumulated depreciation	<u>103,969,691</u>	<u>176,824,741</u>
Total noncurrent assets	<u>150,889,440</u>	<u>399,831,157</u>
Deferred outflows from cost of refunding debt	4,336,168	527,114
Deferred outflows of resources from pension	59,895,340	-
Total assets and deferred outflows	<u>299,964,210</u>	<u>577,276,996</u>
<u>LIABILITIES AND DEFERRED INFLOWS</u>		
Current liabilities:		
Current portion of bonds payable	5,241,320	2,565,000
Claims and judgments payable	4,205,204	-
Current portion of compensated absences	4,446,254	1,774,546
Loan payable under Settlement Agreement	2,019,860	-
Accounts payable	47,416,811	25,476,185
Tax rebates payable	58,664,463	-
Recovery rebates payable	393,837	-
Health and life insurance payable	1,912,134	-
Security deposits	11,327,700	-
Other liabilities and accruals	5,096,893	4,363,089
Due to fiduciary funds	17,693,829	-
Due to component units	23,681,954	-
Due to primary government	-	2,350,003
Unearned revenues	2,026,368	23,670,724
Total current liabilities	<u>184,126,627</u>	<u>60,199,547</u>
Noncurrent liabilities:		
Net pension liability	529,283,156	-
Bonds payable, net of current portion	61,122,157	28,688,306
Compensated absences, net of current portion	4,800,972	3,395,593
Due to component units	8,848,237	-
Accrued interest payable	1,394,167	-
Unearned revenues, net of current portion	-	4,651,541
Landfill closure and post closure costs	<u>15,070,170</u>	<u>-</u>
Total noncurrent liabilities	<u>620,518,859</u>	<u>36,735,440</u>
Deferred inflows of resources from pension	-	1,708,465
Total liabilities and deferred inflows of resources	<u>804,645,486</u>	<u>98,643,452</u>
Commitments and contingencies		
<u>NET POSITION</u>		
Net investment in capital assets	86,362,131	245,782,876
Restricted for:		
Expendable:		
Capital projects	683,464	-
Retirement of indebtedness	2,523,754	-
Federal programs and projects	2,021,410	-
Other purposes	4,127	225,344,010
Unrestricted	<u>(596,276,162)</u>	<u>7,506,658</u>
Total net position	<u>\$ (504,681,276)</u>	<u>\$ 478,633,544</u>

See accompanying notes to financial statements.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Activities  
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Primary government:						
Governmental activities:						
Health	\$ 75,478,836	\$ 734,321	\$ 52,648,870	\$ -	\$ (22,095,645)	\$ -
Public safety and law enforcement	162,857,819	2,986,508	106,949,315	-	(52,921,996)	-
General government	25,633,378	29,982,524	8,076,157	78,388	12,503,691	-
Community and social services	53,388,116	50,708	42,310,621	-	(11,026,787)	-
Other elected officials	12,039,889	-	-	-	(12,039,889)	-
Utilities	21,600	-	-	21,600	-	-
Utilities - Capital Projects	2,058,837	-	-	1,345,330	(713,507)	-
Public works	27,328,079	1,879,702	19,185	4,122,381	(21,306,811)	-
Lands and natural resources	23,325,185	6,493,801	8,911,961	-	(7,919,423)	-
Legislative branch	6,113,700	-	-	-	(6,113,700)	-
Judicial branch	6,788,734	-	-	-	(6,788,734)	-
Education	7,278,594	-	-	-	(7,278,594)	-
Interest and fiscal charges	3,948,432	-	-	-	(3,948,432)	-
Economic development	4,675,013	384,495	1,979,686	189,166	(2,121,666)	-
Education:						
Payments to Public School System	35,751,759	-	224,874	-	(35,526,885)	-
Payments to Northern Marianas College	8,824,188	-	39,108	-	(8,785,080)	-
Payments to Commonwealth Healthcare Corporation	1,794,460	-	928,627	-	(865,833)	-
Payments to Marianas Visitors Authority	9,451,782	-	-	-	(9,451,782)	-
Payments to CNMI Group Health and Life Insurance Trust Fund	12,296,401	-	-	-	(12,296,401)	-
Payments to Settlement Fund	28,815,479	-	-	-	(28,815,479)	-
Pension expense	16,280,368	-	-	-	(16,280,368)	-
Total primary government	\$ 524,150,649	\$ 42,512,059	\$ 222,088,404	\$ 5,756,865	(253,793,321)	-
Component units:						
Commonwealth Ports Authority	\$ 34,191,285	\$ 40,507,774	\$ 180,060	\$ 8,867,926	-	15,364,475
Commonwealth Development Authority	8,853,013	-	8,972,170	-	-	119,157
Marianas Public Land Trust	3,591,810	5,990,526	-	-	-	2,398,716
Northern Marianas College	16,396,696	1,580,677	9,369,866	-	-	(5,446,153)
Public School System	91,320,226	826,642	43,496,287	-	-	(46,997,297)
Marianas Visitors Authority	11,260,713	131,157	204,701	-	-	(10,924,855)
Total component units	\$ 165,613,743	\$ 49,036,776	\$ 62,223,084	\$ 8,867,926	-	(45,485,957)
General revenues:						
Taxes:						
Income					53,690,364	-
Gross receipts					78,614,078	-
Excise					24,868,409	-
Hotel					15,490,295	-
Fuel					4,146,525	-
Cigarette					9,670,247	-
Other taxes					10,441,605	-
Unrestricted investment earnings and dividends					626,315	1,696,412
Contributions from primary government					-	58,947,707
Other					7,378,779	416,400
Total general revenues					204,926,617	61,060,519
Change in net position					(48,866,704)	15,574,562
Net position - beginning, as previously reported					(51,456,284)	450,733,711
Implementation of GASB Statement No. 68 (note 1W)					(404,358,288)	-
Prior period adjustment (note 19)					-	12,325,271
Net position - beginning, as restated					(455,814,572)	463,058,982
Net position - ending					\$ (504,681,276)	\$ 478,633,544

See accompanying notes to financial statements.

## COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Balance Sheet  
Governmental Funds  
September 30, 2019

<u>Assets</u>	<u>General</u>	<u>Grants Assistance</u>	<u>Saipan Amusement</u>	<u>Department of Public Lands</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 16,352,936	\$ -	\$ -	\$ 11,229,552	\$ -	\$ 27,582,488
Time certificates of deposit	112,643	-	-	-	-	112,643
Restricted cash and cash equivalents	7,594,677	-	-	11,327,652	6,986	18,929,315
Restricted investments	-	-	-	-	1,565,442	1,565,442
Receivables, net:						
Federal agencies	6,875,038	9,369,317	-	-	284,562	16,528,917
Taxes	7,395,606	-	-	-	-	7,395,606
General	4,144,214	-	-	1,011,966	56	5,156,236
Other	-	12,831	-	-	1,209,830	1,222,661
Due from other funds	1,794,709	2,490,137	2,627,724	-	25,799,161	32,711,731
Due from fiduciary funds	1,659,022	-	-	-	864,788	2,523,810
Due from component units	-	-	-	-	1,832,726	1,832,726
Advances	1,189,075	-	-	-	-	1,189,075
Inventories	232,387	571,956	-	-	-	804,343
Other assets	2,500,000	-	-	-	-	2,500,000
	<u>\$ 49,850,307</u>	<u>\$ 12,444,241</u>	<u>\$ 2,627,724</u>	<u>\$ 23,569,170</u>	<u>\$ 31,563,551</u>	<u>\$ 120,054,993</u>
<u>Liabilities and Fund Balances (Deficit)</u>						
Liabilities:						
Accounts payable	\$ 32,993,197	\$ 6,756,517	\$ 3,459,588	\$ 469,555	\$ 3,737,954	\$ 47,416,811
Health and life insurance payable	-	-	-	-	1,912,134	1,912,134
Tax rebates payable	58,664,463	-	-	-	-	58,664,463
Recovery rebates payable	393,837	-	-	-	-	393,837
Other liabilities and accruals	3,861,698	763,698	-	330,590	140,907	5,096,893
Security deposits	-	-	-	11,327,700	-	11,327,700
Claims and judgments payable	4,205,204	-	-	-	-	4,205,204
Loan payable under Settlement Agreement	2,019,860	-	-	-	-	2,019,860
Due to other funds	30,917,022	1,647,196	-	15,047	132,466	32,711,731
Due to fiduciary funds	17,693,829	-	-	-	-	17,693,829
Due to component units	28,078,720	-	-	4,451,471	-	32,530,191
Unearned revenues	-	571,956	-	1,354,346	100,066	2,026,368
Total liabilities	<u>178,827,830</u>	<u>9,739,367</u>	<u>3,459,588</u>	<u>17,948,709</u>	<u>6,023,527</u>	<u>215,999,021</u>
Fund balances (deficit):						
Non-spendable	2,732,387	-	-	-	-	2,732,387
Restricted	2,523,754	2,704,874	-	-	4,127	5,232,755
Committed	-	-	-	5,620,461	25,544,169	31,164,630
Unassigned:						
General fund	(134,233,664)	-	-	-	-	(134,233,664)
Special revenue funds	-	-	(831,864)	-	(8,272)	(840,136)
Total fund balances (deficit)	<u>(128,977,523)</u>	<u>2,704,874</u>	<u>(831,864)</u>	<u>5,620,461</u>	<u>25,540,024</u>	<u>(95,944,028)</u>
	<u>\$ 49,850,307</u>	<u>\$ 12,444,241</u>	<u>\$ 2,627,724</u>	<u>\$ 23,569,170</u>	<u>\$ 31,563,551</u>	<u>\$ 120,054,993</u>

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
September 30, 2019

Total fund balances - governmental funds		\$ (95,944,028)
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources are charged to future periods and are not reported in the funds. Those deferred outflows consist of:		
Deferred loss on refunding		4,336,168
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 30,064,154	
Construction in progress	14,355,595	
Depreciable capital assets and infrastructure, net of \$248,590,298 of accumulated depreciation	<u>103,969,691</u>	
Capital assets, net of accumulated depreciation		148,389,440
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities include:		
Net pension liability	(529,283,156)	
Bonds payable	(66,363,477)	
Accrued interest payable	(1,394,167)	
Compensated absences payable	(9,247,226)	
Landfill closure and postclosure costs	<u>(15,070,170)</u>	
Long-term liabilities		(621,358,196)
Deferred outflows of resources are charged to future periods and are not reported in the funds. Those deferred outflows consist of:		
Deferred outflows from pensions		<u>59,895,340</u>
Net position of governmental activities		<u>\$ (504,681,276)</u>

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)  
Governmental Funds  
For the Year Ended September 30, 2019

	General	Grants Assistance	Saipan Amusement	Department of Public Lands	Other Governmental Funds	Total
Revenues:						
Taxes	\$ 189,880,711	\$ -	\$ 31,000	\$ -	\$ 7,009,152	\$ 196,920,863
Federal contributions	-	221,029,629	-	-	4,225,404	225,255,033
Licenses and fees	12,154,017	241,481	16,925,918	620,277	4,710,933	34,652,626
Charges for sales and services	1,988,226	-	-	5,583,072	288,795	7,860,093
Contributions from component units	2,265,082	-	-	-	325,154	2,590,236
Interest and dividends	29,184	-	53	550,441	46,637	626,315
Other	4,446,207	255,232	-	479,478	2,197,864	7,378,781
Total revenues	<u>210,763,427</u>	<u>221,526,342</u>	<u>16,956,971</u>	<u>7,233,268</u>	<u>18,803,939</u>	<u>475,283,947</u>
Expenditures:						
Current:						
Health	18,460,825	56,028,457	280,237	-	709,317	75,478,836
General government	14,067,804	4,900,041	2,571,946	-	4,202,952	25,742,743
Public safety and law enforcement	57,344,799	106,732,691	461,982	-	566,788	165,106,260
Community and social services	7,218,590	42,310,621	1,784,646	-	786,022	52,099,879
Lands and natural resources	6,678,619	8,911,961	19,269	8,747,951	79,134	24,436,934
Utilities	-	21,600	-	-	-	21,600
Other elected officials	11,982,489	-	-	-	57,400	12,039,889
Legislative branch	5,819,161	-	294,539	-	-	6,113,700
Judicial branch	6,099,150	-	343,118	-	-	6,442,268
Education	3,298,848	-	1,533,831	-	2,445,915	7,278,594
Economic development	1,593,586	455,688	14,620	-	2,611,119	4,675,013
Payments to:						
Public School System	31,676,885	224,874	3,850,000	-	-	35,751,759
Marianas Visitors Authority	7,912,823	-	-	-	1,538,959	9,451,782
Northern Marianas College	7,927,937	39,108	857,143	-	-	8,824,188
Commonwealth Healthcare Corporation	704,544	928,627	-	-	161,289	1,794,460
CNMI Group Health and Life Insurance Trust Fund	12,296,401	-	-	-	-	12,296,401
Settlement Fund	43,627,540	-	29,187,939	-	-	72,815,479
Debt service:						
Interest and fiscal charges	3,740,651	-	-	-	-	3,740,651
Principal retirement	4,960,000	-	-	-	-	4,960,000
Capital outlay:						
Public works	4,365,897	1,304,172	1,462,153	-	6,592,211	13,724,433
Utilities - Capital Projects	-	2,058,837	-	-	-	2,058,837
Total expenditures	<u>249,776,549</u>	<u>223,916,677</u>	<u>42,661,423</u>	<u>8,747,951</u>	<u>19,751,106</u>	<u>544,853,706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,013,122)</u>	<u>(2,390,335)</u>	<u>(25,704,452)</u>	<u>(1,514,683)</u>	<u>(947,167)</u>	<u>(69,569,759)</u>
Other financing sources (uses):						
Operating transfers in	2,093,253	3,379,587	11,534,522	-	3,836,910	20,844,272
Operating transfers out	(16,989,048)	(2,793,071)	(999,659)	-	(62,494)	(20,844,272)
Total other financing sources (uses), net	<u>(14,895,795)</u>	<u>586,516</u>	<u>10,534,863</u>	<u>-</u>	<u>3,774,416</u>	<u>-</u>
Net change in fund balances (deficit)	<u>(53,908,917)</u>	<u>(1,803,819)</u>	<u>(15,169,589)</u>	<u>(1,514,683)</u>	<u>2,827,249</u>	<u>(69,569,759)</u>
Fund balances (deficit) at beginning of year	<u>(75,068,606)</u>	<u>4,508,693</u>	<u>14,337,725</u>	<u>7,135,144</u>	<u>22,712,775</u>	<u>(26,374,269)</u>
Fund balances (deficit) at end of year	<u>\$ (128,977,523)</u>	<u>\$ 2,704,874</u>	<u>\$ (831,864)</u>	<u>\$ 5,620,461</u>	<u>\$ 25,540,024</u>	<u>\$ (95,944,028)</u>

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities  
September 30, 2019

Total net change in fund balances - governmental funds		\$ (69,569,759)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year, these amounts consist of:		
Capital outlays	\$ 12,139,550	
Depreciation expense	<u>(15,828,594)</u>	(3,689,044)
The incurrence of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and deferred amounts on refundings when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. For the current year, these amounts consist of:		
Repayment of bonds	4,960,000	
Amortization of bond premiums	6,320	
Amortization of deferred amount on refunding	<u>(309,727)</u>	4,656,593
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. For the current year, these activities consist of:		
Change in accrued interest payable	95,625	
Change in due to component units	1,011,199	
Change in landfill closure and postclosure care costs	(8,962,382)	
Change in compensated absences payable	(128,568)	
Net pension activity	<u>27,719,632</u>	19,735,506
Change in net position of governmental activities		<u>\$ (48,866,704)</u>

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Fiduciary Net Position  
 Fiduciary Funds  
 September 30, 2019

	Pension (and Other Employee Benefit) Trust Fund	Agency Funds
		<u>Agency Funds</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 3,914,606	\$ 1,769,302
Receivables, net:		
Notes	1,911,385	-
Agency	794,900	-
Other	7,951	-
	<u>2,714,236</u>	<u>-</u>
Defined contribution plan investments	<u>41,043,713</u>	<u>-</u>
Foreclosed real estate	<u>209,095</u>	<u>-</u>
Restricted assets	<u>-</u>	<u>2,022,536</u>
Total assets	<u>47,881,650</u>	<u>\$ 3,791,838</u>
<u>Liabilities and Fiduciary Net Position</u>		
Accounts payable and accrued expenses	217,758	-
Deposits payable	-	3,791,838
Due to primary government	<u>2,523,810</u>	<u>-</u>
Total liabilities	<u>2,741,568</u>	<u>\$ 3,791,838</u>
Fiduciary net position:		
Held in trust for pension benefits	<u>\$ 45,140,082</u>	

See accompanying notes to financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended September 30, 2019

	Pension (and Other Employee Benefit) Trust Fund
Additions:	
Employee contributions	\$ 7,733,459
Employer contributions	<u>2,900,940</u>
	<u>10,634,399</u>
Investment income:	
Net change in the fair value of investments	1,054,635
Interest and dividend income	<u>233,648</u>
Total investment income	1,288,283
Less management and custodial fees	<u>(351,334)</u>
Net investment income	<u>936,949</u>
Interest and fees on loans	<u>160,356</u>
Transfers and rollovers	<u>50,065</u>
Other	<u>14,631</u>
Total additions	<u>11,796,400</u>
Deductions:	
Benefits and refund payments:	
Withdrawal and refunds	7,140,655
Retirement benefits	256,522
Forfeitures	128,291
Health and life insurance premiums	62,692
Survivor benefits	<u>6,000</u>
Total benefits and refund payments	<u>7,594,160</u>
Administrative expenses:	
Salaries and wages	79,038
Employee benefits	6,730
Professional fees	<u>60,000</u>
Total administrative expenses	<u>145,768</u>
Total deductions	<u>7,739,928</u>
Change in net position held in trust for employees' pension benefits	4,056,472
Fiduciary net position held in trust:	
Beginning of year	<u>41,083,610</u>
End of year	<u>\$ 45,140,082</u>

See accompanying notes to financial statements.

## COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Net Position  
Component Units  
September 30, 2019

	Commonwealth Ports Authority	Commonwealth Development Authority	Marianas Public Land Trust	Northern Marianas College	Public School System	Marianas Visitors Authority	Total
<b>ASSETS AND DEFERRED OUTFLOWS</b>							
Current assets:							
Cash and cash equivalents	\$ 33,351,620	\$ 4,383,948	\$ 1,792,951	\$ 7,523,114	\$ 1,156,340	\$ 5,509,869	\$ 53,717,842
Time certificates of deposit	-	11,000,000	-	698,914	-	-	11,698,914
Receivables, net:							
Loans	-	2,247,849	-	-	-	-	2,247,849
Notes	-	-	2,251,296	-	-	-	2,251,296
Federal agencies	2,802,737	-	-	1,803,285	2,340,787	-	6,946,809
General	2,925,836	-	-	913,724	-	-	3,839,560
Interest and dividends	-	44,450	307,434	-	-	-	351,884
Dividend	-	1,440,000	-	-	-	-	1,440,000
Other	10,292	1,588,181	101,891	-	946,889	3,628	2,650,881
Due from primary government	-	-	-	3,093,652	4,949,038	6,149,517	14,192,207
Inventories	-	-	-	508,374	-	-	508,374
Other assets	728,149	40,495	7,514	4,216	-	2,391	782,765
Restricted assets:							
Cash and cash equivalents	-	10,946,995	-	-	-	-	10,946,995
Time certificates of deposit	-	10,500,000	-	-	-	-	10,500,000
Investments	54,843,349	-	-	-	-	-	54,843,349
Total current assets	94,661,983	42,191,918	4,461,086	14,545,279	9,393,054	11,665,405	176,918,725
Noncurrent assets:							
Investments	-	-	88,548,960	9,112,961	-	-	97,661,921
Receivables:							
Loans, net	-	9,859,561	-	-	-	-	9,859,561
Notes, net	-	1,848,782	11,956,684	-	-	-	13,805,466
Nondepreciable capital assets	52,938,082	8,832,019	153,000	1,113,376	36,647,850	-	99,684,327
Depreciable capital assets, net of accumulated depreciation	133,164,819	1,235,094	118,874	2,949,785	39,229,160	127,009	176,824,741
Foreclosed real estate	-	1,995,141	-	-	-	-	1,995,141
Total noncurrent assets	186,102,901	23,770,597	100,777,518	13,176,122	75,877,010	127,009	399,831,157
Deferred outflows from cost of refunding debt							
	527,114	-	-	-	-	-	527,114
Total assets and deferred outflows	281,291,998	65,962,515	105,238,604	27,721,401	85,270,064	11,792,414	577,276,996
<b>LIABILITIES AND DEFERRED INFLOWS</b>							
Current liabilities:							
Current portion of bonds payable	2,565,000	-	-	-	-	-	2,565,000
Accounts payable	8,022,160	6,921,259	34,882	994,171	7,465,226	2,038,487	25,476,185
Current portion of compensated absences	290,313	-	-	385,038	1,083,132	16,063	1,774,546
Due to primary government	2,350,003	-	-	-	-	-	2,350,003
Other liabilities and accruals	772,315	2,175,532	106,459	279,566	-	1,029,217	4,363,089
Unearned revenues	21,971,335	20,378	-	1,679,011	-	-	23,670,724
Total current liabilities	35,971,126	9,117,169	141,341	3,337,786	8,548,358	3,083,767	60,199,547
Noncurrent liabilities:							
Bonds payable, net of current portion	28,688,306	-	-	-	-	-	28,688,306
Compensated absences, net of current portion	384,714	-	-	207,328	2,700,970	102,581	3,395,593
Unearned revenues, net of current portion	3,642,992	1,008,549	-	-	-	-	4,651,541
Total noncurrent liabilities	32,716,012	1,008,549	-	207,328	2,700,970	102,581	36,735,440
Deferred inflows of resources							
	-	-	-	441,448	1,259,217	7,800	1,708,465
Total liabilities and deferred inflows of resources	68,687,138	10,125,718	141,341	3,986,562	12,508,545	3,194,148	98,643,452
<b>NET POSITION</b>							
Net investment in capital assets	155,376,709	10,067,113	271,874	4,063,161	75,877,010	127,009	245,782,876
Restricted	54,843,349	45,769,684	104,825,389	9,112,961	2,321,370	8,471,257	225,344,010
Unrestricted	2,384,802	-	-	10,558,717	(5,436,861)	-	7,506,658
Total net position	\$ 212,604,860	\$ 55,836,797	\$105,097,263	\$ 23,734,839	\$ 72,761,519	\$ 8,598,266	\$ 478,633,544

See accompanying notes to financial statements.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Revenues, Expenses, and Changes in Net Position  
 Components Units  
 Year Ended September 30, 2019

	Commonwealth Ports Authority	Commonwealth Development Authority	Marianas Public Land Trust	Northern Marianas College	Public School System	Marianas Visitors Authority	Total
Expenses	\$ 34,191,285	\$ 8,853,013	\$ 3,591,810	\$ 16,396,696	\$ 91,320,226	\$ 11,260,713	\$ 165,613,743
Program revenues:							
Charges for services	40,507,774	-	5,990,526	1,580,677	826,642	131,157	49,036,776
Operating grants and contributions	180,060	8,972,170	-	9,369,866	43,496,287	204,701	62,223,084
Capital grants and contributions	8,867,926	-	-	-	-	-	8,867,926
Total program revenues	49,555,760	8,972,170	5,990,526	10,950,543	44,322,929	335,858	120,127,786
Net program revenues (expenses)	15,364,475	119,157	2,398,716	(5,446,153)	(46,997,297)	(10,924,855)	(45,485,957)
General revenues:							
Contributions from the primary government	-	-	-	6,057,595	40,940,631	11,949,481	58,947,707
Dividend income	-	900,000	-	-	-	-	900,000
Unrestricted investment earnings	580,980	7,093	-	208,339	-	-	796,412
Other revenues	-	120,621	-	-	261,126	34,653	416,400
Total general revenues	580,980	1,027,714	-	6,265,934	41,201,757	11,984,134	61,060,519
Change in net position	15,945,455	1,146,871	2,398,716	819,781	(5,795,540)	1,059,279	15,574,562
Net position at beginning of year, as previously reported	193,210,958	45,813,102	102,698,547	22,915,058	78,557,059	7,538,987	450,733,711
Prior period adjustment (note 19)	3,448,447	8,876,824	-	-	-	-	12,325,271
Net position - beginning, as restated	196,659,405	54,689,926	102,698,547	22,915,058	78,557,059	7,538,987	463,058,982
Net position - ending	\$ 212,604,860	\$ 55,836,797	\$ 105,097,263	\$ 23,734,839	\$ 72,761,519	\$ 8,598,266	\$ 478,633,544

See accompanying notes to financial statements.

# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

## Notes to the Financial Statements September 30, 2019

### (1) Summary of Significant Accounting Policies

The accompanying basic financial statements of the Commonwealth of the Northern Mariana Islands (CNMI) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the CNMI's accounting policies are described below.

#### A. Reporting Entity

The Government of the CNMI is a constitutional government comprised of three branches: the Legislative Branch (the Legislature), consisting of a nine-member Senate and an eighteen-member House of Representatives elected by eligible voters; the Executive Branch, with the Governor as the chief executive officer; and the Judicial Branch made up of two Commonwealth courts (the Appeals Court and the Trial Court).

For financial reporting purposes, the CNMI has included all funds, organizations, agencies, boards, commissions and institutions. The CNMI has also considered all potential component units for which it is financially accountable as well as other entities for which the nature and significance of their relationship with the CNMI are such that exclusion would cause the CNMI's basic financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether the CNMI, as the primary government, has appointed a voting majority of an organization's governing body and either has the ability to impose its will on that organization or there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the CNMI. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government, although the primary government does not appoint a voting majority of the organization's governing board.

Each component unit of the CNMI has a September 30 year end.

Component units are entities that are legally separate organizations for which the CNMI's elected officials are financially accountable or other organizations for which the nature and significance of their relationship with the CNMI are such that exclusion would cause the CNMI's basic financial statements to be misleading or incomplete. The CNMI is financially accountable because it appoints the members of the governing authorities of each of the component units and because it is able to impose its will on these organizations or because the organizations provide specific financial benefits or impose specific financial burdens on the CNMI.

The financial statements of the component units have been included in the financial reporting entity as discretely presented component units in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and 34*. The component units' column of the basic financial statements includes the financial data of the following discretely presented component units:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

- The Commonwealth Ports Authority (CPA) is responsible for the operations, maintenance and improvement of all airports and seaports within the CNMI. CPA is governed by a seven-member Board of Directors appointed by the Governor. The CNMI has the ability to impose its will on CPA.
- The Commonwealth Development Authority (CDA) functions to stimulate the economic development of the CNMI. It serves as the administrator of United States economic assistance for economic development loans and aids in the financing of capital improvement projects undertaken by the CNMI and its autonomous public agencies. CDA is governed by a seven-member Board of Directors appointed by the Governor. The CNMI has the ability to impose its will on CDA.
- The Marianas Public Land Trust (MPLT) manages all monies received by it from the CNMI Department of Public Lands (DPL) for the use of public lands and distributes net income to the general fund of the CNMI. Additionally, MPLT is responsible for maintaining a separate trust fund for the development and maintenance of American Memorial Park. MPLT is governed by a five-member Board of Trustees appointed by the Governor. The CNMI has the ability to impose its will on MPLT.
- The Northern Marianas College (NMC) serves as the state agency for higher education and adult education programs within the CNMI. NMC is governed by a seven-member Board of Regents appointed by the Governor. The CNMI provides financial support to NMC through legislative appropriations.
- The Public School System (PSS) is the state educational agency responsible for pre-school, elementary and secondary education programs in the CNMI. PSS is governed by a five-member Board of Education elected at-large. The CNMI provides financial support to PSS through legislative appropriations.
- The Marianas Visitors Authority (MVA) is responsible for the promotion and development of the tourism industry in the CNMI. MVA is governed by a nine-member Board of Directors, five of which are appointed by the Governor with the remaining four chosen by the members of MVA. The CNMI provides financial support to MVA through legislative appropriations.

Complete financial statements for each of the abovementioned discretely presented component units may be obtained at the units' administrative offices.

Commonwealth Ports Authority  
P.O. Box 501055  
Saipan, MP 96950-1055

Commonwealth Development Authority  
P.O. Box 502149  
Saipan, MP 96950-2149

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Marianas Public Land Trust  
P.O. Box 501089  
Saipan, MP 96950-1089

Northern Marianas College  
P.O. Box 501250  
Saipan, MP 96950-1250

Public School System  
P.O. Box 501370  
Saipan, MP 96950-1370

Marianas Visitors Authority  
P.O. Box 500861  
Saipan, MP 96950-0861

In addition, the fiduciary component units are subject to legislative and executive controls. These component units, while meeting the definition of a component unit and while legally separate, are presented in the fund financial statements of the CNMI. They have been omitted from the government-wide financial statements as their resources are not available to fund operations of the CNMI. The fiduciary component units are as follows:

- The Northern Mariana Islands Retirement Fund (NMIRF), a Fiduciary Fund Type - Pension (and Other Employee Benefit) Trust Fund, exists to provide retirement security and other benefits to government employees, their spouses and dependents, former Governors and Lieutenant Governors, and to provide for an actuarially sound, locally funded pension system within the CNMI. NMIRF was governed by a seven-member Board of Trustees who appointed an Administrator who administered NMIRF in a manner that furthered its purposes. The Board of Trustees has not been renewed by the Governor as a result of Civil Case No. 09-00023 and NMIRF is administered by the CNMI Secretary of Finance who serves as the Acting Administrator.
- The Defined Contribution Plan (DCP) was created by Public Law 15-13 to provide an individual account retirement system for any person employed by the CNMI or its autonomous agencies. Participating employers include the CNMI, NMIRF, CGECU, CDA, CHCC, CPA, CUC, MPLT, MVA, NMC, NMHC and PSS. The NMIRF Acting Administrator is responsible for the general administration and operation of DCP. DCP, by its nature, is fully funded on a current basis from employer and member contributions. DCP is a voluntary multi-employer pension plan and is the single retirement program for all new employees whose employment commenced on or after January 1, 2007.

Complete financial statements for each of the abovementioned blended component units may be obtained at the units' administrative offices.

Northern Mariana Islands Retirement Fund  
P.O. Box 5234 CHRB  
Saipan, MP 96950

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Omitted Component Units

The CNMI has omitted the Commonwealth Utilities Corporation (CUC) from the basic financial statements due to the lack of available financial information. CUC is responsible for supervising the construction, maintenance, operations, and regulation of electric, water and sewage services, provided however, that whenever feasible, CUC shall contract with private businesses to assume its duties with respect to one or more of these divisions. CUC was also designated the responsibility to establish rates, meter, bill and collect fees in a fair and rational manner from all customers of utility services in order for CUC to become financially independent of appropriations by the CNMI Legislature. CUC is governed by a board of directors appointed for terms of four years by the Governor of the CNMI with the advice and consent of the Senate. The CNMI has the ability to impose its will on CUC.

The CNMI has omitted the Commonwealth Healthcare Corporation (CHCC) from the basic financial statements due to the lack of available financial information. CHCC is responsible for providing healthcare services in the CNMI. CHCC is governed by a Chief Executive Officer (CEO) who governs the operations of CHCC in a manner that furthers its purposes. A seven-member Board of Trustees, three of which are ex officio voting members consisting of the CEO, the Director of Medical Affairs and a U.S. citizen **selected from CHCC's non-physician** healthcare professionals and the remaining four appointed by the Governor with the advice and consent of the Senate, acts in an advisory role to the CEO. The CNMI provides financial support to CHCC through legislative appropriations.

The omission of the above component units is considered material to the discretely presented component units' **reporting column**.

The CNMI has omitted the Northern Mariana Islands Settlement Fund (NMISF) from the basic financial statements due to the lack of available financial information. NMISF exists to accept the transfer of NMIRF assets, receive annual contributions and payments from the CNMI and to carry out the consent judgment entered by the United States District Court for the Northern Mariana Islands (District Court) for Civil Case No. 09-000023. NMISF is governed by a Trustee appointed by the District Court. The omission of this component unit is considered material to the aggregate remaining fund information.

The CNMI has omitted the Commonwealth Government Employees Credit Union (CGECU) from the basic financial statements due to the lack of available financial information. CGECU serves as a credit union for all CNMI government employees. CGECU is governed by a five-member Board of Directors appointed by the Governor. The financial activities of this omitted component unit are not considered material to the basic financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

A. Reporting Entity, Continued

Program and Other Revenue Recognition

Program revenue is defined by the CNMI to be revenue from fees and assessments collected by departments that are applicable to that department's operations. General revenue is derived from taxation, investment income and other fees that are not allocated to specific programs. All other revenues and expenses are reported as nonoperating.

B. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from these statements except for other changes between the primary government and the discretely presented component units. Elimination of these changes would distort the direct costs and program revenues reported for the various functions concerned. Primary government activities are all governmental in nature. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Discretely presented component unit activities are presented with their business-type focus.

The Statement of Net Position presents all of the reporting entity's non-fiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- *Restricted net position* results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- *Unrestricted net position* consists of net position, which does not meet the definition of the two preceding categories. Unrestricted net position often is designated to indicate that management does not consider it to be available for general operations.

The government-wide Statement of Net Position reports \$5,232,755 of restricted net position, of which \$4,127 is restricted by enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are, instead, reported as general revenue.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

C. Fund Financial Statements

The fund financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances for its major and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with nonmajor governmental funds being combined into a single column.

The CNMI reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenue is derived from taxation, investment income and other fees that are not allocated to specific programs.

Governmental Funds Financial Statements:

Governmental funds financial statements account for the general governmental activities of the CNMI and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the CNMI considers revenues to be available if they are collected within ninety days of the end of the current fiscal period. Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenue when available and entitlement occurs, which is generally within twelve months of the current fiscal period.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

Governmental Funds Financial Statements, Continued:

Significant revenues susceptible to accrual include income, gross receipts, corporation and other taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services. Therefore, tax related receivables are essentially reserved for or have been historically deferred. Miscellaneous revenues from other financing sources are recognized when received because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are both measurable and available. Expenditures generally are recorded in the period in which the related fund liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Fiduciary Funds and Component Units Financial Statements:

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus*, sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses for either fund category or the governmental and enterprise combined) for the determination of major funds. The CNMI has elected to add an additional major fund that is of specific public interest, namely the Saipan Amusement Fund.

Major individual governmental funds are reported as separate columns in the fund financial statements. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining statements. The CNMI reports the following major funds:

- General Fund. This fund is the primary operating fund of the CNMI. It is used to account for all governmental transactions, except those required to be accounted for in another fund.
- Grants Assistance Fund, a Governmental Fund Type - Capital Projects Fund/Special Revenue Fund. This fund accounts for all financial transactions related to grants received from various U.S. departments. This fund combines the DOI Capital Projects Fund, a Governmental Fund Type - Capital Projects Fund and Federal Grants Fund, a Governmental Fund Type - Special Revenue Fund and is detailed in the combining statements.
- Saipan Amusement Fund, a Governmental Fund Type - Special Revenue Fund. This fund accounts for all financial transactions related to casino licensing and nonrefundable application fees.
- DPL, a Governmental Fund Type - Special Revenue Fund. This fund accounts for all financial transactions related to those lands defined as public lands.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

D. Measurement Focus and Basis of Accounting, Continued

For all discretely presented component units, the CNMI utilizes the flow of economic resources measurement focus. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

E. Concentrations of Credit Risk

Financial instruments, which potentially subject the CNMI to concentrations of credit risk, consist principally of cash demand deposits and investments.

At September 30, 2019, the CNMI has cash deposits and investments in bank accounts that exceed federal depository insurance limits. The CNMI has not experienced any losses on such accounts.

F. Cash and Cash Equivalents and Time Certificates of Deposit

The CNMI pools cash resources of its various funds in order to facilitate the management of cash. Unless otherwise required by law, interest income received on pooled cash accrues to the General Fund. Cash and cash equivalents applicable to a particular fund are readily identifiable. Cash and cash equivalents include cash held in demand accounts as well as short-term investments in U.S. Treasury obligations with a maturity date within three months of the date acquired by the CNMI. Time certificates of deposit with original maturity dates greater than ninety days are separately classified on the statement of net position/balance sheet.

G. Receivables

In general, tax revenue is recognized in the government-wide financial statements, when assessed or levied. Tax revenue is recognized in the governmental funds financial statements to the extent that it is both measurable and available. Receivables are stated net of estimated allowances for uncollectible accounts. Reimbursements due to the CNMI for expenditures on federally-funded reimbursement and grant programs are reported as "receivables from federal agencies".

H. Interfund/Intrafund Transactions

As a general rule, the effect of interfund activity has been eliminated in the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

I. Interfund Receivables and Payables

During the course of its operations, the CNMI records transactions between individual funds for goods provided or services rendered. Receivables and payables resulting from transactions between funds are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet. Receivables and payables resulting from transactions between component units and the primary government are classified as "due to/from primary government" or "due to/from component units" in the governmental funds balance sheet and statement of net position. Interfund receivables and payables have been eliminated from the statement of net position.

J. Advances

Advances include amounts paid in advance to vendors. In the governmental funds balance sheet, advances are offset by inclusion in the fund balance reserve for encumbrances indicating that they do not constitute expendable available resources and are, therefore, not available for appropriation.

K. Inventories

Inventories are stated at the lower of cost or market using the first-in/first-out (FIFO) method.

Food stamp balances held at year end are recorded as inventories based on face value. Inventories reported in the Grants Assistance Fund of \$571,956 are offset by unearned revenues.

L. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, ramps and other similar items), are reported in the governmental activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

All land, non-depreciable land improvements are capitalized, regardless of cost. Singular pieces of machinery and equipment, other than vehicles, that equal or exceed \$50,000 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds \$100,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

All vehicles have been grouped together regardless of cost and depreciated on a composite basis.

Management has elected to present only assets acquired subsequent to 1990, except for roads. Accordingly, fixed asset records consist of additions commencing in fiscal year 1990.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

L. Capital Assets and Depreciation, Continued

Applicable capital assets are depreciated using the straight-line method with a full year's depreciation charged in the year of acquisition and disposal, regardless of date. Estimated useful lives are as follows:

	<u>Estimated Useful Life</u>
Buildings and other improvements	10 - 50 years
Infrastructure	20 years
Machinery and equipment	5 - 25 years

M. Fund Equity/Net Position

The CNMI reports net position as restricted where legally segregated for a specific future use by enabling legislation in accordance with GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. Otherwise, these balances are considered unrestricted.

Net position has been restricted as follows:

"Restricted for capital projects" - identifies amounts held for Capital Projects.

"Restricted for retirement of indebtedness" - identifies amounts held to fund future debt service obligations.

**"Restricted for federal programs and projects"** - identifies amounts held for various externally imposed restrictions by federal grantor agencies.

"Restricted for other purposes" - identifies amounts held for various externally imposed restrictions either by creditors, grantors or laws and regulations of other governments. It also includes various restrictions put forth by the CNMI enabling statutes.

Fund balance classifications are based on the extent to which the CNMI is bound to honor constraints on the specific purposes for which amounts in those funds can be spent and are reported under the following fund balance classifications:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the CNMI Legislature, the CNMI's highest level of decision making authority, and does not lapse at year-end. Formal action of the CNMI Legislature is required to remove the limitations of committed fund balances.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

M. Fund Equity/Net Position, Continued

- Unassigned - includes negative fund balances in other governmental funds.

The CNMI has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of the CNMI is to use committed resources first, followed by unassigned. The use of restricted resources may be deferred based on a review of the specific transaction. A formal minimum fund balance policy has not been adopted.

N. Long-Term Obligations

Article X, Section 4, of the CNMI Constitution limits public indebtedness, other than bonds or other obligations of the government payable solely from the revenues derived from a public improvement or undertaking, to no more than 10% of the aggregate assessed valuation of the real property within the CNMI. The CNMI aggregate assessed valuation has not been determined as of September 30, 2019.

O. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Compensated absences are recorded as a long-term liability in the statement of net position with amounts to be paid during the next fiscal year reported as current. The liability as of September 30, 2019, is \$9,247,226.

Annual leave accumulates at the rate of thirteen working days for each year of service for up to three years of service, nineteen and a half working days for each year of service for three to six years of service, and twenty-six working days for each year of service for more than six years of service. Accrued annual leave is limited to forty-five working days, with any amounts over forty-five days transferred to sick leave.

P. Unearned Revenues

In the government-wide financial statements, unearned revenue is recognized when cash is received prior to being earned and relates to prepaid lease income and other prepayments remitted to DPL and other funds of \$1,354,346 and \$100,066, respectively, and grant monies for food stamp balances held at year end of \$571,956, which refers to revenues of the subsequent fiscal year.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

Q. Casino License and Application Fees

Public Law 18-38, as amended by Public Law 18-43 and Public Law 18-56 was enacted to authorize, establish and regulate an exclusive gaming license within the CNMI. Public laws allow the Commonwealth Casino Commission (the Commission) to impose a one-time nonrefundable casino license application fee of \$1,000,000 for each applicant and impose an annual casino license fee of \$15,000,000.

Funds collected from licensing must be deposited in the CNMI Treasury and allocated to pay for the 25% reduction of the retirees and the beneficiaries' pension and to pay interest to active members who terminated their membership from the defined benefit plan under Public Law 17-82, as amended by Public Law 18-02. The nonrefundable casino license application fees must be deposited in a Special Fund and be expended by the Commission, without appropriation for the investigation of license applicants pursuant to 1 CMC §2318 and any other costs associated with reviewing the applications and granting or denying applications for the exclusive license.

On August 12, 2014, a casino license agreement between the Commission and Imperial Pacific International (CNMI), LLC (the Licensee) was approved. The casino license agreement is valid for a consecutive period of twenty-five years with an option to extend the initial license term for an additional consecutive period of fifteen years. The annual casino license fee is \$15,000,000 and must be paid every year to the CNMI Treasurer on the date of the issuance of the license and on every subsequent anniversary.

R. Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of bond premiums and discounts. Bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received and discounts deducted on debt issuance are reported as other financing sources and other financing uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

S. Deferred Outflows/Inflows of Resources

The statement of net position reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (deduction of net position) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (additions to net position) until then.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

T. Income Taxes and Wage and Salary Taxes

The *Covenant to Establish the Commonwealth of the Northern Mariana Islands in Political Union with the United States of America* (the Covenant) adopted the Internal Revenue Code of the United States of America as the local income tax. Percentages of income tax due to the CNMI from CNMI source income are rebated at 90%, 70% or 50%, based on specified tax brackets for corporate and individual income taxes paid.

During the calendar year, the CNMI collects individual and corporate income taxes through withholdings and payments from taxpayers. At September 30, the CNMI estimates the amount owed to taxpayers for overpayments and rebates. These estimated amounts and the actual tax rebates claimed for prior years but not paid at year end are recorded as tax rebates payable with a corresponding reduction of tax revenue in the General Fund. The estimated tax rebate liability is evaluated on a regular basis by the CNMI and is based upon the CNMI's periodic review of tax returns in light of historical experience and the nature and volume of tax returns submitted. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Accordingly, changes to estimates are accounted for on a prospective basis.

U. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

V. GASB Statement No. 73

In June 2015, GASB issued 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*, which aligns the reporting requirements for pension and pension plans not covered in GASB 67 and 68 with the reporting requirements in Statement 68. As discussed in note 18 to the financial statements, the CNMI agrees to make minimum annual payments to NMISF to allow for the payment of **75% of Class Members' full benefits annually during NMISF's expected life** as part of the Settlement Agreement. In addition, while the benefit is not guaranteed and legislation may change the source of the funds, payment of 25% of the class members full benefits has historically been paid consistently, which appears to be substantively automatic. Management acknowledges the requirement to recognize within the government-wide financial statements a liability associated with the 25% payment of the class members full benefits. However, the CNMI did not record the effects of GASB 73 as of and for the year ended September 30, 2019 as the amounts are not available.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

W. New Accounting Standards

During the year ended September 30, 2019, the CNMI implemented the following pronouncements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits through plans that are administered through trusts. The implementation of these statements has no impact on the CNMI's governmental funds financial statements, which continue to report expenditures in the amount required. However, implementation has resulted in the restatement of the CNMI's fiscal year 2018 government-wide financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of GASB Statement No. 68.

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
As of September 30, 2018:			
Deferred outflows of resources from pension	\$ <u>                  -</u>	\$ <u>78,953,755</u>	\$ <u>78,953,755</u>
Deferred inflows of resources from pension	\$ <u>                  -</u>	\$ <u>(1,299,978)</u>	\$ <u>(1,299,978)</u>
Net pension liability	\$ <u>                  -</u>	\$ <u>(574,761,225)</u>	\$ <u>(574,761,225)</u>
Obligations under Settlement Agreement	\$ <u>(92,749,160)</u>	\$ <u>92,749,160</u>	\$ <u>                  -</u>
Net position	\$ <u>(51,456,284)</u>	\$ <u>(404,358,288)</u>	\$ <u>(455,814,572)</u>

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on the CNMI's **financial statements, except for GASB Statement No. 88, which** resulted in additional disclosures (see note 11).

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

W. New Accounting Standards, Continued

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(1) Summary of Significant Accounting Policies, Continued

X. Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results may differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of tax rebates payable.

In determining tax rebates payable, the CNMI makes various estimates. In conjunction with these estimates, the CNMI has established a permanent tax rebate reserve of \$1,500,000 to offset potential estimated disputes or claims.

Y. Encumbrances

The CNMI utilizes encumbrance accounting to identify fund obligations. Encumbrances represent commitments related to unperformed contracts for goods. At September 30, 2019, the CNMI has significant encumbrances summarized as follows:

<u>General</u>	<u>Grants Assistance</u>	<u>Saipan Amusement</u>	<u>DPL</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ <u>24,122,092</u>	\$ <u>9,911,517</u>	\$ <u>1,275,895</u>	\$ _____	\$ <u>7,475,586</u>	\$ <u>42,785,090</u>

Z. Total Columns

Total columns are presented primarily to facilitate financial analysis. The Management's Discussion and Analysis includes certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the CNMI's financial statements for the year ended September 30, 2018 from which summarized information was derived.

(2) Deposits and Investments

Deposit and Investment Policy

The CNMI has no formal deposit and investment policy other than the requirements stipulated in applicable bond indentures.

Cash and Cash Equivalents and Time Certificates of Deposit

Custodial credit risk is the risk that in the event of a bank failure, the CNMI's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The CNMI does not have a deposit policy for custodial credit risk.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(2) Deposits and Investments, Continued

Cash and Cash Equivalents and Time Certificates of Deposit, Continued

As of September 30, 2019, the carrying amount of the **primary government's** total unrestricted cash and cash equivalents and time certificates of deposit were \$27,695,131 and the corresponding bank balances were \$32,622,263, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance.

Restricted cash and cash equivalents for the primary government represent amounts held and administered by the CNMI in accordance with legal mandates and certain capital projects. Restricted cash and cash equivalents at September 30, 2019 amounted to \$18,929,315 and the corresponding bank balances were \$21,749,819. Of the bank balance amounts, \$21,742,841 is maintained in financial institutions subject to FDIC insurance. The remaining amount of \$6,978 represents short-term investments held and administered by the CNMI's trustees in accordance with various trust agreements and bond indentures. Based on negotiated trust and custody contracts, all of the investments were held in the CNMI's name by the CNMI's custodial financial institutions at September 30, 2019. As of September 30, 2019, bank deposits in the amount of \$750,000 were FDIC insured. Public Law No. 12-61, the Government Deposit Safety Act of 1994, as amended, governs the general deposit policies of the CNMI and requires that all deposits of public funds made by the CNMI are to be collateralized by U.S. Government obligations at the rate of 100% of the corresponding bank deposit. Compliance with Public Law No. 12-61 as of September 30, 2019, is presently not determinable. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2019, **the carrying amount of the fiduciary fund's total cash** and cash equivalents was \$5,683,908 and the corresponding bank balances were \$5,709,344, which are maintained in financial institutions subject to FDIC insurance. As of September 30, 2019, bank deposits in the amount of \$250,000 were FDIC insured. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

As of September 30, 2019, the carrying amount of the discretely presented component units' restricted and unrestricted cash and cash equivalents and time certificates of deposit were \$86,863,751 and the corresponding bank balances were \$91,183,140. Of the bank balance amounts, \$89,633,805 is maintained in financial institutions subject to FDIC insurance and \$100,907 represents amounts maintained in a non-FDIC insured bank. The remaining amount of \$1,448,428 represents amount held and administered by the discretely presented **components units' investment manager subject to Securities Investor Protection Corporation (SIPC) insurance up to \$250,000 with coverage in excess of SIPC provided by a supplemental insurance policy through certain underwriters with a per client aggregate limit of \$1.9 million.** As of September 30, 2019, bank deposits in the amount of \$7,827,429 were FDIC insured. The component units do not require collateralization of their cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(2) Deposits and Investments, Continued

Investments

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the CNMI.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the CNMI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The CNMI's investments are held and administered by trustees in accordance with various bond indentures for the purpose of funding various capital projects, land settlement claims and future debt service requirements. Based on negotiated trust and custody contracts, all of these investments were held in the CNMI's name by the CNMI's custodial financial institutions at September 30, 2019.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The CNMI does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value Measurement of Investments:

Investments and related investment earnings are reported at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

The CNMI categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair measurement. Investments not categorized under the fair value hierarchy are shown at either Net Asset Value (NAV) or amortized cost.

A. Primary Government

Investments held by a bank administered trust company as of September 30, 2019, are as follows:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(2) Deposits and Investments, Continued

Investments, Continued

Fair Value Measurement of Investments, Continued:

A. Primary Government, Continued

Stock mutual fund	\$ 1,087,807
Mutual bond funds	411,600
Money market placements	<u>66,035</u>
	<u>\$ 1,565,442</u>

Stock mutual funds are categorized as Level 1, mutual bond funds are measured at net asset value (NAV) and money market placements are recorded at amortized cost.

The following is a listing of fixed income securities of Other Governmental Funds at September 30, 2019:

<u>Investment Type</u>	<u>NAV</u>	<u>Investment Maturities (In Years)</u>				<u>Credit Rating</u>
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>	
Mutual bond funds	\$ <u>411,600</u>	\$ <u>411,600</u>	\$ _____	\$ _____	\$ _____	N/A

B. Fiduciary Funds

Contributions to the defined contribution plan are invested under the authority of the plan members. In investing these contributions, NMIRF employs the services of a professional investment company to assist in the investment program. The investment company provides plan members with investment options to make investment decisions. The contributions are usually invested in stocks, bonds, and real estate traded in recognized stock markets. Investments at September 30, 2019 consist of the following:

Mutual funds	\$ 39,240,705
Loans	<u>1,803,008</u>
	<u>\$ 41,043,713</u>

Investments not categorized under the fair value hierarchy are shown at either NAV or amortized cost. The following table sets forth by fair value hierarchy level assets carried at fair value at September 30, 2019:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Core funds	\$ <u>3,439,780</u>	\$ <u>3,439,780</u>	\$ _____	\$ _____
Total investments by fair value level	3,439,780	\$ <u>3,439,780</u>	\$ _____	\$ _____
Investments measured at NAV:				
ASC Direct Retirement Trust	35,800,925			
Investments measured at amortized cost:				
Loans	<u>1,803,008</u>			
	<u>\$ 41,043,713</u>			

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(2) Deposits and Investments, Continued

Investments, Continued

Fair Value Measurement of Investments, Continued:

C. Discretely Presented Component Units

CPA:

CPA's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on those agreements, all of those deposits were held in CPA's name by CPA's custodial financial institutions at September 30, 2019. As of September 30, 2019, investments at fair value consist of investments in U.S. Government money market placements and mutual funds amounting to \$54,843,349. All CPA investments are categorized as Level 1.

CDA:

A Memorandum of Agreement (MOA) was established between CDA and CUC on November 21, 2002, as amended in January 2004, to waive a portion of the capital development loans receivable and to provide for the conversion into equity ownership of the balance. Public Laws 13-35, 13-36 and 16-17 were enacted to effectuate the settlement of disputes between CDA and CUC as required by the MOA.

On May 7, 2009, CUC and CDA, entered into a Preferred Stock Agreement (the Agreement) to effectuate the terms and conditions of the MOA by requiring CUC to issue shares of cumulative, non-convertible and non-transferrable preferred stock of \$45,000,000 to CDA and yielding annual dividends of two percent. The Commonwealth Public Utilities Commission approved the Agreement on September 3, 2009. The Agreement provides CUC the right to purchase from CDA up to \$16,200,000 of the \$45,000,000 preferred stock through offset against CUC's **future, internally**-funded capital improvement projects. Subject to CUC purchase exception, CDA shall not transfer any of its rights, title or interest to such preferred stock.

Further, the Agreement provides for deferral of the dividend payments for the first three years after issuance, with such deferred dividend payments being amortized, interest free, over a fifteen-year period. Dividends were to be paid to CDA beginning October 1, 2012 but were not received. The Agreement cancels and discharges the indebtedness of CUC to CDA of \$61,568,750 in principal and \$138,670,797 in accrued interest, including related late charges and any other charges owed by CUC on the capital development loans.

CUC issued to CDA forty-five shares of preferred stock with a par value of \$1,000,000 per share for a total aggregate value of \$45,000,000 dated September 28, 2009. The preferred stock yields guaranteed dividends at two percent per annum payable quarterly in advance. The dividends of the preferred stock are cumulative from and after October 1, 2009 and bear no interest. CDA has taken the position that the value of the preferred stock represents the net present value of the future stream of dividend payments required by CUC and not the face value of the stock itself. At September 30, 2019, CDA has recorded an investment of \$11,309,651, with a corresponding 100% valuation allowance, based on the discounted cash flows of the future dividend payments at 6.27% per annum.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(2) Deposits and Investments, Continued

Investments, Continued

Fair Value Measurement of Investments, Continued:

C. Discretely Presented Component Units, Continued

CDA, Continued:

Minimum receipts (which do not factor in CUC's right to purchase up to **\$16,200,000 of preferred stock through offset against CUC's future, internally-funded capital improvement projects**) under the original agreement are as follows:

<u>Year ending September 30,</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 875,589	\$ 204,411	\$ 1,080,000
2014	822,775	257,225	1,080,000
2015	773,147	306,853	1,080,000
2016	726,512	353,488	1,080,000
2017	682,691	397,309	1,080,000
2018 - 2022	2,843,258	2,556,742	5,400,000
2023 - 2027	2,083,152	3,316,848	5,400,000
2028 - 2032	1,271,875	3,228,125	4,500,000
2033 - 2037	931,857	3,568,143	4,500,000
2038 - 2039	<u>298,795</u>	<u>1,501,205</u>	<u>1,800,000</u>
	\$ <u>11,309,651</u>	\$ <u>15,690,349</u>	\$ <u>27,000,000</u>

On August 17, 2016, CDA entered into an agreement with CUC for the total amount of unpaid dividend payments owed by CUC to CDA and agreed to a dividend of \$4,320,000 for the year ended September 30, 2016. The agreement states that CUC will make quarterly dividend payments beginning October 1, 2016, as required by the preferred stock agreement, with a payment to CDA of \$270,000 which represents the full amount of the quarterly dividend due. In 2015, CDA has determined that, prospectively, dividend income will be recognized upon collection; however, changes in **circumstances in CUC's cash flows resulted in collections of dividends** receivable as of September 30, 2019. At September 30, 2019, CDA recorded dividends receivable of \$1,440,000 for deferred dividends earned for the first three years after issuance of the preferred stock, which is being amortized over a fifteen-year period.

MPLT:

MPLT's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all of these investments are held in MPLT's name by MPLT's custodial financial institutions at September 30, 2019.

As of September 30, 2019, investments at fair value are as follows:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(2) Deposits and Investments, Continued

Investments, Continued

Fair Value Measurement of Investments, Continued:

C. Discretely Presented Component Units, Continued

MPLT, Continued:

Investments by fair value level	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Debt securities:				
Mortgaged and asset backed securities	\$ 4,888,734	\$ -	\$ 4,888,734	\$ -
Government bonds	5,513,417	5,513,417	-	-
Corporate bonds	<u>21,885,871</u>	-	<u>21,885,871</u>	-
Total debt securities	<u>32,288,022</u>	<u>5,513,417</u>	<u>26,774,605</u>	-
Equity securities:				
Domestic common stock	24,483,308	24,483,308	-	-
International common stock	4,610,454	4,610,454	-	-
Master limited partnerships	6,512,455	6,512,455	-	-
Real estate investment trusts	<u>11,782,809</u>	<u>11,782,809</u>	-	-
Total equity securities	<u>47,389,026</u>	<u>47,389,026</u>	-	-
Total investments by fair value level	79,677,048	\$ <u>52,902,443</u>	\$ <u>26,774,605</u>	\$ -
Investments measured at net asset value (NAV):				
Mutual funds	<u>8,871,912</u>			
		\$ <u>88,548,960</u>		

The following is a listing of MPLT's fixed income securities at September 30, 2019:

Investment Type	Fair Value	Investment Maturities (In Years)				Credit Rating
		Less Than 1	1 - 5	6 - 10	More Than 10	
Mortgage and asset backed securities	\$ 4,888,734	\$ 74,938	\$ 3,521,633	\$ -	\$ 1,292,163	AA+
Government bonds	5,513,417	-	-	-	5,513,417	AA+
Corporate bonds	90,602	90,602	-	-	-	A+
Corporate bonds	2,980,214	-	2,980,214	-	-	A
Corporate bonds	6,634,491	-	6,634,491	-	-	A-
Corporate bonds	2,709,822	-	2,709,822	-	-	A+
Corporate bonds	742,086	-	742,086	-	-	AA+
Corporate bonds	2,610,099	-	2,610,099	-	-	BBB+
Corporate bonds	383,712	-	-	383,712	-	A-
Corporate bonds	673,979	-	-	673,979	-	BBB+
Corporate bonds	456,347	93,405	362,942	-	-	B-
Corporate bonds	768,970	-	768,970	-	-	B
Corporate bonds	438,768	-	438,768	-	-	B+
Corporate bonds	445,221	-	359,651	85,570	-	BB
Corporate bonds	1,111,328	-	619,863	491,465	-	BB-
Corporate bonds	660,090	-	368,879	291,211	-	BB+
Corporate bonds	82,003	-	82,003	-	-	CCC+
Corporate bonds	186,966	-	-	186,966	-	B
Corporate bonds	544,225	-	-	544,225	-	B-
Corporate bonds	<u>366,948</u>	-	-	<u>366,948</u>	-	B+
	\$ <u>32,288,022</u>	\$ <u>258,945</u>	\$ <u>22,199,421</u>	\$ <u>3,024,076</u>	\$ <u>6,805,580</u>	

NMC:

**NMC's investments are held** and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all of these investments were held in NMC's name by NMC's custodial financial institutions at September 30, 2019.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(2) Deposits and Investments, Continued

Investments, Continued

Fair Value Measurement of Investments, Continued:

C. Discretely Presented Component Units, Continued

NMC, Continued:

As of September 30, 2019, investments at fair value are as follows:

Investments by fair value level:		Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Debt securities:				
Government sponsored enterprise	\$ 531,383	\$ -	\$ 531,383	\$ -
Real estate and tangibles	797,957	-	-	797,957
Cash and cash equivalents	527,669	-	-	527,669
Asset-backed, mortgage-backed, collateralized mortgage obligation	154,867	-	154,867	-
U. S. Treasury	763,264	-	763,264	-
Corporate bonds	1,901,802	-	1,901,802	-
Equity securities:				
Domestic equity	2,403,808	2,403,808	-	-
International equity	<u>2,032,211</u>	<u>2,032,211</u>	-	-
Total investments by fair value level	\$ <u>9,112,961</u>	\$ <u>4,436,019</u>	\$ <u>3,351,316</u>	\$ <u>1,325,626</u>

The following is a listing of NMC's fixed income securities at September 30, 2019:

Investment Type	Fair Value	Investment Maturities (In Years)				Credit Rating
		Less Than 1	1 - 5	6 - 10	More Than 10	
Government and GSE bonds	\$ 763,264	\$ -	\$ 105,593	\$ 89,063	\$ 568,608	AAA
Government and GSE bonds	531,383	-	531,383	-	-	AA+
Corporate bonds	90,118	90,118	-	-	-	AA
Corporate bonds	155,845	-	155,845	-	-	A+
Corporate bonds	524,664	-	322,458	183,075	19,131	A-
Corporate bonds	386,168	-	347,640	38,528	-	A
Corporate bonds	481,088	-	329,074	138,788	13,226	BBB+
Corporate bonds	56,490	-	18,026	38,464	-	BBB
Corporate bonds	<u>362,296</u>	-	-	<u>11,634</u>	<u>350,662</u>	No rating
	\$ <u>3,351,316</u>	\$ <u>90,118</u>	\$ <u>1,810,019</u>	\$ <u>499,552</u>	\$ <u>951,627</u>	

(3) Receivables and Tax Abatements

A. Receivables

*Primary Government*

Receivables as of September 30, 2019, for the primary government's individual major governmental funds and nonmajor governmental funds in the aggregate, including allowances for uncollectible accounts, are as follows:

	General	Grants Assistance	Saipan Amusement	DPL	Other Governmental Funds	Total
Receivables:						
Federal agencies	\$ 6,875,038	\$ 17,657,050	\$ -	\$ -	\$ 5,089,834	\$ 29,621,922
General	6,005,726	-	-	5,096,975	56	11,102,757
Taxes	7,395,606	-	-	-	-	7,395,606
Other	<u>3,103,600</u>	<u>12,831</u>	-	<u>25,372</u>	<u>1,209,830</u>	<u>4,351,633</u>
Gross receivables	23,379,970	17,669,881	-	5,122,347	6,299,720	52,471,918
Less allowance for uncollectibles	<u>(4,965,112)</u>	<u>(8,287,733)</u>	-	<u>(4,110,381)</u>	<u>(4,805,272)</u>	<u>(22,168,498)</u>
Net receivables	\$ <u>18,414,858</u>	\$ <u>9,382,148</u>	\$ -	\$ <u>1,011,966</u>	\$ <u>1,494,448</u>	\$ <u>30,303,420</u>



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(3) Receivables and Tax Abatements, Continued

A. Receivables, Continued

*Primary Government, Continued*

Receivables are primarily due from businesses and individuals residing in the CNMI. The allowance for uncollectibles primarily represents estimated uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

*Fiduciary Funds*

Receivables as of September 30, 2019, for the fiduciary funds, including allowances for uncollectible accounts, are as follows:

	<u>NMIRF</u>	<u>Defined Contribution Plan</u>	<u>Total</u>
Receivables:			
Notes	\$ 2,527,039	\$ -	\$ 2,527,039
Agency	-	794,900	794,900
Other	<u>7,951</u>	<u>-</u>	<u>7,951</u>
Gross receivables	2,534,990	794,900	3,329,890
Less allowance for uncollectibles	<u>(615,654)</u>	<u>-</u>	<u>(615,654)</u>
Net receivables	\$ <u>1,919,336</u>	\$ <u>794,900</u>	\$ <u>2,714,236</u>

Notes receivable recorded by NMIRF consist of mortgage home loans from various individuals, with interest at 8.5% to 9.0% per annum and terms from fifteen to thirty years.

*Discretely Presented Component Units*

Receivables as of September 30, 2019, for the discretely presented component units, including allowances for uncollectible accounts are as follows:

	<u>CPA</u>	<u>CDA</u>	<u>MPLT</u>	<u>NMC</u>	<u>PSS</u>	<u>MVA</u>	<u>Total</u>
Receivables:							
Loans	\$ -	\$ 45,422,337	\$ -	\$ -	\$ -	\$ -	\$ 45,422,337
Notes	-	-	16,530,038	-	-	-	16,530,038
Federal agencies	2,802,737	-	-	1,803,285	2,340,787	-	6,946,809
General	9,282,186	-	307,434	1,641,146	-	-	11,230,766
Interest and dividends	-	2,205,544	-	-	-	-	2,205,544
Other	<u>10,292</u>	<u>3,436,963</u>	<u>101,891</u>	<u>-</u>	<u>1,059,627</u>	<u>3,628</u>	<u>4,612,401</u>
Gross receivables	12,095,215	51,064,844	16,939,363	3,444,431	3,400,414	3,628	86,947,895
Less allowance for uncollectibles	<u>(6,356,350)</u>	<u>(34,036,021)</u>	<u>(2,322,058)</u>	<u>(727,422)</u>	<u>(112,738)</u>	<u>-</u>	<u>(43,554,589)</u>
Net receivables	\$ <u>5,738,865</u>	\$ <u>17,028,823</u>	\$ <u>14,617,305</u>	\$ <u>2,717,009</u>	\$ <u>3,287,676</u>	\$ <u>3,628</u>	\$ <u>43,393,306</u>

Loan and notes receivable recorded by the discretely presented component units consist of the following:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(3) Receivables and Tax Abatements, Continued

A. Receivables, Continued

*Discretely Presented Component Units, Continued*

CDA:

Economic development loans for commercial purposes due within various periods not to exceed thirty (30) years. The interest rates charged are based on the economic purpose of the loan. Production development loans bear interest at 7% to 9% per annum, marine and agriculture loans bear interest at 4.5% per annum, commercial development loans bear interest at 7% to 9% per annum, and microloans bear interest at 7% to 12% per annum. In October 2007, CDA **initiated a "Debt Relief Program", which provides for** reduction of interest to two percent and extension of term up to thirty years with a mandated three-year callable provision where warranted and justified. \$ 32,102,983

NMHC housing loans for the specific purpose of providing residents of the Northern Mariana Islands with approved low-cost housing. The loans have terms from ten to thirty-three years in duration at interest rates of 4.5% to 12% per annum. 13,319,354

\$ 45,422,337

MPLT:

Notes receivable (Home Loan Program) from various individuals obtained through a settlement agreement with NMHC dated December 31, 2007, interest at 2% per annum (5.5% to 8.5% prior to January 1, 2009) and terms from ten to thirty years. \$ 5,254,456

Note receivable from Adelantun Publickun Luta Enteramente, Incorporated (APLE 501, Inc.), interest at 5% per annum, due on October 18, 2017, with monthly principal and interest payments in the amount of \$1,225, collateralized by a loan portfolio. Proceeds were used to fund an independently administered individual or parent-student loan program. MPLT has ceased future loan commitments and disbursements to APLE 501, Inc. 48,058

Note receivable from the CNMI Government, interest at 7.5% per annum, due on September 1, 2024. 8,848,237

Note receivable from CHCC, interest at 5% per annum, due on October 31, 2023. **Collateralized by CHCC's real** properties for operational and bridge capital pursuant to CNMI Public Law 17-76. 2,379,287

\$ 16,530,038

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(3) Receivables and Tax Abatements, Continued

B. Tax Abatements

As of September 30, 2019, the CNMI provided tax abatements through the following program:

*Qualifying Certificate (QC) Program*

The QC Program was created under Public Law 12-32 and amended under Public Law 12-50 and Public Law 12-80 as an economic incentive tool to encourage investment in activities that would strengthen the island economy, enrich its growth, and enhance the quality of life in the CNMI. Qualified individuals and companies may be granted the following tax abatements:

- Up to 100% abatement of taxes of whatever nature, except taxes under NMTIT, paid or to be paid to the Government of the CNMI for a period of twenty-five (25) years;
- Up to 100% rebate of taxes of whatever nature, paid to the Government of the CNMI for a period of twenty-five (25) years.

During the year ended September 30, 2019, information relevant to the disclosure of the QC program includes total estimated gross receipts tax revenue reduced by \$208,055.

(4) Interfund Receivables and Payables

Receivables and payables between funds reflected as due to/from other funds in the governmental funds balance sheet at September 30, 2019, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental	\$ 132,466
General	DPL	15,047
General	Grants Assistance	1,647,196
Grants Assistance	General	2,490,137
Saipan Amusement	General	2,627,724
Other governmental	General	<u>25,799,161</u>
		\$ <u>32,711,731</u>

These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made and are scheduled to be collected in the subsequent year.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(4) Interfund Receivables and Payables, Continued

Balances reflected as due from fiduciary funds of the primary government as of September 30, 2019, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	NMIRF	\$ 1,659,022
Other governmental	NMIRF	<u>864,788</u>
		\$ <u>2,523,810</u>

Balances reflected as due to fiduciary funds of the primary government as of September 30, 2019, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
NMISF	General Fund	\$ <u>17,693,829</u>

The amount recorded as due from the component units of the primary government of \$1,832,726 does not equal to the corresponding due to primary government of the discretely presented component units of \$2,350,000 due to CPA recording public auditor fee of \$2,350,000 for which the primary government recorded a corresponding allowance. The remaining difference of \$1,832,726 relates to the amount of health and life insurance, which was not recorded by the component units.

Balances reflected as due to component units of the primary government as of September 30, 2019, are summarized as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
MPLT	DPL	\$ 4,451,471
MPLT	General	8,848,237
CUC	General	4,957,876
MVA	General	6,149,517
PSS	General	4,949,038
NMC	General	3,093,652
CHCC	General	<u>80,400</u>
		\$ <u>32,530,191</u>

The amount recorded as due from primary government of the discretely presented component units of \$14,192,207 does not equal the corresponding due to component units of the primary government of \$32,530,191 by \$18,337,984. The difference of \$4,451,471 and \$8,848,237 with MPLT are due to unrecorded receivable from DPL and due to amounts recorded as notes receivable by MPLT, respectively. The difference of \$4,957,876 and \$80,400 is due to lack of financial information from CUC and CHCC, respectively.

# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

## Notes to the Financial Statements September 30, 2019

### (5) Other Assets

As of September 30, 2019, the CNMI holds 11% of the shares of the Pacific Islands Development Bank (PIDB) and the United Micronesia Development Association, Inc. (UMDA) in the amount of \$1,000,000 and \$1,500,000, respectively. Other assets have been recorded at cost. These equity interests do not meet the definition of investments as the assets are held primarily for economic development and are presented as other assets in the accompanying financial statements.

### (6) Restricted Assets

#### Primary Government

Restricted assets of \$7,594,677 recorded in the General Fund represents cash and cash equivalents of \$1,061,699 for State Small Business Credit Initiative to strengthen programs that support private financing to small business and small manufacturers and is funded by the U.S. Department of Treasury; \$1,054,402 restricted for various Federal programs and projects; \$2,316,741 for the purpose of funding ongoing vocational educational curricula and program development by the CNMI and is funded by the U.S. Department of Homeland Security; \$2,523,754 restricted for future debt service requirements and \$638,081 restricted for group health and life insurance payments.

Restricted assets of \$11,327,652 recorded in DPL represent security deposits received from lessees.

Restricted assets of \$1,572,428 recorded in the Other Governmental Funds represent cash and cash equivalents of \$6,986 for other purposes and investments of \$1,565,442 for the purpose of compensating for injury increasing disability in accordance with §(f) of Section 9308 of Public Law 10-19.

#### Fiduciary Funds

Restricted assets of \$2,022,536 as of September 30, 2019, represent deposits of foreign investors required by law to operate a business in the CNMI.

#### Discretely Presented Component Units

CPA:

Investments in U.S. Treasury obligations restricted for construction and debt service purposes represent the unused proceeds of the Airport Revenue Bonds and the Seaport Revenue Bonds. These investments are summarized as follows:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(6) Restricted Assets, Continued

Discretely Presented Component Units, Continued

CPA, Continued:

<u>Fund</u>	Airport Revenue <u>Bonds</u>	Seaport Revenue <u>Bonds</u>	<u>Total</u>
Bond Reserve Fund	\$ 1,665,020	\$ 3,492,296	\$ 5,157,316
Supplemental Reserve Fund	-	7,975,806	7,975,806
Construction Fund	-	7,420	7,420
Reimbursement Fund	-	6,003	6,003
Bond Fund	554,160	1,190,825	1,744,985
Maintenance and Operation	2,155,757	3,657,852	5,813,609
Optional Redemption Fund	12,509	-	12,509
Revenue Fund	748	838	1,586
Insurance and Condemnation Proceeds Fund - Yutu	12,403,516	-	12,403,516
Insurance and Condemnation Proceeds Fund - Mangkhut	1,700,015	-	1,700,015
Stonecastle Fund	<u>10,010,292</u>	<u>10,010,292</u>	<u>20,020,584</u>
	\$ <u>28,502,017</u>	\$ <u>26,341,332</u>	\$ <u>54,843,349</u>

CDA:

Restricted assets of **CDA's Development Banking Division** of \$13,131,023 represent the proceeds of Covenant funding and liquidated revenue bonds derived from pledged Covenant funding to be used for capital development purposes.

**Restricted assets of CDA's Development Corporation** Division of \$5,051,459 represent funds for the State Small Business Credit Initiative loan program maintained by CDA as the disbursing agent deposited with commercial lending institutions held in the name of CDA.

Restricted assets of NMHC represent depository accounts with financial institutions in the CNMI that are restricted for various purposes, as summarized below:

Escrow and savings accounts maintained as a guarantee for any deficiency in foreclosure proceeds related to U.S. Department of Agriculture Rural Development loans	\$ 1,364,310
Savings account restricted for Koblerville Section 8 project repairs and maintenance expenses, per contract with the U.S. Department of Housing and Urban Development	230,625
Savings account maintained as a guarantee of housing loans made by a CNMI savings and loan	181
Checking account maintained for Section 8 Housing Choice Vouchers Program expenses	722,949
Other depository accounts reserved for various purposes	<u>946,448</u>
	\$ <u>3,264,513</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(7) Capital Assets and Depreciation

Capital asset activities for the year ended September 30, 2019, are as follows:

Primary Government

	Balance October 1, 2018	Additions	Reclassifications	Balance September 30, 2019
Assets not being depreciated:				
Land	\$ 30,064,154	\$ -	\$ -	\$ 30,064,154
Construction in progress	<u>10,401,582</u>	<u>5,221,253</u>	<u>(1,267,240)</u>	<u>14,355,595</u>
	<u>40,465,736</u>	<u>5,221,253</u>	<u>(1,267,240)</u>	<u>44,419,749</u>
Depreciable assets:				
Buildings and other improvements	132,840,299	-	539,344	133,379,643
Machinery and equipment	46,985,567	6,918,297	-	53,903,864
Infrastructure	<u>164,548,586</u>	<u>-</u>	<u>727,896</u>	<u>165,276,482</u>
	<u>344,374,452</u>	<u>6,918,297</u>	<u>1,267,240</u>	<u>352,559,989</u>
Accumulated depreciation:				
Buildings and other improvements	(69,910,417)	(4,644,874)	-	(74,555,291)
Machinery and equipment	(36,690,707)	(4,210,166)	-	(40,900,873)
Infrastructure	<u>(126,160,580)</u>	<u>(6,973,554)</u>	<u>-</u>	<u>(133,134,134)</u>
Total accumulated depreciation	<u>(232,761,704)</u>	<u>(15,828,594)</u>	<u>-</u>	<u>(248,590,298)</u>
Depreciable assets, net	<u>111,612,748</u>	<u>(8,910,297)</u>	<u>1,267,240</u>	<u>103,969,691</u>
	\$ <u>152,078,484</u>	\$ <u>(3,689,044)</u>	\$ <u>-</u>	\$ <u>148,389,440</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Public Works	\$ 9,323,815
Public Safety and Law Enforcement	2,621,611
Community and Social Services	2,132,585
General Government	707,429
Judicial Branch	346,466
Lands and Natural Resources	<u>696,688</u>

Total depreciation expense - governmental activities \$ 15,828,594

Discretely Presented Component Units

	Estimated Useful Lives	Balance at October 1, 2018	Additions	Retirements	Reclassifications	Balance at September 30, 2019
Assets not being depreciated:						
Land		\$ 45,851,185	\$ -	\$ -	\$ -	\$ 45,851,185
Construction in progress		<u>77,597,239</u>	<u>10,539,878</u>	<u>-</u>	<u>(34,303,975)</u>	<u>53,833,142</u>
		<u>123,448,424</u>	<u>10,539,878</u>	<u>-</u>	<u>(34,303,975)</u>	<u>99,684,327</u>
Depreciable assets:						
Runway and improvements	20 years	114,277,326	4,947,250	-	-	119,224,576
Terminal facilities	20 years	115,396,401	3,690,626	(157,029)	-	118,929,998
Harbor facilities	20 years	64,327,013	193,000	-	-	64,520,013
Other improvements	3 - 20 years	29,031,658	2,709,546	-	-	31,741,204
Fire and rescue	2 - 8 years	12,900,994	23,430,628	-	-	36,331,622
Terminal equipment	2 - 10 years	9,322,356	29,513	(29,325)	-	9,322,544
Housing projects	30 years	7,612,509	-	-	-	7,612,509
Office furniture and fixtures	2 - 10 years	5,330,641	782,686	(673,174)	-	5,440,153
Other equipment	3 - 5 years	7,747,014	72,002	(238,695)	-	7,580,321
Infrastructure	30 years	2,823,491	-	-	-	2,823,491
General transportation	3 - 5 years	10,457,616	216,107	(245,688)	-	10,428,035
Ground maintenance and shop equipment	2 - 5 years	1,707,368	19,299	-	-	1,726,667
Buildings	5 - 50 years	<u>69,958,623</u>	<u>1,464,745</u>	<u>(2,666,310)</u>	<u>-</u>	<u>68,757,058</u>
		450,893,010	37,555,402	(4,010,221)	-	484,438,191
Less accumulated depreciation		<u>(295,972,412)</u>	<u>(15,797,429)</u>	<u>4,156,391</u>	<u>-</u>	<u>(307,613,450)</u>
Depreciable assets net		<u>154,920,598</u>	<u>21,757,973</u>	<u>146,170</u>	<u>-</u>	<u>176,824,741</u>
		\$ <u>278,369,022</u>	\$ <u>32,297,851</u>	\$ <u>146,170</u>	\$ <u>(34,303,975)</u>	\$ <u>276,509,068</u>

## COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

### Notes to the Financial Statements September 30, 2019

#### (8) Loan Payable Under Settlement Agreement

On February 28, 1995, the CNMI entered into a loan agreement with NMIRF, a Fiduciary Fund Type - Pension (and Other Employee Benefits) Trust Fund, for the construction of a Judicial Complex on the island of Saipan, in an amount not to exceed \$15,000,000. All revenue collected by the courts is deposited into the Judicial Building Fund, a Governmental Fund Type within the CNMI General Fund, to finance debt service on the loan.

The loan was initially for a period of fifteen years, due February 28, 2010, with interest at 7.5% per annum, principal and interest payable in monthly installments of \$137,198. On July 15, 1999, the loan agreement was amended to extend the term of the loan to twenty years and to increase interest to 7.75% per annum. Pursuant to the amendment, principal and interest are payable in monthly installments of \$120,000. On October 1, 2013, the loan was transferred from NMIRF to NMISF pursuant to Section 8 of the Settlement for Civil Case No. 09-00023. The loan is due on March 1, 2015. At September 30, 2019, principal outstanding and payable is \$2,019,860.

#### (9) Tax Rebates Payable

The CNMI makes significant estimates in determining tax rebates payable. A Rebate Trust Fund was established to account for amounts paid to the CNMI, with respect to taxes imposed, which are rebateable to taxpayers. P.L. 9-22, enacted in January 1995, repealed and re-enacted the CNMI tax code and removed the requirement of a Rebate Trust Fund. P.L. 9-57, enacted in October 1995, reestablished the Rebate Trust Fund. The reestablishment was not retroactive, and thus tax year liabilities are paid from subsequent year collections of the General Fund.

The rebate percentage is either 90%, 70% or 50%, based on the specified tax brackets for taxes paid. Tax rebate liabilities amounted to \$58,664,463 as of September 30, 2019. Cash to fund this liability is to be provided by the General Fund. Any changes in the estimate will be accounted for in a prospective manner.

#### (10) Recovery Rebates Payable

The Congress of the United States passed the Economic Stimulus Act of 2008, which was approved and became law on February 13, 2008 as U.S. Public Law 110-185 (the Act). Among other things, the Act provides economic stimulus through recovery rebates to individuals meeting certain criteria. The Act provides that the U.S. Department of Treasury will make payment to the CNMI in an amount equal to the aggregate amount of the credits allowable by reason of the provision to the CNMI's residents against their CNMI income tax to cover advance and final payments. In 2008, the CNMI received total funds of \$16,100,000 pursuant to the Act. The recovery rebates payable of \$393,837 recorded in the General Fund represents the remaining undisbursed funds as of September 30, 2019.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(11) General Obligation Bonds Payable

Refunding of Debt

In April 2007, the CNMI issued \$100,490,000 of Series 2007A and Series 2007B General Obligation bonds to primarily refund the outstanding debt obligations of the Series 2000A and Series 2003A General Obligation bonds, and to pay certain expenses related to the issuance of the bonds. The primary purpose of the refunding was to refinance at lower interest rates. The refunding resulted in a cash flow savings of \$7,801,220 and did not extend the length of original bonds.

The refunding resulted in the advance defeasance of approximately 95% of the Series 2000A and Series 2003A General Obligation bonds by placing deposits in an irrevocable trust and escrow account for the purchase of U.S. government securities to pay the principal and interest on the defeased bonds as they are due and payable. For financial reporting purposes, both the defeased bonds outstanding and the escrowed securities have been excluded from the accompanying financial statements.

Although the advance refunding resulted in the recognition of an accounting loss of \$8.2 million for the year ended September 30, 2007, the CNMI in effect reduced its aggregate debt service payments by \$7.8 million over the next twenty-six years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$7.475 million. The excess of the reacquisition price over the net carrying amount of the old debt of \$8,181,944 was recorded as deferred outflow from cost of refunding debt and is being amortized over the remaining life of the debt or twenty-six years. At September 30, 2019, deferred outflows from cost of refunding debt amounted to \$4,336,168.

\$57,800,000 Bond Issue

In April 2007, CDA, acting for and on behalf of the CNMI, issued general obligation refunding bonds, Series 2007A in the aggregate principal amount of \$57,800,000 with interest rate at 5% per annum to refund \$52,435,000 of the 2000 Series A general obligation bonds. Installments of principal are to be paid to the Bond Trustee annually commencing June 1, 2009 through June 1, 2030. Interest is payable semi-annually beginning December 1, 2007 through June 1, 2030.

Amount outstanding and payable as of September 30, 2019, consist of the following:

Series 2007A general obligations refunding bonds	\$ 31,525,000
Unamortized premium on bond issuance	<u>52,492</u>
	\$ <u>31,577,492</u>

\$42,690,000 Bond Issue

In April 2007, CDA, acting for and on behalf of the CNMI, issued general obligations refunding bonds, Series 2007B in the aggregate principal amount of \$42,690,000 with interest rate at 5% per annum to refund \$37,400,000 of the 2003 Series A general obligation bonds. Installments of principal are to be paid to the Bond Trustee annually commencing October 1, 2011 through October 1, 2033. Interest is payable semi-annually beginning October 1, 2007 through October 1, 2033.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(11) General Obligation Bonds Payable, Continued

\$42,690,000 Bond Issue, Continued

Amount outstanding and payable as of September 30, 2019, consist of the following:

Series 2007B general obligations refunding bonds	\$ 34,750,000
Unamortized premium on bond issuance	<u>35,985</u>
	<u>\$ 34,785,985</u>

The annual debt service requirements to maturity for general obligation bonds payable is as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,235,000	\$ 3,272,375	\$ 8,507,375
2021	3,970,000	3,008,250	6,978,250
2022	4,075,000	2,810,000	6,885,000
2023	4,285,000	2,603,875	6,888,875
2024	4,495,000	2,387,375	6,882,375
2025 - 2029	26,305,000	8,271,625	34,576,625
2030 - 2034	<u>17,910,000</u>	<u>2,045,500</u>	<u>19,955,500</u>
	<u>\$ 66,275,000</u>	<u>\$ 24,399,000</u>	<u>\$ 90,674,000</u>

Changes in general obligation bonds payable of the primary government for the year ended September 30, 2019, are as follows:

	<u>Balance October 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2019</u>	<u>Due Within One Year</u>
Loans and bonds payable:					
2007 Series A Bonds	\$ 34,930,000	\$ -	\$ (3,405,000)	\$ 31,525,000	\$ 3,580,000
2007 Series B Bonds	<u>36,305,000</u>	-	<u>(1,555,000)</u>	<u>34,750,000</u>	<u>1,655,000</u>
	71,235,000	-	(4,960,000)	66,275,000	5,235,000
Deferred amounts:					
Unamortized premium on bonds issued	<u>94,797</u>	-	<u>(6,320)</u>	<u>88,477</u>	<u>6,320</u>
	<u>\$ 71,329,797</u>	<u>\$ -</u>	<u>\$ (4,966,320)</u>	<u>\$ 66,363,477</u>	<u>\$ 5,241,320</u>

Events of Default and Remedies of Bondholders

The outstanding general obligation bonds payable contains a provision that defines events of default as:

- (a) Default of the CNMI in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;
- (b) Default of the CNMI in the due and punctual payment of the interest on any Bond when and as the same become due and payable; or

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(11) General Obligation Bonds Payable, Continued

Events of Default and Remedies of Bondholders, Continued

- (c) Default of the CNMI in the observance of any of the other agreements, conditions or covenants on its part in this Indenture or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after the CNMI shall have been given notice in writing of such default by the Trustee; provided that such default shall not constitute an event of default hereunder if the CNMI shall commence to cure such default within said 30-day period and thereafter diligently and in good faith proceed to cure such default within a reasonable period of time.

In each and every such case during the continuance of such Event of Default, the Trustee may, and upon the written requests of the Bondholders of not less than twenty-five percent (25%) in aggregate amount of Bonds Outstanding, shall, by notice in writing to the CNMI, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

If, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the CNMI shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, and the reasonable fees and expenses of the Trustee and the Paying Agent, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Bondholders of at least twenty-five percent (25%) in aggregate amount of Bonds Outstanding, by written notice to the CNMI and to the Trustee may, on behalf of the Bondholders, rescind and annul such declaration and its consequences. No such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Discretely Presented Component Units

CPA \$20,050,000 Bond Issue

On March 26, 1998, CPA issued \$20,050,000 of tax-exempt airport revenue bonds which, in part, were used for a current refunding of \$8,250,000 of 1987 Series B tax-exempt airport revenue bonds. The refunding was undertaken to consolidate existing bonds with new bonds issued for the purpose of financing various airport projects and to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$503,906. This amount was netted against the new debt and is being amortized over the refunded debt's life, which is shorter than the life of the new debt. The transaction also resulted in an economic gain of \$688,620 and an increase of \$7,616,151 in future debt service payments.

Installments are paid to the Bond Trustee annually on March 15 through 2028. Interest is payable semi-annually, at 6.25% per annum, on March 15 and September 15 of each year.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(11) General Obligation Bonds Payable, Continued

Discretely Presented Component Units, Continued

CPA \$20,050,000 Bond Issue, Continued

Revenue bonds payable as of September 30, 2019, consists of the following:

1998 Senior Series A tax-exempt airport revenue bonds	\$ <u>9,450,000</u>
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The 1998 Senior Series A tax-exempt airport revenue bonds are limited obligations of CPA and, except to the extent payable from bond proceeds, are payable solely out of revenues, assets and funds pledged under the Indenture.

CPA \$33,775,000 Bond Issue

On March 26, 1998, CPA issued \$33,775,000 of Senior Series A tax-exempt seaport revenue bonds which, in part, were used for a current refunding of \$22,470,000 of 1995 Series A tax-exempt seaport revenue bonds. The refunding was undertaken to consolidate existing debt with new debt issued for the purpose of financing various seaport projects and to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$1,345,593. This amount is recorded as a deferred outflow from cost of refunding debt and is being amortized over the refunded debt's life, which is shorter than the life of the new debt. At September 30, 2019, deferred outflows from cost of refunding debt amounted to \$527,114. The transaction also resulted in an economic gain of \$1,724,777 and a decrease of \$6,983,345 in future debt service payments.

Installments are paid to the Bond Trustee annually on March 15 through 2028. Interest is payable semi-annually, at 6.6% per annum, on March 15 and September 15 of each year.

Revenue bonds payable as of September 30, 2019, consist of the following:

1998 Senior Series A tax-exempt seaport revenue bonds	\$ <u>17,110,000</u>
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Additionally, CPA has resolved to hold \$8,000,000 in the Seaport supplemental reserve fund. The supplemental reserve fund was established pursuant to the First Supplemental Indenture dated March 1, 2000 for the purpose of providing funding and maintenance for the 1998 Senior Series A Seaport Bonds. At September 30, 2019, total deposits in the Seaport supplemental reserve fund amounted to \$7,975,806.

The 1998 Senior Series A tax-exempt seaport revenue bonds are limited obligations of CPA and, except to the extent payable from bond proceeds, are payable solely out of revenues and funds pledged under the Indenture.

The 1998 Senior Series A tax-exempt seaport revenue bonds are subject to redemption prior to their stated maturity, at the option of CPA, as a whole or in part by lot, on any date from the proceeds of available funds, the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(11) General Obligation Bonds Payable, Continued

Discretely Presented Component Units, Continued

CPA \$7,225,000 Bond Issue

On September 21, 2005, CPA issued \$7,225,000 of Senior Series A tax-exempt seaport revenue bonds for the purpose of financing (including reimbursing itself for) the purchase, acquisition, construction, reconstruction, repair, renovation, improvement or expansion of CPA's seaports. Pursuant to Section 2.04(A)(9) of the 1998 Senior Series A Seaport Revenue Bonds Indenture Agreement dated March 1, 1998 and as supplemented by a First Supplemental Indenture dated March 1, 2000, CPA entered into a Second Supplemental Indenture for the issuance of the 2005 Senior Series A bonds. Interest on the bonds is payable semi-annually at 5.5% per annum on March 15 and September 15 of each year.

Revenue bonds payable as of September 30, 2019, consist of the following:

2005 Senior Series A tax-exempt seaport revenue bonds	\$ 4,765,000
Discount on bonds	<u>(71,694)</u>
	<u>\$ 4,693,306</u>

CPA Bond Issues

The bond indentures contain several restrictive covenants, including restrictions on the use of bond proceeds. Management of CPA is of the opinion that CPA was in compliance with all significant covenants as of September 30, 2019. Section 6.11 of the Airport and Seaport Bond Indenture Agreements (Indenture) states that CPA shall impose, levy, enforce and collect such dockage, entry and wharfage fees, tariffs, lease rentals, licensing fees and other fees and charges in an aggregate amount with respect to each fiscal year to produce gross revenues of 125% of debt service requirements. Management of CPA has determined that gross revenues consist of total operating revenues, other grant revenue and contributions, interest income and passenger facility charges to meet the Indenture requirements. For fiscal year 2019, management of CPA determined that 100% of passenger facility charges would be considered as gross revenues for these purposes.

Annual debt service requirements to maturity for principal and interest for bonds payable are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,565,000	\$ 1,900,328	\$ 4,465,328
2021	2,730,000	1,731,797	4,461,797
2022	2,900,000	1,552,568	4,452,568
2023	3,080,000	1,362,174	4,442,174
2024	3,270,000	1,159,991	4,429,991
2025 - 2029	15,755,000	2,420,247	18,175,247
2030 - 2031	<u>1,025,000</u>	<u>57,062</u>	<u>1,082,062</u>
	<u>\$ 31,325,000</u>	<u>\$ 10,184,167</u>	<u>\$ 41,509,167</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(11) General Obligation Bonds Payable, Continued

Discretely Presented Component Units, Continued

Changes in revenue bonds payable of the discretely presented component units for the year ended September 30, 2019, are as follows:

	Balance October 1, 2018	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2019	Due Within One Year
Bonds payable:					
CPA	\$ 33,740,000	\$ -	\$ (2,415,000)	\$ 31,325,000	\$ 2,565,000
Deferred amounts:					
CPA:					
Discount	<u>(71,694)</u>	<u>-</u>	<u>-</u>	<u>(71,694)</u>	<u>-</u>
	<u>\$ 33,668,306</u>	<u>\$ -</u>	<u>\$ (2,415,000)</u>	<u>\$ 31,253,306</u>	<u>\$ 2,565,000</u>

Events of Default and Remedies of Bondholders

The outstanding revenue bonds related to government-type activities contains a provision that defines events of default as:

- (a) default of by CPA in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceeding for redemption, by declaration of otherwise; default by CPA in the redemption from any Mandatory Sinking Account of any Term Bonds in the amounts at time provided therefore; or default by CPA in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;
- (b) default by CPA in the observance of any of the covenants, agreement or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to CPA by the Trustee, or to CPA and the Trustee by any Credit Provider or by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; except that, if such default can be remedied but not within such sixty (60) day period and if CPA has taken all action reasonably possible to remedy such default within such sixty (60) day period, such default shall not become an Event of Default hereunder for so long as CPA shall diligently proceed to remedy same in accordance with and subject to any directions established by the Trustee; or
- (c) an event of bankruptcy.

Upon the occurrence of an event of default, the Trustee may, and upon the written request of the owners of not less than a majority in aggregate principal amount of Bonds then outstanding shall, declare the principal of all Bonds then outstanding and the interest accrued thereon due and payable on a date specified in such declaration (not less than five nor more than nine days after such declaration), and such principal and interest shall thereupon become and be immediately due and payable on such specified date, and interest shall cease to accrue on the Bonds from and after such date.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(11) General Obligation Bonds Payable, Continued

Discretely Presented Component Units, Continued

Events of Default and Remedies of Bondholders, Continued

The entire principal amount of the Bonds and such accrued interest shall become due and payable on the date of acceleration set forth in such notice of declaration, and interest shall cease to accrue on the Bonds from and after such date, provided moneys are held by the Trustee as of such date sufficient to pay such principal and accrued interest to such date. If an event of default shall occur and be continuing, all revenues, gross revenue and any other funds then held or thereafter received by the Trustee or the Depository under any of the provisions of the indenture shall be under the control of and apply by the Trustee as dictated by the Indenture.

(12) Other Long-Term Liabilities

Claims and Judgments

On September 26, 2014, the District Court issued a court order to fund and implement Stipulated Order Number Two (SO2) (Dkt. no. 15) filed by the United States, CUC and the CNMI (jointly the Parties). The successful funding and implementation of the SO2 will result in timely and cost-efficient improvements **to CUC's infrastructure**, proper oil management and disposal and oil spill prevention, preparedness and response action. The District Court established an Engineering and Environmental Management Company (EEMC) in order to achieve expeditious compliance with SO2. The EEMC must implement the SO2 and be funded. The court order requires the CNMI to fund the SO2 as follows:

1. The CNMI must deposit \$5,000,000 no later than December 31, 2014, into the Court Registry (the Registry) established by the District Court for the CNMI.
2. The CNMI must deposit the following amounts on or before the dates specified into the Registry or, if applicable, must file a notice with the Court of the U.S. Department of the **Interior's** (US DOI) Authorization to Proceed (ATP) for funding SO2 projects: (a) \$2,800,000 no later than February 1, 2015; (b) \$5,000,000 no later than February 1, 2016; (c) \$5,000,000 no later than February 1, 2017; and (d) \$5,000,000 no later than February 1, 2018. The notice must include a commitment from CNMI/CUC that the ATP will be fully available for the EEMC as specified in the ATP and that the grantee will not re-program the associated funds without mutual agreement of the Parties.

The funds must be used to reimburse EEMC for the approved expenses for SO2 projects and should not be utilized for **CUC's day-to-day** expenses. If CUC, the CNMI or the EEMC do not meet the requirements of the court order, the United States is authorized to seek emergency relief. The parties must file a notice of satisfaction to the District Court upon completion of the requirements of the court order and termination of the EEMC. If the District Court finds CUC and the CNMI satisfied the requirements of the court order and the EEMC has been terminated, any funds remaining in the Registry should be transferred to the **CUC's restricted fund for Technical Manager for Oil account**.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(12) Other Long-Term Liabilities, Continued

Claims and Judgments, Continued

On December 24, 2014, Public Law 18-71 was enacted to appropriate future **MPLT interest distributions to meet the CNMI's obligations under the court order** for the SO2. Public Law 18-71 authorized DPL to transfer \$5,000,000 to MPLT and MPLT to loan \$5,000,000 to the CNMI at an interest rate of 7% per annum. Public Law 18-71 authorized MPLT to withhold future interest income that would be remitted to the CNMI pursuant to Article XI § 6(d) of the Constitution beginning fiscal year 2016 and future fiscal years thereafter until the loan plus annual interest is fully paid.

On December 29, 2014, DPL transferred \$5,000,000 to MPLT and MPLT entered into a \$5,000,000 loan agreement with the CNMI to effectuate the requirements of Public Law 18-71. The loan bears interest at 7% per annum and has a five-year amortization period which will mature on September 30, 2020. **The CNMI's** future annual payments on the loan could not be determined. Accordingly, the loan was recorded as due to component units in the accompanying financial statements. **The CNMI's total** principal and interest payments during the year amounted to \$1,011,199 and \$70,784, respectively.

On December 30, 2014, the CNMI transferred \$5,000,000 to the Registry to satisfy its obligation for SO2. On February 5, 2015, US DOI awarded the CNMI an ATP (Funding No. CNMI-CIP-2015-5 D15AP00012) for the CUC pipeline construction related to SO2 amounting to \$2,648,082. On February 15, 2015, US DOI awarded the CNMI an additional funding of \$151,958 to its original ATP for management and administration of the SO2 projects. Therefore, the CNMI met its 2015 obligations for SO2. On March 1, 2016, US DOI awarded \$3,887,161 to the CNMI for Oil Pipeline Project (Funding No. CNMI-CIP-2016-2 D16AP00013). On March 8, 2016, US DOI awarded the CNMI additional funding of \$382,225 to its original ATP to provide EEMC support for oil spill prevention, preparedness and response and to comply with the SO2. On March 17, 2016, US DOI awarded the CNMI additional funding of \$730,614 to its original ATP for the **"Tank 103 Cleanout, Inspect and Repair"** project. The additional ATPs would **satisfy the CNMI's 2016 SO2 obligation.**

On March 17, 2017, US DOI awarded \$777,000 to the CNMI for an ATP (Funding No. CNMI-CIP-2017-3 D17AP00016) for the development of a Facility Waste Management Plan for power plants 1 and 2 on Saipan, an SO2 project. On March 27, 2017, US DOI awarded the CNMI additional funding of \$4,019,000 to its **original ATP for the repairs of "Tank 103" and its secondary containment** as required by the SO2. On March 29, 2017, US DOI awarded the CNMI additional funding of \$204,000 to its original ATP to provide EEMC support for construction management and administration of the SO2 projects. The additional ATPs would **satisfy the CNMI's 2017 SO2 obligation.** On March 5, 2018, USDOI awarded \$5,000,000 to the CNMI for an ATP (Funding No. CNMI-CIP-2018-3 D18AP00026) for the EEMC, CUC pipeline smart pigging, waste management and facility drainage projects. Accordingly, this ATP would **satisfy the CNMI's 2018 SO2 obligation.** As of September 30, 2019, **the CNMI's claims and judgment liability** related to SO2 amounted to \$-0-.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(12) Other Long-Term Liabilities, Continued

Changes in other long-term liabilities of the primary government for the year ended September 30, 2019, are as follows:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Claims and judgments	\$ 4,100,550	\$ 360,154	\$ (255,500)	\$ 4,205,204	\$ 4,205,204
Compensated absences	9,118,657	6,123,784	(5,995,215)	9,247,226	4,446,254
Due to component units	1,011,199	10,000,000	(2,162,962)	8,848,237	-
Landfill closure	<u>6,107,788</u>	<u>8,962,382</u>	<u>-</u>	<u>15,070,170</u>	<u>-</u>
	\$ <u>20,338,194</u>	\$ <u>25,446,320</u>	\$ <u>(8,413,677)</u>	\$ <u>37,370,837</u>	\$ <u>8,651,458</u>

Discretely Presented Component Units

Changes in other long-term liabilities of the discretely presented component units for the year ended September 30, 2019, are as follows:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Compensated absences	\$ 5,001,886	\$ 750,395	\$ (582,142)	\$ 5,170,139	\$ 1,774,546
Unearned revenues:					
CPA	998,169	24,616,158	-	25,614,327	21,971,335
CDA	609,080	419,847	-	1,028,927	20,378
NMC	<u>1,438,638</u>	<u>240,373</u>	<u>-</u>	<u>1,679,011</u>	<u>1,679,011</u>
	\$ <u>8,047,773</u>	\$ <u>26,026,773</u>	\$ <u>(582,142)</u>	\$ <u>33,492,404</u>	\$ <u>25,445,270</u>

(13) Fund Balances

Classifications of fund balances comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following table enumerates the fund balance classifications:

	General	Grants Assistance	Saipan Amusement	Department Public of Lands	Other Governmental Funds	Total
Non-spendable						
Inventories	\$ 232,387	\$ -	\$ -	\$ -	\$ -	\$ 232,387
UMDA	1,500,000	-	-	-	-	1,500,000
PIDB	1,000,000	-	-	-	-	1,000,000
Restricted for:						
Capital projects	-	1,200,036	-	-	-	1,200,036
Federal programs and projects	-	1,504,838	-	-	-	1,504,838
Debt service reserve	2,523,754	-	-	-	-	2,523,754
Other purposes	-	-	-	-	4,127	4,127
Committed to:						
Public lands	-	-	-	5,620,461	-	5,620,461
Local senatorial districts	-	-	-	-	7,591,085	7,591,085
<b>Workers' Compensation</b>						
Commission	-	-	-	-	2,880,977	2,880,977
Private grants	-	-	-	-	1,314,388	1,314,388
Commonwealth Casino Commission	-	-	-	-	2,509,148	2,509,148
CNMI Group Health and Life Insurance Trust Fund	-	-	-	-	1,533,045	1,533,045
Capital projects	-	-	-	-	373,519	373,519
Public works and highway projects	-	-	-	-	550,785	550,785
Infrastructure	-	-	-	-	2,086,617	2,086,617
Other purposes	-	-	-	-	6,704,605	6,704,605
Unassigned	<u>(134,233,664)</u>	<u>-</u>	<u>(831,864)</u>	<u>-</u>	<u>(8,272)</u>	<u>(135,073,800)</u>
	\$ <u>(128,977,523)</u>	\$ <u>2,704,874</u>	\$ <u>(831,864)</u>	\$ <u>5,620,461</u>	\$ <u>25,540,024</u>	\$ <u>(95,944,028)</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(14) Transfers In/Out

Operating Fund Transfers

Operating transfers in/out for each major governmental fund and nonmajor governmental funds in the aggregate, for the year ended September 30, 2019, are as follows:

<u>Source/Recipient</u>	<u>Transfer Out</u>	<u>Transfer In</u>
<u>General Fund</u>		
Grants Assistance Fund	\$ 3,379,587	\$ 1,170,952
Other Governmental Funds	2,074,939	62,494
Saipan Amusement Fund	<u>11,534,522</u>	<u>714,870</u>
	<u>16,989,048</u>	<u>1,948,316</u>
<u>Grants Assistance Fund</u>		
General Fund	1,170,952	3,379,587
Other Governmental Funds	<u>1,622,119</u>	<u>-</u>
	<u>2,793,071</u>	<u>3,379,587</u>
<u>Saipan Amusement Fund</u>		
General Fund	714,870	11,534,522
Other Governmental Funds	<u>284,789</u>	<u>-</u>
	<u>999,659</u>	<u>11,534,522</u>
<u>Other Governmental Funds</u>		
General Fund	62,494	2,074,939
Grants Assistance Fund	-	1,622,119
Saipan Amusement Fund	<u>-</u>	<u>284,789</u>
	<u>62,494</u>	<u>3,981,847</u>
	\$ <u>20,844,272</u>	\$ <u>20,844,272</u>

Transfers are used to 1) move revenues from the fund that enabling legislation or budget requires to collect them to the fund that enabling legislation or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) record reductions in interfund loans for amounts that are not expected to be repaid.

The amount recorded as payments to component units from the primary government of \$82,707,909 does not equal the corresponding contributions from the primary government of \$58,947,707 by \$23,760,202. The difference of \$2,723,572 with MVA is due to expenditures incurred and paid by the CNMI related to Public Law 18-01 that were not recorded by MVA. The difference of \$666,593 with NMC is due to \$705,701 unreconciled differences less \$39,108 Compact Impact funds that were recorded as federal revenue by NMC. The difference of \$5,188,872 with PSS is due to timing differences. The remaining difference of \$31,006,053 is due to lack of financial information from CUC, CHCC and NMISF.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(15) Commitments

Land Acquisitions

The CNMI has acquired certain properties from landowners for right-of-way or easement projects. The CNMI government's liability for future reimbursement costs associated with unknown land acquisitions is presently not determinable.

Dedicated Revenues and Pledges

CNMI has pledged all Judicial Building Fund (a Governmental Fund Type - General Fund) revenues to repay a loan of \$15,000,000 to NMIRF pursuant to an agreement entered into in February 1995. On October 1, 2013, the loan was transferred from NMIRF to NMISF pursuant to Section 8 of the Settlement of Civil Case No. 09-00023. Total principal and interest remaining on this loan is approximately \$2,019,860 and \$3,044, respectively. For the year ended September 30, 2019, principal and interest payments were \$796,760 and \$203,734, respectively, and total Judicial Building Fund revenues were \$1,007,491.

Discretely Presented Component Units

CPA has pledged future gross revenues to repay \$20,050,000 and \$33,775,000 in 1998 Senior Series A and \$7,225,000 of 2005 Senior Series A tax-exempt special revenue bonds. Proceeds from the bonds provided financing for capital assets. The bonds are payable from pledged gross revenues. The bonds are payable through fiscal years 2028, 2028 and 2031, respectively. The total principal and interest payable for the remainder of the life of these bonds is \$41,509,167 at September 30, 2019. Pledged gross revenues received during the year ended September 30, 2019 were \$22,302,144. Debt service payments during the year ended September 30, 2019 amounted to \$4,473,804 representing 20% of pledged gross revenues.

Operating Lease

On August 18, 2003, NMC entered into an assignment of lease with a corporation (Assignor), whereby the Assignor assigns leases and leasehold estate and other rights on the La Fiesta property to NMC for a total payment of \$4,000,000 payable in annual installments of \$200,000 beginning October 29, 2004. On September 15, 2004, NMC and the CNMI entered into a Memorandum of Agreement for the transfer of the lease assignment. On January 7, 2005, NMC and the CNMI executed an Assignment of Contract Rights whereby NMC assigns and transfers to the CNMI all right, titles and interest to the assignment of leases dated August 18, 2003. Rental expense for this lease for the fiscal year ended September 30, 2019, is \$200,000.

CNMI's future rentals under the lease are as follows:

September 30,

2020	\$ 200,000
2021	200,000
2022	200,000
2023	200,000
2024	200,000
2025	<u>200,000</u>
	\$ <u>1,200,000</u>

# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

## Notes to the Financial Statements September 30, 2019

### (16) Contingencies

#### Landfill Closure Costs

The CNMI operates a solid waste disposal site in Puerto Rico, Saipan, which is under administrative order from the U.S. Environmental Protection Agency to close in the near future. The disposal site was officially closed in 2003. The related costs will be funded through grant awards from the U.S. Department of the Interior.

State and federal laws and regulations require the CNMI to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although landfill closure and postclosure costs will be paid only near or after the date that the Marpi landfill stops accepting waste, the CNMI's governmental activities reports a portion of these closure and postclosure costs as an expense in each period based on landfill capacity used as of each balance sheet date. The \$15,070,170 liability reported as landfill closure and postclosure costs at September 30, 2019 within the accompanying financial statements, represents the cumulative amount reported based on 55% capacity used. The Marpi landfill has an estimated lifespan of eighteen years. The CNMI will recognize the remaining estimated cost of closure and post closure care of \$886,481 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2019. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

#### Questioned Costs Under Federally Funded Programs

The CNMI participates in a number of federally assisted grant programs funded by the United States Government. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Cumulative questioned costs of \$21,947,894 have been set forth in the CNMI's Single Audit Report for the year ended September 30, 2019. The ultimate disposition of these questioned costs can be determined only by final action of the respective grantor agencies. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

#### Insurance Coverage

The CNMI does not maintain insurance coverage for a significant amount of fixed assets. In the event of a catastrophe, the CNMI may be self-insured to a material extent. The CNMI, however, maintains fidelity bonding insurance coverage over employees with access to cash. In the event of a loss through employee malfeasance, the CNMI will be self-insured for losses in excess of \$1,000,000.

#### Tax Returns

The CNMI is unable to estimate unfiled or unprocessed tax returns related to tax years 2018 and prior. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements. CNMI management does not believe that this will have a material impact on the financial statements.

# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

## Notes to the Financial Statements September 30, 2019

### (16) Contingencies, Continued

#### General Fund Financial Position

The CNMI's General Fund has an unassigned fund deficit of \$134,233,664 at September 30, 2019. In addition, at September 30, 2019, the primary government's current liabilities exceed current assets by \$99,283,365, and total liabilities and deferred inflows of resources exceed total assets and deferred outflows of resources by \$504,681,276. On September 30, 2013, the District Court approved a Settlement Agreement between a retiree (individually and on behalf of similarly-situated persons) and the CNMI, NMIRF and others. The Settlement Agreement includes the creation of NMISF to accept the transfer of NMIRF assets, receive annual contributions and payments by the CNMI and to carry out the consent judgment entered by the District Court. As part of the Settlement Agreement, the CNMI agrees to make minimum annual payments to NMISF to allow for the payment of 75% of Class Members' full benefits annually during NMISF's expected life and as determined by an actuary appointed by a Trustee and approved by the District Court.

#### Sick Leave

The CNMI records expenditures for sick leave when the leave is actually taken. Sick leave is compensated absence during working hours arising from employee illness or injury. Sick leave accumulates at the rate of thirteen working days for each year of service, without limit. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The accumulated estimated amount of unused sick leave as of September 30, 2019, is \$30,117,554.

#### CHCC

Public Law 16-51 established CHCC as a public corporation with certain limitations on liability provided by the CNMI Government Liability Act (GLA) and immunity from seizure of its property to pay judgment debts. Public Law 15-22 amended the GLA, which provides that employees who have been personally sued for actions taken within the scope of their employment may have the government substituted as the defendant and the employee dismissed from the suit. In the event of loss due to employee malpractice action, the CNMI will be self-insured for the amount of judgment rendered against it.

#### DPL

The CNMI Constitution requires that all revenues received by DPL in excess of the amount necessary to meet reasonable expenses of administration and management, land surveying, homestead development, and any other expenses reasonably necessary for the accomplishment of its functions, must be transferred to MPLT. Management of DPL has determined that the following transactions may have violated DPL's **constitutional mandate**:

- DPL transferred \$2,500,000 to the CNMI during the year ended September 30, 2010;
- Between March 2009 and November 2010, DPL reimbursed the CNMI \$1,395,459 for land compensation payments made by the CNMI; and

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(16) Contingencies, Continued

DPL, Continued

- Between June 2010 and September 2014, DPL disbursed \$2,002,146 directly to the Northern Mariana Islands Retirement Fund which may have duplicated payments made by the CNMI and has not recorded the amount as a receivable.

The effects of potential noncompliance with the CNMI Constitution could not be determined by DPL management and are not reflected in the accompanying financial statements.

Budgetary Compliance

For the year ended September 30, 2019, expenditures of the General Fund exceeded budget at the program area level (i.e., the legal level of budgetary control) as follows:

<u>Program Area</u>	<u>Excess</u>
Executive branch:	
Other Offices of the Governor and Lt. Governor	\$ 913,582
Department of Commerce	\$ 260,584
Department of Community and Cultural Affairs	\$ 1,692
Department of Corrections	\$ 725,478
Department of Finance	\$ 1,548,882
Department of Fire and Emergency Medical Services	\$ 1,077,971
Department of Lands and Natural Resources	\$ 13,819
Department of Public Safety	\$ 5,741,427
Department of Public Works	\$ 430,861
Second Senatorial District - Tinian and Aguiguan	\$ 353,865
First Senatorial District - Rota	\$ 830,777
Judicial branch	\$ 223,969
Office of the Attorney General	\$ 149,343
Office of the Public Auditor	\$ 610,493
Boards and commissions	\$ 140,630
Employee benefits (payment to GHLITF)	\$ 3,381,389
Health (Medicaid local expenditures and medical referrals)	\$ 14,734,395
Disaster expenditures	\$ 19,027,432
Debt service	\$ 15,696

(17) Risk Management

The CNMI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the primary government not to purchase commercial insurance for the risks of loss to which it is exposed. Instead, CNMI management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, the CNMI reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Total claims amounted to \$360,154, \$1,530,006 and \$11,872,781 for the years ended September 30, 2019, 2018 and 2017, respectively. Changes in the balance of claims liabilities during the past year are as follows:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(17) Risk Management, Continued

	<u>Year ended September 30,</u>
Unpaid claims at beginning of year	\$ 4,100,550
Incurred claims	360,154
Claim payments	<u>(255,500)</u>
Unpaid claims at end of year	\$ <u>4,205,204</u>

As part of the **U.S. Military's lease of Tinian, the CNMI Government, the** former Marianas Public Land Corporation and the U.S. Government, setup an escrow fund pending the obtaining of all the private land holdings on Tinian within the leased area. Subsequently, the escrow was jointly terminated wherein it was mutually agreed the funds could be used by the CNMI to acquire the private land holdings through direct acquisition or legal condemnation proceedings. This fund represents the net amount available after the costs of land acquisitions. Land condemnation proceedings are still in process. At September 30, 2019, the CNMI recorded claims and judgments liability of \$1,396,662 related to land condemnation proceedings.

(18) Pension and Other Postemployment Benefits Trust Fund

**The CNMI contributed to NMIRF's defined benefit plan (DB Plan),** a cost-sharing, multiple-employer plan established and administered by the CNMI. On September 30, 2013, the DB Plan was transferred to NMISF and the CNMI now contributes to NMISF. The CNMI also contributes to a defined contribution plan (DC Plan).

GASB Statement No. 75 requires employers to record other postemployment benefits (OPEB) expense for their contractually required contributions to the OPEB plan. The CNMI has complied with GASB 75 by recording OPEB expense based on the statutorial determined contribution rate of NMISF. The CNMI's OPEB liability is incorporated into the Due to Pension (and Other Employee Benefit) Trust Fund liability amount. It is the understanding of the management of the CNMI that the statutorial determined contribution rate of NMISF incorporates both the pension liability and the OPEB liability. GASB 75 also requires detailed disclosure of information related to the OPEB plan and CNMI management was unable to obtain this information from NMIRF and NMISF's financial reports. CNMI management is unable to obtain the required disclosures and is of the opinion that such information must be obtained from NMIRF and NMISF. It is the position of the management of the CNMI that NMIRF and NMISF are solely responsible for disclosure of OPEB information.

Defined Benefit Plan (DB Plan)

*Plan Description:* The DB Plan provides retirement, disability, security and other benefits to employees of the CNMI Government and CNMI agencies, instrumentalities and public corporations and their spouses and dependents. Benefits are based on the average annual salary of the beneficiary over the term of credited service. Public Law No. 6-17, the Northern Mariana Islands Retirement Fund Act of 1988, is the authority under which benefit provisions are established. Public Law No. 6-17 was subsequently amended by Public Law Nos. 6-41, 8-24, 8-30, 8-31, 8-39, 9-25, 9-45, 10-8, 10-19, 11-9, 11-95, 13-60, 15-14, 15-70, 15-126, 16-2, 16-36, 17-79, 17-82 and 18-02.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

*Plan Membership.* As of October 1, 2018, the valuation date, number of participants consisted of the following:

Class I members	64
Class II members	<u>6</u>
	70
Terminated vested	33
In Pay Status (Retirees, Survivors, Minor Children)	<u>2,847</u>
Total members	<u>2,950</u>

Class II members are all persons who were plan members prior to effective date of Public Law 6-17 and who did not choose to become Class I members.

*Pension Benefits:* Membership service is earned for actual compensated government employment after becoming a plan member. One and half year of service is earned for each month of employment.

Normal retirement eligibility for Class I benefit is age 62 and 10 years of contributing membership after May 7, 1989. Eligibility for Class II benefit is age 60 or 25 years of membership service. Payment is in the form of life annuity with a cost of living increase each year for the first \$30,000 of benefits equal to that which is used by the United States of America Social Security System commencing on January 1 of each year subsequent to the anniversary of retirement after attainment of age 55.

Benefit for Class I members is equal to the sum of the following, but not less than \$6,000 nor greater than 85% of average annual salary.

- The sum of 2.5% of average annual salary for each of the first 25 years of service with a maximum of 50% of average annual salary.
- 2.5% of average annual salary for each year of service in excess of 25 years.

Benefit for Class II members is equal to the sum of the following, but not less than \$6,000 nor the greater than 85% of average annual salary.

- The sum of 2% of average annual salary for each of the first 10 years of service and 2.5% of average annual salary for each year of service in excess of 10 years.
- Twenty dollars for each year of service reduced by 1/100<sup>th</sup> of 1% for each dollar that average annual salary exceeds \$6,000.

The minimum amount of service retirement annuity payable by the plan is \$6,000 per year. The maximum retirement annuity is 85% of average annual salary, which is average of the three highest annual salaries.

Class II members receive the greater of the benefit determined using the Class II formula or the benefit determined using the Class I formula as if all service had been rendered as a Class I member.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

*Pension Benefits, Continued:*

Early retirement eligibility for Class I early retirement is age 52 and 10 years of membership service or 25 years of membership service. At least 10 years of membership service must be earned after May 7, 1989. Class II members are not eligible for early retirement. Amount of benefit is the same as normal retirement benefit, except reduced by an actuarially determined amount of 3% for each month the member is under 62 years of age.

Termination eligibility for Class I termination benefit is 10 years of contributing membership service. Eligibility for Class II termination benefit is 3 years of vesting service. Amount of benefit is the same as normal retirement benefit, except the annuity commences at age 62 for Class I members and age 60 for Class II members.

Disability retirement eligibility includes members who are less than age 62, who are totally and permanently disabled and, in the case of non-occupational causes, who accumulate at least 5 years of member service. Amount of benefit is equal to **50% of the member's salary in effect** as of the date of disability or **66.67% member's salary in effect** if individual became a member prior to December 5, 2003. At age 62, the member will receive a normal retirement benefit calculated assuming service had continued to age 62 at the same salary received at the time of disability and the Class I formula is used. Disability benefits will be **reduced by the U.S. Social Security System, Workers' Compensation** or other disability insurance payments.

**Survivor's** benefits eligibility includes members who were active employees with at least 18 months of service for Class I and at least 3 years of service for Class II, or members who were receiving retirement or disability benefits. The following shall be payable:

- A surviving spouse will receive 50% of the **member's normal retirement benefit**, or benefit being paid at death, but not less than \$6,000 per year.
- Each surviving minor child (with a maximum of three children) will receive **the greater of \$1,080 and 16.67% of the member's normal retirement benefit** or the benefit being paid at death.

The surviving spouse benefit will commence immediately if there are minor **children, otherwise at the spouse's attainment** of age 35, and continues until remarriage or death. Payment will be in the form of a life annuity with a cost of living increase each year equal to that which is used by the U.S. Social Security System, commencing, January 1 subsequent to the **anniversary of the spouse's annuity date after attainment of age 55. The children's benefit commences immediately and continues until the respective child's attainment** of age 18 (age 22 if a full-time student) unless the child is disabled.

Lump sum death benefit eligibility includes members who were active employees or members who were receiving retirement or disability benefits. A lump sum of \$1,000 plus, if there is no surviving spouse or children, a refund, reduced by pension payments already received, of one-third of the accumulated employee contributions with interest.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

*Contributions:* DB Plan members are required to contribute 6.5% and 9% of their annual covered salary for Class I and Class II members, respectively. On June 14, 2007, Public Law No. 15-70 was enacted to amend the NMIRF Act to improve the DB Plan's fiscal solvency. Public Law No. 15-70 provides for increasing employee contributions to the DB Plan by 1% per year beginning in fiscal year 2008 until reaching 10.5% for Class I members and 11% for Class II members. The actuarial contribution rate for fiscal year ended September 30, 2019 has yet to be determined. The actuarially determined contribution rate for the fiscal year ended September 30, 2010 is 72.7215% of covered payroll based on an actuarial valuation as of October 1, 2010 issued in October 2012. The established statutory rate at September 30, 2019 is 72.7215% of covered payroll. Public Law No. 15-126, authorizes the CNMI Government to remit only 18% of covered payroll and accrue the remaining as liability to NMIRF for fiscal year 2009. The employer contribution remittance was further reduced by Public Law No. 16-2 to 11% of covered payroll. On June 29, 2009, the CNMI was ordered to pay employer contribution of 16% beginning August 2009. Effective November 2009, the employer contribution was increased to 20%. On November 10, 2010, the CNMI was ordered to remit the employer contribution rate of 30% effective October 1, 2010.

On August 30, 2012, Public Law 17-79 was enacted to amend Title I of the Commonwealth Code to include the intent of the CNMI to participate in the retirement insurance system established by Title II of the U.S. Federal Insurance Contributions Act (FICA) and for participation to be extended to elected officials, employees, political subdivisions and instrumentalities of the CNMI. On September 11, 2012, Public Law 17-82 *CNMI Pension Reform Recovery Act of 2012* was enacted. Unless specifically exempted or authorized by federal law, Public Law 17-82 provides for mandatory membership of CNMI Government employees and elected officials in the U.S. Social Security system and authorizes employees, who elect to, to buy quarters of service in the U.S. Social Security system from contributions made to the DB plan. In addition, Public Law 17-82 provides active and inactive DB Plan members the option to voluntarily terminate membership in the DB Plan, withdraw or roll over contributions to the DC Plan and to participate in the U.S. Social Security system without termination of employment or penalty. Further, Public Law 17-82 allows the CNMI Government to continue remitting its 4% employer contribution to the DC Plan unless the employee ceases to contribute its employee share.

On March 11, 2013, Public Law 18-02 was enacted to amend certain provisions in Public Law 17-82. Public Law 18-02 requires class members who elect to terminate membership in the DB Plan to receive employee contributions with regular interest without penalty and without separating from government service. Further, Public Law 18-02 allows the CNMI Government to continue to withhold and remit the **employee's portion to the employee's DB account with respect** to employees who do not terminate membership in the DB Plan. All but fifty-two active employees voluntarily terminated membership in the DB Plan.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

*Contributions, Continued:*

On August 7, 2013, the District Court issued an order for the preliminary approval of Civil Case No. 09-00023, Class Action Settlement (the Settlement), between a retiree (individually and on behalf of similarly-situated persons) and the CNMI, NMIRF and others. The Settlement includes the creation of NMISF to accept the transfer of NMIRF assets, receive annual contributions and payments from the CNMI and to carry out the consent judgment entered by the District Court. On September 30, 2013, the District Court approved the Settlement.

As part of the Settlement, the CNMI agrees to make minimum annual payments to NMISF to allow for the payment of 75% of Class Members' full benefits annually during the NMISF's expected life and as determined by an independent actuary appointed by the NMISF Trustee and approved by the District Court.

The Parties project that the minimum annual payments necessary to enable the Settlement Fund to **pay 75% of Class Members' Full Benefits each year will likely** be at least:

2020	\$ 43,000,000
2021	\$ 42,000,000
2022	\$ 41,000,000
2023	\$ 40,000,000
2024	\$ 39,000,000

For the years ended September 30, 2019, 2018 and 2017, the CNMI recorded payments to NMISF of \$44,000,000 and \$14,150,418, \$45,000,000 and \$14,407,656, and \$33,000,000 and \$14,740,001, respectively, which relates to the fiscal year 2019 annual payment pursuant to Section 4 of the Settlement and payment of 25% of the class members full benefits, respectively.

The CNMI has agreed to continue to make annual payments in these minimum amounts unless the District Court determines after a hearing that a different amount is required to enable payment to Class Members of 75% of their Full Benefits.

After fiscal year 2024, the CNMI has agreed to make minimum annual payments to the Settlement Fund sufficient to enable the Settlement Fund to pay 75% of **Class Members' Full Benefits each year for the Settlement Fund's expected life** as determined by an independent actuary appointed by the Trustee and approved by the District Court.

Section 4.2 of **the Settlement requires that if 17% of the CNMI's total annual revenue**, as agreed by the Settlement Fund Trustee, Counsel, and the CNMI or as determined by the District Court, is greater than the minimum annual payments, the CNMI must pay the difference to the Settlement Fund within 60 days. Accordingly, during fiscal year 2019, the CNMI recorded a liability to the Settlement Fund of \$17,693,829, which relates to fiscal years 2016 and 2017 differences of 17% agreed revenue over annual payments. The CNMI and NMISF still have yet to determine the amount of excess, if any, for fiscal years 2018 and 2019.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

*Contributions, Continued:*

In addition, Section 5 of the Settlement requires class members who are employed by the CNMI or an autonomous agency and who did not terminate from the DB Plan pursuant to Public Law 17-82, as amended by Public Law 18-02, to continue to pay employee contributions as required by the laws of the CNMI existing as of August 6, 2013. Required contributions are remitted to NMISF and the CNMI and autonomous agencies make supplemental payments to NMISF in the amount of the employer contributions at the same contribution rates they were paying as of June 26, 2013. Accordingly, NMIRF has no obligations or duties to pay retirement benefits to class members. For the year ended September 30, 2019, the CNMI recorded contributions to NMISF of \$537,483.

Section 8.1 of the Settlement assigns the CNMI the rights to collect deficient employer contributions and related costs as of August 6, 2013 from autonomous agencies. At September 30, 2019, the CNMI has not determined the amount of receivables from autonomous agencies.

In fiscal year 2019, actuarial determination for the amount of liability was made for measurement date of September 30, 2018 by actuarial valuation as of October 1, 2018. The components of the net pension liability of the plan as of September 30, 2019 is as follows:

Total pension liability	\$ 645,784,891
Fiduciary net position	<u>(116,501,735)</u>
Net pension liability	\$ <u>529,283,156</u>
Fiduciary net position as a percentage of the total pension liability	18.04%

*Actuarial Assumptions*

The total pension liability was determined for measurement date of September 30, 2018 by an actuarial valuation as of October 1, 2018, using the following actuarial assumptions:

Actuarial Cost Method:	Entry Age Normal as a percentage of salary
Investment Income:	3.6% for all future years
Salary Increase:	No future salary increases
Mortality:	1971 Group Annuity Mortality Table for Males with ages set forward 3 years for Males

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

*Actuarial Assumptions, Continued:*

Turnover Rates:	<u>Age</u>	<u>Rate</u>
	20	1.303%
	35	1.078%
	30	0.858%
	35	0.683%
	40	0.508%
	45	0.333%
	50	0.158%
	55+	0.000%
Disability:	<u>Age</u>	<u>Disability</u>
	25	0.020%
	30	0.023%
	35	0.035%
	40	0.060%
	45	0.112%
	50	0.310%
	55	0.334%
	60	0.441%
Retirement Age:	100% at age 62, if eligible, or 25 years of vesting service.	
Marriage Assumption:	84% of participants are assumed to be married.	
Spouse Age:	Male members are assumed to be 5 years older than female spouses.	
Survivor Benefit – Minor Child:	Married participants are assumed to have two minor children aged 13 on benefit commencement date.	
Cost of Living Adjustment:	2% per year.	

*Long-Term Expected Rate of Return*

The long-term expected rate of return on the **Fund's investments of 3.6%** was determined using investment expectations provided by the investment consultant for the NMISF.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

*Discount Rate*

The discount rate used to measure the total pension liability was 3.6% at the current and prior measurement date. The discount rate was determined using the current assumed long-term rate of return to the extent that the plan assets along with expected future investments and expected future contributions are insufficient to finance all payments. The plan is project to be depleted in about 20 years, after that the plan sponsor (the CNMI) is expected to pay the benefits on a pay-as-you-go basis. For years on or after 20 years, the discount rate is based on 20-year tax-exempt AA or higher Municipal Bonds.

*Sensitivity of Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the Fund as of September 30, 2018, calculated using the discount rate of 3.6%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (2.6%) or 1.00% higher (4.6%) from the current rate.

<u>1% Decrease 2.6%</u>	<u>Current Single Discount Rate Assumption 3.6%</u>	<u>1% Increase 4.6%</u>
\$ 602,051,583	\$ 529,283,156	\$ 468,392,046

*Schedule of Changes in Net Pension Liability*

Based on the September 30, 2018 measurement date, the changes in net pension liability were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance at 10/01/18	\$ <u>669,421,871</u>	\$ <u>94,660,646</u>	\$ <u>574,761,225</u>
Changes for the year:			
Service cost	286,604	-	286,604
Interest	23,080,159	-	23,080,159
Difference between expected and actual experience	10,691,799	-	10,691,799
<b>Employers' contributions</b>	-	78,953,755	(78,953,755)
<b>Members' contributions</b>	-	596,345	(596,345)
Net investment income	-	1,273,146	(1,273,146)
Benefit payments, including refunds of members' contributions	(57,695,542)	(57,695,542)	-
Administrative expense	-	(1,286,615)	1,286,615
Net changes	<u>(23,636,980)</u>	<u>21,841,089</u>	<u>(45,478,069)</u>
Balance at 09/30/19	\$ <u>645,784,891</u>	\$ <u>116,501,735</u>	\$ <u>529,283,156</u>

Pension Liability. At September 30, 2019, the CNMI reported a liability of \$529,283,156 for its full share of the net pension liability.

Pension Expense. For the year ended September 30, 2019, the CNMI recognized pension expense of \$16,280,368.

Deferred Outflows and Inflows of Resources. At September 30, 2019, the CNMI reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(18) Pension and Other Postemployment Benefits Trust Fund, Continued

Defined Benefit Plan (DB Plan), Continued

*Schedule of Changes in Net Pension Liability, Continued*

Deferred Outflows and Inflows of Resources, Continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 1,026,287	\$ -
Contributions subsequent to measurement date	<u>58,869,053</u>	<u>-</u>
	<u>\$ 59,895,340</u>	<u>\$ -</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2019 will be recognized in pension expense as follows:

Year ending September 30,

2020	\$ 175,322
2021	175,322
2022	175,324
2023	<u>500,319</u>
	<u>\$ 1,026,287</u>

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law No. 15-13 was enacted which created the DC Plan, a multi-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to **the member's individual account an amount equal to 10%** of the member's compensation. Public Law 17-82 requires the CNMI to contribute to each **member's individual account an amount equal to 4%** unless the employee ceases to contribute its employee share. **The CNMI's recorded DC contributions for the years ended September 30, 2019, 2018 and 2017 were \$754,177, \$814,292 and \$656,465, respectively, equal to the required contributions for each year.**

Members of the DC Plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

The contribution requirements of plan members and the CNMI are established and may be amended by the Board of Trustees of NMIRF.

All component units of the CNMI government reporting entity also contribute to the DC Plan. Separate actuarial valuations have not been performed for these separate component units.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Financial Statements  
September 30, 2019

(19) Restatement

Subsequent to the issuance of the CNMI's 2018 financial statements, CNMI management determined that certain account balances of CPA and CDA were understated by \$3,448,447 and \$8,876,824, respectively. Accordingly, account balances of the discretely presented component units have been restated from amounts previously reported.

(20) Subsequent Event

Economic uncertainties have arisen as a result of the COVID-19 coronavirus pandemic, which are likely to negatively impact the CNMI's **financial results**. To prevent the spread of the COVID-19 coronavirus, the CNMI temporarily suspended commercial air travel to the CNMI effective April 6, 2020. Although this suspension is temporary, there is considerable uncertainty on its duration, which negatively impacted businesses in the CNMI and resulted in employee furloughs both in private and public sectors. Other financial impacts could occur though such potential impact is unknown at this time.



COMMONWEALTH OF THE  
NORTHERN MARIANA ISLANDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Revenues, Expenditures, and Changes in Deficit  
- Budget and Actual - General Fund  
Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary Basis)	
Revenues:				
Taxes	\$ 234,488,761	\$ 208,260,238	\$ 189,880,711	\$ (18,379,527)
Charges for sales and services	3,080,134	3,080,134	1,988,226	(1,091,908)
Licenses and fees	13,115,375	13,115,375	12,154,017	(961,358)
Contributions from component units	-	-	2,265,082	2,265,082
Other	6,654,837	6,654,837	3,847,191	(2,807,646)
Total revenues	257,339,107	231,110,584	210,135,227	(20,975,357)
Expenditures - budgetary basis by function:				
Executive branch:				
Office of the Governor	3,270,491	2,405,036	2,251,915	153,121
Office of the Lt. Governor	990,815	792,947	763,764	29,183
Other Offices of the Governor and Lt. Governor	7,932,066	7,317,977	8,231,559	(913,582)
Department of Commerce	1,956,537	1,815,735	2,076,319	(260,584)
Department of Community and Cultural Affairs	3,782,833	3,207,672	3,209,364	(1,692)
Department of Corrections	5,815,297	5,225,215	5,950,693	(725,478)
Department of Finance	8,524,839	8,140,544	9,689,426	(1,548,882)
Department of Fire and Emergency Medical Services	5,845,030	5,502,570	6,580,541	(1,077,971)
Department of Labor	1,631,728	1,068,445	846,030	222,415
Department of Lands and Natural Resources	3,886,288	3,392,943	3,406,762	(13,819)
Department of Public Safety	8,211,344	7,773,751	13,515,178	(5,741,427)
Department of Public Works	3,650,171	2,989,655	3,420,516	(430,861)
Second Senatorial District - Tinian and Aguiuan	9,742,510	8,292,213	8,646,078	(353,865)
First Senatorial District - Rota	9,485,905	8,095,749	8,926,526	(830,777)
Legislative branch	7,200,608	6,117,693	5,865,032	252,661
Judicial branch	6,825,389	5,788,188	6,012,157	(223,969)
Independent programs	3,287,859	2,833,325	2,513,500	319,825
Office of the Attorney General	2,897,808	2,737,390	2,886,733	(149,343)
Third Senatorial District - Saipan and the Northern Islands	3,828,861	3,264,233	3,126,753	137,480
Office of the Public Auditor	1,600,599	1,421,552	2,032,045	(610,493)
Boards and commissions	1,889,928	1,974,502	2,115,132	(140,630)
Education (payment to PSS, NMC and Board of Education)	48,456,576	41,049,698	34,860,935	6,188,763
Tourism (payment to MVA)	16,252,075	16,252,076	7,686,950	8,565,126
Pension contributions (payment to NMISF and NMIRF)	50,938,596	50,468,125	44,148,262	6,319,863
Employee benefits (payment to GHLITF)	13,317,510	8,977,663	12,359,052	(3,381,389)
Health (Medicaid local expenditures and medical referrals)	7,868,414	6,758,124	21,492,519	(14,734,395)
Health (payment to CHCC)	4,185,412	3,545,647	768,733	2,776,914
Disaster expenditures	-	-	19,027,432	(19,027,432)
Debt service	9,548,750	9,548,750	9,564,446	(15,696)
Unallocated adjustments, net	161,702	-	(2,554,364)	2,554,364
Total expenditures	252,985,941	226,757,418	249,419,988	(22,662,570)
Excess (deficiency) of revenues over (under) expenditures	4,353,166	4,353,166	(39,284,761)	(43,637,927)
Other financing sources (uses):				
Operating transfers in	800,000	800,000	484,891	(315,109)
Operating transfers out	(9,274,597)	(9,274,597)	(5,469,755)	3,804,842
Total other financing sources (uses), net	(8,474,597)	(8,474,597)	(4,984,864)	3,489,733
Other changes:				
Encumbrances	4,121,431	4,121,431	4,305,967	184,536
Net change in deficit	\$ -	\$ -	\$ (39,963,658) *	\$ (39,963,658)

\* See note 2.

See Accompanying Notes to Required Supplementary Information - Budgetary Reporting and Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to Required Supplementary Information - Budgetary Reporting  
September 30, 2019

(1) Budgetary Information

Under Public Law No. 3-68, as amended by Public Law No. 3-93, the Governor submits a proposed budget to the CNMI Legislature by April 1 for the fiscal year commencing the following October 1. By July 1, the CNMI Legislature sets limits on expenditures by House Concurrent Resolution (a resolution originating in the House of Representatives which is passed by both the House and Senate). By September 1, the budget is legally enacted by the CNMI Legislature through passage of Annual Appropriation Acts. If a balanced budget is not approved before the first day of the fiscal year, appropriations for government operations and obligations shall be at the same level for the previous fiscal year. Budgetary control is maintained at the department level. To the extent not expended or encumbered, General Fund appropriations generally lapse at the end of the fiscal year for which appropriations were made.

Accounting principles used in developing data on a budgetary basis differ from those used in preparing the basic financial statements in conformity with GAAP. Amounts included on the Statement of Revenues, Expenditures and Changes in Deficit - Budget and Actual - General Fund (which are presented on a non-GAAP budgetary basis) are reconciled to unassigned deficit of the Governmental Fund Balance Sheet within the other changes in unassigned deficit section of that statement.

Encumbrance accounting is employed in governmental funds. For budgetary purposes, encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent fiscal year.

On September 19, 2018, the CNMI passed Public Law 20-67 as the Appropriations and Budget Authority Act of 2019 (the Act). The Act allocates local funds for the operations and activities of the Government of the CNMI, its agencies, its instrumentalities, independent agencies and political subdivisions and provides authority for government corporations for Fiscal Year 2019 commencing October 1, 2018 and ending September 30, 2019. On October 15, 2018, the CNMI passed Public Law 20-78 to amend Public Law 20-67 appropriate the funds that were line item vetoed under Governors Communications relating to the Act.

Expenditures may not legally exceed budgeted appropriations at the program area level. Certain activity levels within the General Fund have over expended budgeted appropriations; however, the effect of such over expenditures, if any, is presently not determinable.

**See Accompanying Independent Auditors' Report.**

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to Required Supplementary Information - Budgetary Reporting  
September 30, 2019

(2) Explanation of Differences

Total revenues of \$208,498,345 reported under GAAP basis does not equal total revenues of \$207,870,145 reported under the budgetary basis due to \$628,200 of contract workers funds received from the U.S. Department of Homeland Security (USDHS) pursuant to US Public Law 110-229 for the purpose of funding ongoing vocational educational curricula and program development by the CNMI. The amount was included as other revenue in the governmental funds but was not included in the budgetary schedule. CNMI management has taken the position that these funds are not considered general fund revenues to be reported under the budgetary basis but are treated as pass-through funds from the USDHS. Of this amount, \$250,000 was transferred to NMC and \$378,000 was transferred to the Northern Marianas Trade Institute. Amounts were also not reported as expenditures for budgetary purposes.

The amount reported as operating transfers in of \$1,489,708 under GAAP basis does not equal the amount reported as operating transfers in of \$484,891 under the budgetary basis due to \$1,004,817 of Compact Impact funds reported as operating transfers in the governmental fund financial statements but were reported as a reduction of expenditures for budgetary purposes.

The amount reported as operating transfers out of \$8,849,342 under GAAP basis does not equal the amount reported as operating transfers out of \$5,469,755 under the budgetary basis due to \$3,379,587 of federal grants local match reported as transfers out in the governmental fund financial statements but were reported as expenditures for budgetary purposes.

The following reconciles budget to GAAP differences:

Net change in fund balance - budgetary basis	\$ (39,963,658)
Less accrual of pension expenditures	16,280,368
Add contract workers fund not recognized under budgetary basis	<u>2,335,109</u>
Net change in fund balance - General Fund	\$ <u>(53,908,917)</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Required Supplemental Information  
 Schedule of Proportional Share of the Net Pension Liability  
 Last 10 Fiscal Years\*

	<u>2018</u> <u>Valuation</u>	<u>2017</u> <u>Valuation</u>
NMISF (Plan) total net pension liability	\$ 529,283,156	\$ 574,761,225
The CNMI's proportionate share of the net pension liability	\$ 529,283,156	\$ 574,761,225
The CNMI's proportion of the net pension liability	100%	100%
The CNMI's covered employee payroll**	\$ 3,602,480	\$ 3,270,686
The CNMI's proportionate share of the net pension liability as a percentage of its covered employee payroll	14692.19%	17573.11%
Plan fiduciary net position as a percentage of the total pension liability	18.04%	14.14%

\* This data is presented for those years for which information is available.

\*\* Covered-employee payroll data from the actuarial valuation date with one-year lag.

See accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Required Supplemental Information  
 Schedule of Pension Contributions  
 Last 10 Fiscal Years\*

	<u>2018</u> <u>Valuation</u>	<u>2017</u> <u>Valuation</u>
Actuarially determined contribution	\$ 45,000,000	\$ 33,000,000
Contribution in relation to the actuarially determined contribution	<u>78,953,755</u>	<u>68,303,052</u>
Contribution excess	<u>\$ (33,953,755)</u>	<u>\$ (35,303,052)</u>
The CNMI's covered-employee payroll**	<u>\$ 3,602,480</u>	<u>\$ 3,270,686</u>
Contribution as a percentage of covered-employee payroll	2191.65%	2088.34%

\* This data is presented for those years for which information is available.

\*\* Covered-employee payroll data from the actuarial valuation date with one-year lag.

See accompanying Independent Auditors' Report.

COMMONWEALTH OF THE  
NORTHERN MARIANA ISLANDS

OTHER SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Schedule of Expenditures by Account  
Governmental Funds  
Year Ended September 30, 2019

	General	Grants Assistance	Saipan Amusement	Department of Public Lands	Other Governmental Funds	Total
Salaries and wages	\$ 73,618,334	\$ 12,215,539	\$ 536,052	\$ 2,184,366	\$ 4,362,334	\$ 92,916,625
Professional services	10,265,440	108,751,827	564,599	437,196	2,526,371	122,545,433
Payments to Settlement Fund	44,000,000	-	29,187,939	-	-	73,187,939
Education:						
Payments to Public School System	36,619,017	224,874	3,850,000	-	250,000	40,943,891
Payments to Northern Marianas College	5,827,937	39,108	857,143	-	-	6,724,188
Employee benefits	15,526,630	4,178,680	146,821	485,032	903,619	21,240,782
Food items	910,032	32,302,793	2,197	-	237,904	33,452,926
Utilities	3,877,008	650,428	17,101	387,599	118,672	5,050,808
Capital outlay:						
Road improvements	58,827	-	1,072,505	-	2,206,544	3,337,876
Vehicles	2,378,372	1,224,619	771,732	-	719,386	5,094,109
Furniture and fixtures	225,811	190,176	257,110	12,704	223,743	909,544
Office equipment	1,317,872	560,076	-	310	-	1,878,258
Construction in progress	31,436	339,030	13,727	-	597,562	981,755
Machinery and equipment	614,163	502,340	5,370	4,675	50,685	1,177,233
Building improvements	294,090	113,756	69,269	-	36,850	513,965
Other	358,566	845,068	18,262	202,351	247,872	1,672,119
Payments to Marianas Visitors Authority	11,949,481	-	-	-	-	11,949,481
Payments to Marianas Public Land Trust	-	-	-	4,451,471	-	4,451,471
Contributions/donations	2,063,263	2,024,762	2,887,411	-	1,595,879	8,571,315
Claims and judgments	701,620	-	-	-	-	701,620
Interest	3,831,773	-	-	-	-	3,831,773
Travel	7,241,647	2,124,545	387,548	173,590	317,540	10,244,870
Principal repayment	5,956,646	-	-	-	-	5,956,646
Rentals	5,964,458	4,849,270	105,762	169,329	594,066	11,682,885
Scholarships/grants	1,836,439	9,665,718	1,472,832	-	1,614,350	14,589,339
Supplies	2,413,264	14,271,551	63,264	47,227	289,805	17,085,111
Payments to Commonwealth Utilities Corporation	-	-	105,000	-	-	105,000
Payments to Commonwealth Healthcare Corporation	691,553	883,333	-	-	-	1,574,886
Repairs and maintenance	3,448,725	16,453,103	104,914	36,910	458,303	20,501,955
Communications	1,155,492	454,855	20,242	18,768	88,467	1,737,824
Fuel and lubrication	1,729,943	931,267	47,240	25,854	181,756	2,916,060
Indirect costs	-	2,303,264	-	-	-	2,303,264
Advertising	58,357	149,394	7,345	12,285	9,862	237,243
Printing	296,294	243,429	17,794	8,373	35,916	601,806
Dues and subscriptions	224,467	59,515	2,680	569	8,720	295,951
Miscellaneous services	312,425	200,319	1,850	9,420	231,610	755,624
Official representation	181,611	-	10,336	-	14,986	206,933
Insurance	11,521	682,986	-	41,233	16,858	752,598
Freight	243,910	-	9,818	3,422	8,748	265,898
Books and library materials	22,428	37,209	-	-	185	59,822
Licenses and fees	51,543	9,682	-	3,474	2,749	67,448
Other	3,466,154	6,434,161	47,560	31,793	1,799,764	11,779,432
	<u>\$ 249,776,549</u>	<u>\$ 223,916,677</u>	<u>\$ 42,661,423</u>	<u>\$ 8,747,951</u>	<u>\$ 19,751,106</u>	<u>\$ 544,853,706</u>

See Accompanying Independent Auditors' Report.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
MAJOR GOVERNMENTAL FUND - GENERAL FUND

September 30, 2019

The General Fund is the CNMI's primary operating fund and is used to account for all financial transactions not accounted for in any other fund.

NMTIT Rebate Trust

This fund was created to account for at least 75% of amounts paid to the CNMI with respect to taxes. Amounts may be withdrawn from the trust fund only for the purpose of making rebates, payments into the General Fund (but only after a final determination that the amount in question is not validly subject to rebate), or payments into the General Fund of interest derived from the trust accounts.

Commonwealth Museum Fund

This fund was created by Public Law No. 10-5 to account for all funds received from legislative appropriations for the activities and operations of the Museum; fees generated by the Museum and all gifts, loans or other funds designated for any and all operations and activities of the Museum.

Human Resources Development Trust Fund

This fund was created by Public Law No. 5-3 to account for all revenues raised from the licensing of amusement machines. Public Law No. 5-3 was subsequently amended by Public Law No. 10-41, which required that funds collected under Public Law No. 5-3 to be transferred into the General Fund for general appropriation.

Micronesia Garment Manufacturing Fund

This fund accounts for settlement claims on behalf of certain garment workers.

Debt Service Fund

This fund accounts for the accumulation of resources, principally transfers from the General Fund for the payment of long-term debt principal and interest.

Judicial Building Fund

This fund was created by Public Law No. 7-25 to account for financing restricted to the construction and furnishing of the CNMI Supreme Court and Superior Court building. At September 30, 2019, the project was completed. Revenues generated by the court will be used to finance the debt service on the loan payable under Settlement Agreement.

Tinian Land Condemnation Fund

**As part of the U.S. Military's lease of Tinian, the CNMI Government, the former Marianas Public Land Corporation and the U.S. Government, setup an escrow fund pending the obtaining of all the private land holdings on Tinian within the leased area. Subsequently, the escrow was jointly terminated wherein it was mutually agreed the funds could be used by the CNMI to acquire the private land holdings through direct acquisition or legal condemnation proceedings. This fund represents the net amount available after the costs of land acquisitions. Land condemnation proceedings are still in process.**

**See Accompanying Independent Auditors' Report.**

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
MAJOR GOVERNMENTAL FUND - GENERAL FUND

September 30, 2019

Miscellaneous General Fund

The miscellaneous general fund combines the following:

- San Antonio Park Fund
- Smiling Cove Operations and Maintenance Fund
- Law Revision Commission Revolving Fund
- CRM Publication Fund
- Tinian Municipal School Fund
- Department of Corrections Revolving Fund
- Miscellaneous Expendable Trust Fund
- Agriculture Revolving Fund
- Public Utilities Commission Fund
- Soil and Water Conservation Fund
- **Governor's Education Initiative** Fund

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Schedule of Balance Sheet Accounts  
General Fund  
September 30, 2019

	General	NMTIT Rebate Trust	Commonwealth Museum	Human Resources Development Trust	Micronesia Garment Manufacturing	Debt Service	Judicial Building	Tinian Land Condemnation	Miscellaneous	Eliminations	Total
<b>Assets</b>											
Cash and cash equivalents	\$ 16,248,779	\$ 104,157	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,352,936
Time certificates of deposit	112,643	-	-	-	-	-	-	-	-	-	112,643
Restricted cash and cash equivalents	5,070,923	-	-	-	-	2,523,754	-	-	-	-	7,594,677
Receivables, net:											
Federal agencies	-	6,875,038	-	-	-	-	-	-	-	-	6,875,038
Taxes	7,395,606	-	-	-	-	-	-	-	-	-	7,395,606
General	4,144,214	-	-	-	-	-	-	-	-	-	4,144,214
Due from other funds	1	-	-	-	-	-	-	-	-	-	1,794,709
Due to/from General Funds	(50,527,043)	51,685,268	(1,265,120)	(182,346)	456,655	-	(1,849,884)	1,399,650	282,820	1,794,708	-
Due from fiduciary funds	1,659,022	-	-	-	-	-	-	-	-	-	1,659,022
Advances	1,189,075	-	-	-	-	-	-	-	-	-	1,189,075
Inventories	232,387	-	-	-	-	-	-	-	-	-	232,387
Other assets	2,500,000	-	-	-	-	-	-	-	-	-	2,500,000
	<u>\$ (11,974,393)</u>	<u>\$ 58,664,463</u>	<u>\$ (1,265,120)</u>	<u>\$ (182,346)</u>	<u>\$ 456,655</u>	<u>\$ 2,523,754</u>	<u>\$ (1,849,884)</u>	<u>\$ 1,399,650</u>	<u>\$ 282,820</u>	<u>\$ 1,794,708</u>	<u>\$ 49,850,307</u>
<b>Liabilities and Fund Balances (Deficit)</b>											
Liabilities:											
Accounts payable	\$ 32,901,179	\$ -	\$ 9,292	\$ 80	\$ -	\$ -	\$ -	\$ -	\$ 82,646	\$ -	\$ 32,993,197
Tax rebates payable	-	58,664,463	-	-	-	-	-	-	-	-	58,664,463
Recovery rebates payable	393,837	-	-	-	-	-	-	-	-	-	393,837
Other liabilities and accruals	3,779,787	-	22,313	59,598	-	-	-	-	-	-	3,861,698
Claims and judgments payable	2,805,554	-	-	-	-	-	-	1,399,650	-	-	4,205,204
Loan payable under Settlement Agreement	2,019,860	-	-	-	-	-	-	-	-	-	2,019,860
Due to other funds	29,122,314	-	-	-	-	-	-	-	-	1,794,708	30,917,022
Due to fiduciary funds	17,693,829	-	-	-	-	-	-	-	-	-	17,693,829
Due to component units	28,078,720	-	-	-	-	-	-	-	-	-	28,078,720
Total liabilities	<u>116,795,080</u>	<u>58,664,463</u>	<u>31,605</u>	<u>59,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,399,650</u>	<u>82,646</u>	<u>1,794,708</u>	<u>178,827,830</u>
Fund balances (deficit):											
Non-spendable	2,732,387	-	-	-	-	-	-	-	-	-	2,732,387
Restricted	-	-	-	-	-	2,523,754	-	-	-	-	2,523,754
Unassigned	(131,501,860)	-	(1,296,725)	(242,024)	456,655	-	(1,849,884)	-	200,174	-	(134,233,664)
Total fund balances (deficit)	<u>(128,769,473)</u>	<u>-</u>	<u>(1,296,725)</u>	<u>(242,024)</u>	<u>456,655</u>	<u>2,523,754</u>	<u>(1,849,884)</u>	<u>-</u>	<u>200,174</u>	<u>-</u>	<u>(128,977,523)</u>
	<u>\$ (11,974,393)</u>	<u>\$ 58,664,463</u>	<u>\$ (1,265,120)</u>	<u>\$ (182,346)</u>	<u>\$ 456,655</u>	<u>\$ 2,523,754</u>	<u>\$ (1,849,884)</u>	<u>\$ 1,399,650</u>	<u>\$ 282,820</u>	<u>\$ 1,794,708</u>	<u>\$ 49,850,307</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficit)  
 General Fund  
 For the Year Ended September 30, 2019

	General	Commonwealth Museum	Human Resources Development Trust	Micronesia Garment Manufacturing	Debt Service	Judicial Building	Miscellaneous	Eliminations	Total
<b>Revenues:</b>									
Taxes	\$ 189,880,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,880,711
Licenses and fees	11,146,526	-	-	-	-	1,007,491	-	-	12,154,017
Contributions from component units	2,265,082	-	-	-	-	-	-	-	2,265,082
Charges for sales and services	1,975,288	-	-	-	-	-	12,938	-	1,988,226
Interest and dividends	23,113	-	-	-	5,599	-	472	-	29,184
Other	4,144,661	2,620	-	-	-	-	298,926	-	4,446,207
<b>Total revenues</b>	<b>209,435,381</b>	<b>2,620</b>	<b>-</b>	<b>-</b>	<b>5,599</b>	<b>1,007,491</b>	<b>312,336</b>	<b>-</b>	<b>210,763,427</b>
<b>Expenditures:</b>									
<b>Current:</b>									
Public safety and law enforcement	57,344,799	-	-	-	-	-	-	-	57,344,799
General government	14,067,804	-	-	-	-	-	-	-	14,067,804
Other elected officials	11,982,489	-	-	-	-	-	-	-	11,982,489
Legislative branch	5,819,161	-	-	-	-	-	-	-	5,819,161
Health	18,460,825	-	-	-	-	-	-	-	18,460,825
Judicial branch	6,081,820	-	-	-	-	-	17,330	-	6,099,150
Lands and natural resources	6,678,619	-	-	-	-	-	-	-	6,678,619
Community and social services	6,938,461	280,129	-	-	-	-	-	-	7,218,590
Education	3,298,848	-	-	-	-	-	-	-	3,298,848
Economic development	1,593,586	-	-	-	-	-	-	-	1,593,586
Payments to:									
Public School System	31,676,885	-	-	-	-	-	-	-	31,676,885
Marianas Visitors Authority	7,912,823	-	-	-	-	-	-	-	7,912,823
Commonwealth Healthcare Corporation	704,544	-	-	-	-	-	-	-	704,544
Northern Marianas College	7,927,937	-	-	-	-	-	-	-	7,927,937
CNMI Group Health and Life Insurance Trust Fund	12,296,401	-	-	-	-	-	-	-	12,296,401
Settlement Fund	43,627,540	-	-	-	-	-	-	-	43,627,540
Debt service:									
Interest and fiscal charges	9,130	-	-	-	3,539,296	192,225	-	-	3,740,651
Principal retirement	-	-	-	-	4,960,000	-	-	-	4,960,000
Capital outlay:									
Public works	4,365,897	-	-	-	-	-	-	-	4,365,897
<b>Total expenditures</b>	<b>240,787,569</b>	<b>280,129</b>	<b>-</b>	<b>-</b>	<b>8,499,296</b>	<b>192,225</b>	<b>17,330</b>	<b>-</b>	<b>249,776,549</b>
Excess (deficiency) of revenues over (under) expenditures	(31,352,188)	(277,509)	-	-	(8,493,697)	815,266	295,006	-	(39,013,122)
<b>Other financing sources (uses):</b>									
Operating transfers in	2,093,253	-	-	-	8,554,822	-	-	(8,554,822)	2,093,253
Operating transfers out	(25,543,870)	-	-	-	-	-	-	8,554,822	(16,989,048)
<b>Total other financing sources (uses), net</b>	<b>(23,450,617)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,554,822</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,895,795)</b>
<b>Net change in fund balances (deficit)</b>	<b>(54,802,805)</b>	<b>(277,509)</b>	<b>-</b>	<b>-</b>	<b>61,125</b>	<b>815,266</b>	<b>295,006</b>	<b>-</b>	<b>(53,908,917)</b>
Fund balances (deficit) at beginning of year	(73,966,668)	(1,019,216)	(242,024)	456,655	2,462,629	(2,665,150)	(94,832)	-	(75,068,606)
<b>Fund balances (deficit) at end of year</b>	<b>\$ (128,769,473)</b>	<b>\$ (1,296,725)</b>	<b>\$ (242,024)</b>	<b>\$ 456,655</b>	<b>\$ 2,523,754</b>	<b>\$ (1,849,884)</b>	<b>\$ 200,174</b>	<b>\$ -</b>	<b>\$ (128,977,523)</b>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
MAJOR GOVERNMENTAL FUND - GRANTS ASSISTANCE FUND

September 30, 2019

The Grants Assistance Fund is used to account for all transactions related to grants received from various U.S. departments.

Federal Grants Fund

This fund accounts for all financial transactions related to direct grants received from various U.S. departments.

DOI Capital Projects Fund

This fund accounts for various capital projects funded through grant awards from the U.S. Department of the Interior.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet  
Grants Assistance Fund  
September 30, 2019

<u>Assets</u>	<u>Federal Grants</u>	<u>DOI Capital Projects</u>	<u>Total</u>
Receivables, net:			
Federal agencies	\$ 9,290,253	\$ 79,064	\$ 9,369,317
Other	-	12,831	12,831
Due from other funds	784,673	1,705,464	2,490,137
Inventories	571,956	-	571,956
	<u>\$ 10,646,882</u>	<u>\$ 1,797,359</u>	<u>\$ 12,444,241</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 6,506,628	\$ 249,889	\$ 6,756,517
Other liabilities and accruals	416,265	347,433	763,698
Due to other funds	1,647,196	-	1,647,196
Unearned revenues	571,956	-	571,956
Total liabilities	9,142,045	597,322	9,739,367
Fund balances:			
Restricted	1,504,837	1,200,037	2,704,874
	<u>\$ 10,646,882</u>	<u>\$ 1,797,359</u>	<u>\$ 12,444,241</u>

See Accompanying Independent Auditors' Report.

## COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Grants Assistance Fund  
For the Year Ended September 30, 2019

	<u>Federal Grants</u>	<u>DOI Capital Projects</u>	<u>Total</u>
Revenues:			
Federal contributions	\$ 218,213,712	\$ 2,815,917	\$ 221,029,629
Licenses and fees	241,481	-	241,481
Other	<u>255,232</u>	<u>-</u>	<u>255,232</u>
Total revenues	<u>218,710,425</u>	<u>2,815,917</u>	<u>221,526,342</u>
Expenditures:			
Current:			
Health	56,028,457	-	56,028,457
Community and social services	42,310,621	-	42,310,621
General government	4,818,080	81,961	4,900,041
Lands and natural resources	8,911,961	-	8,911,961
Public safety and law enforcement	106,732,691	-	106,732,691
Utilities	-	21,600	21,600
Economic development	370,076	85,612	455,688
Payments to:			
Public School System	224,874	-	224,874
Northern Marianas College	39,108	-	39,108
Commonwealth Healthcare Corporation	928,627	-	928,627
Capital outlay:			
Public works	19,185	1,284,987	1,304,172
Utilities - Capital Projects	<u>-</u>	<u>2,058,837</u>	<u>2,058,837</u>
Total expenditures	<u>220,383,680</u>	<u>3,532,997</u>	<u>223,916,677</u>
Deficiency of revenues under expenditures	<u>(1,673,255)</u>	<u>(717,080)</u>	<u>(2,390,335)</u>
Other financing sources (uses):			
Operating transfers in	3,379,587	-	3,379,587
Operating transfers out	<u>(1,489,708)</u>	<u>(1,303,363)</u>	<u>(2,793,071)</u>
Total other financing sources (uses), net	<u>1,889,879</u>	<u>(1,303,363)</u>	<u>586,516</u>
Net change in fund balances	216,624	(2,020,443)	(1,803,819)
Fund balances at beginning of year	<u>1,288,213</u>	<u>3,220,480</u>	<u>4,508,693</u>
Fund balances at end of year	<u>\$ 1,504,837</u>	<u>\$ 1,200,037</u>	<u>\$ 2,704,874</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
MAJOR GOVERNMENTAL FUND - SAIPAN AMUSEMENT FUND

September 30, 2019

This fund was created to account for funds collected for casino licensing fees and to allocate these funds pursuant to Public Law 18-38, as amended by Public Law 18-43 and further amended by Public Law 18-56. This fund also includes nonrefundable application fees to be expended by the Commonwealth Lottery Commission (CLC), without appropriation, for the investigation of license applicants pursuant to 1 CMC § 2318 and any other costs associated with reviewing the applications and granting or denying applications for the exclusive license. The expenditure authority for CLC is the Chairman.

See Accompanying Independent Auditors' Report.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
MAJOR GOVERNMENTAL FUND - DEPARTMENT OF PUBLIC LANDS

September 30, 2019

On February 22, 2006, Public Law 15-02 was enacted to repeal Executive Order 94-03 as codified, in Public Law 10-57, 12-33 and 12-71 to create the Department of Public Lands within the Executive Branch of the CNMI Government and to transfer the obligations and responsibilities of the Marianas Public Lands Authority to DPL. DPL is responsible for administration, use, leasing, development and disposition all those lands defined as public lands by N.M.I. Const. Art.XI.1 or any other provision of law, subject to the provisions of P.L. 15-02 and except as limited by transfers of freehold interest to individuals, entities, or other **government agencies**. DPL's authority does not extend to the issuance of land use permits and licenses, except as specifically provided for in P.L. 15-02 and does not limit in any respect the authority of other Commonwealth agencies to issue permits and licenses pursuant to their respective enabling legislation.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

September 30, 2019

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Private Grants Fund

This fund accounts for all financial transactions related to miscellaneous grants that are not directly from the U.S. government. Included in this fund are transactions relating to grants from world organizations and private business organizations in the CNMI. The fund also includes State Small Business Credit Initiative (SSBCI), a federal program administered by the U.S. Department of Treasury to strengthen programs that support private financing to small businesses and small manufacturers. Funds received under SSBCI are not considered federal assistance or a grant for the purposes of Subtitle V of Title 31 of the U.S. Code.

Commonwealth Arts Council Fund

This fund was established through Executive Order No. 26 pursuant to Section 15 Article III of the Constitution. The fund accounts for financial transactions of the Commonwealth Arts Council related to the receipt of donations and gifts and the use of those funds.

Oil Overcharge Fund

This fund accounts for payments awarded to the 50 States, and U.S. territories and possessions, by the U.S. courts in settlement of charges against several U.S. oil companies that had violated U.S. Department of Energy price control regulations by overcharging their distributors and customers. The CNMI has received oil overcharge funds from the Warner, Exxon, and Stripper Well Cases that are restricted for use in several energy related approved programs.

Commonwealth Nonresident Workers' Fee Fund

This fund was created by Public Law No. 5-32, as amended by Public Law No. 10-66 to account for the collection of fees related to application and renewal certificates of nonresident workers and their immediate relatives. In accordance with the enabling legislation, the fees collected are to be appropriated by the CNMI Legislature for several educational and training programs administered through the Northern Marianas College and the Mayors' offices.

Commonwealth Alien Deportation Fund

This fund was created by Public Law No. 10-1 to account for the collection of nonresident workers' fees designated for the fund and for the expenditure of those funds in detecting and deporting illegal aliens.

Local Revenue Fund

This fund accounts for revenues generated under local senatorial district laws for use by the local governments of Saipan, Rota and Tinian. Such revenues are based on Saipan local laws 11-1 and 11-2 and Rota local law 11-1.

Saipan Trust Fund

This fund accounts for funds from the United States Government to develop the Saipan Marine and Fishing Complex.

See **Accompanying Independent Auditors' Report.**

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS, CONTINUED

September 30, 2019

Tobacco Settlement Trust Fund

This fund was created by Public Law No. 13-37 to account for all monies received from the Master Settlement Agreement. The monies must be used to implement programs and services to achieve the goals stated in Section 3 of Public Law 13-37.

Tobacco Control Fund

This fund was created by Public Law 13-38 to amend 4 CMC § 1402(A)(16) through (20) to restrict cigarette smoking and for other purposes.

Solid Waste Revolving Fund

This fund was created by Public Law 13-42 to provide financial support to the Commonwealth Solid Waste Management Systems and for other purposes.

Managaha Landing Fee Fund

This fund was created by Public Law 11-64 to account for revenues collected from commercial carriers who charge a fee to transport nonresident passengers to Managaha Island. Such fees are to be deposited into the Fund and will be expended exclusively on projects and for the construction, maintenance and operation of the Saipan Cultural and Performing Arts Center, the Saipan Youth Program, the Division of Public Lands, the Commonwealth Museum, and for the cultural heritage activities of the Indigenous and Carolinian Affairs Offices, in accordance with appropriations made by the Saipan and Northern Islands Legislative Delegation.

Qualifying Certificate Reserve Fund

This fund was created to account for the financial transactions of the Qualifying Certificate program.

MVA Trust Fund

This fund was created by Public Law 18-01 to account for revenues entitled to the Marianas Visitors Authority pursuant to Title 4 CMC § 1803. However, the Secretary of Finance may withhold up to 2.5 percent of the funds deposited for the purpose of funding revenue and tax personnel to enforce the provisions of Public Law 18-01 and other CNMI tax laws.

CNMI Scholarship Fund

This fund was created by Public Law 18-40 to account for all funds appropriated, donated or accruing to the benefit of the CNMI Scholarship Office and for the payments made therefrom as directed by the Board of Directors.

**See Accompanying Independent Auditors' Report.**

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS, CONTINUED

September 30, 2019

CNMI Workers' Compensation Commission (WCC) Fund

This fund was created by Public Law No. 6-33 which provides financial protection to both employers and employees for the catastrophic effects of work related injuries, illnesses or deaths. It is a social insurance plan that compensates employees for disabilities incurred from work related injuries regardless of fault. It is also a no-fault insurance program, solely paid for by the employer. The WCC ensures that private sector employers obtain and provide workers' compensation insurance coverage for their employees. The WCC also administers the CNMI government's workers' compensation self-insurance program. On November 9, 2012, Public Law 17-88 transferred administrative function of WCC from NMIRF to the CNMI Department of Commerce.

Judiciary Legal Services Fund

This fund was created by Public Law 18-36 to account for abandoned or unclaimed properties or monies held by the Commonwealth Judicial Branch. Monies in this fund must be used to pay for indigent legal services, pro se legal resources and payment of NMISF loan. The Chief Justice or a designee is the expenditure authority for this fund.

Commonwealth Casino Commission Fund

This fund was created by Public Law 19-24 to account for the financial transactions of the Commonwealth Casino Commission.

CNMI Group Health and Life Insurance Trust Fund (GHLITF)

GHLITF was created by Public Law No. 10-19 to ensure that CNMI Government employees are provided with medical and life insurance benefits, and that funds collected and disbursed for these purposes are administered in a fiscally sound and professionally accountable manner. GHLITF acts in a trustee capacity for health and life insurance coverage payments to the third-party providers. Contributions from employees and employers are based on rates agreed to by the Acting Administrator and the third-party providers.

Miscellaneous Special Revenue Funds

The miscellaneous special revenue fund combines the following:

- Zoning Board Revolving Fund
- Joeten-Kiyu Library Revolving Fund
- Animal Health Revolving Fund
- Fish and Game Revolving Fund
- Tobacco License Fee Fund
- Probation Services Fund
- Outer Cover Marina Fund

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

September 30, 2019

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Commonwealth Development Authority Fund

This fund accounts for various capital projects funded by proceeds of general obligation bonds issued by the Commonwealth Development Authority.

Infrastructure Tax Fund

This fund was created by Public Law No. 8-23 which restricts the 2% Developers' Tax for funding of infrastructure by senatorial delegation.

Public Works Grants Fund

This fund accounts for various capital projects administered by the CNMI Department of Public Works and funded by the U.S. Department of Transportation.

American Memorial Park Fund

This fund accounts for capital projects at the American Memorial Park. These projects are partially funded by the earnings of the Marianas Public Land Trust - Park Fund, a nonexpendable trust fund.

Local Capital Projects Fund

This fund accounts for various capital projects funded by appropriations contained in Annual Appropriations Acts.

Private Capital Grants Fund

This fund accounts for various capital projects funded by various grants that are not directly from the U.S. government. Included in this fund are transactions relating to capital project grants from CNMI agencies and private business organizations in the CNMI.

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2019

Assets	Special Revenue Funds								
	Private Grants	Commonwealth Arts Council	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Local Revenue	Saipan Trust	Tobacco Settlement Trust	Tobacco Control
Restricted cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,986	\$ -	\$ -
Restricted investments	-	-	-	-	-	-	-	-	-
Receivables, net:									
Federal	284,562	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	1,209,830	-
Due from other funds	1,194,825	16,236	48,292	239,723	-	8,284,955	16,479	-	3,290,999
Due from fiduciary funds	-	-	-	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-	-	-	-
	<u>\$ 1,479,387</u>	<u>\$ 16,236</u>	<u>\$ 48,292</u>	<u>\$ 239,723</u>	<u>\$ -</u>	<u>\$ 8,284,955</u>	<u>\$ 23,465</u>	<u>\$ 1,209,830</u>	<u>\$ 3,290,999</u>
<b>Liabilities and Fund Balances (Deficit)</b>									
Liabilities:									
Accounts payable	\$ 164,999	\$ 12,003	\$ -	\$ -	\$ 9,268	\$ 693,870	\$ -	\$ 174,446	\$ 454,153
Health and life insurance payable	-	-	-	-	-	-	-	-	-
Other liabilities and accruals	-	-	-	(361)	61	-	19,338	-	-
Due to other funds	-	-	-	-	-	-	-	178,038	-
Unearned revenues	-	-	47,497	-	-	-	-	-	-
Total liabilities	<u>164,999</u>	<u>12,003</u>	<u>47,497</u>	<u>(361)</u>	<u>9,329</u>	<u>693,870</u>	<u>19,338</u>	<u>352,484</u>	<u>454,153</u>
Fund balances (deficit):									
Restricted	-	-	-	-	-	-	4,127	-	-
Committed	1,314,388	3,176	795	240,084	-	7,591,085	-	857,346	2,836,846
Unassigned	-	1,057	-	-	(9,329)	-	-	-	-
Total fund balances (deficit)	<u>1,314,388</u>	<u>4,233</u>	<u>795</u>	<u>240,084</u>	<u>(9,329)</u>	<u>7,591,085</u>	<u>4,127</u>	<u>857,346</u>	<u>2,836,846</u>
	<u>\$ 1,479,387</u>	<u>\$ 16,236</u>	<u>\$ 48,292</u>	<u>\$ 239,723</u>	<u>\$ -</u>	<u>\$ 8,284,955</u>	<u>\$ 23,465</u>	<u>\$ 1,209,830</u>	<u>\$ 3,290,999</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet, Continued  
Nonmajor Governmental Funds  
September 30, 2019

Special Revenue Funds										
Solid Waste Revolving	Managaha Landing Fee	Qualifying Certificate Reserve	MVA Trust	CNMI Scholarship	CNMI Workers' Compensation Commission	Judiciary Legal Services	Commonwealth Casino Commission	CNMI Group Health and Life Insurance Trust	Miscellaneous	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,986
-	-	-	-	-	1,565,442	-	-	-	-	1,565,442
-	-	-	-	-	-	-	-	-	-	284,562
-	-	-	-	-	-	-	-	56	-	56
1,475,637	39,580	49,548	108,495	1,228,858	1,315,936	48,349	2,509,508	754,013	1,233,987	1,209,830
-	-	-	-	-	-	-	-	864,788	-	21,855,420
-	-	-	-	-	-	-	-	1,832,726	-	864,788
<u>\$ 1,475,637</u>	<u>\$ 39,580</u>	<u>\$ 49,548</u>	<u>\$ 108,495</u>	<u>\$ 1,228,858</u>	<u>\$ 2,881,378</u>	<u>\$ 48,349</u>	<u>\$ 2,509,508</u>	<u>\$ 3,451,583</u>	<u>\$ 1,233,987</u>	<u>\$ 27,619,810</u>
\$ 1,182,850	\$ -	\$ -	\$ 108,495	\$ -	\$ 401	\$ -	\$ 360	\$ 6,404	\$ 69,074	\$ 2,876,323
58,003	-	-	-	-	-	-	-	1,912,134	-	1,912,134
-	-	-	-	-	-	-	-	-	-	77,041
-	-	-	-	-	-	-	-	-	-	178,038
-	-	-	-	-	-	-	-	-	-	47,497
<u>1,240,853</u>	<u>-</u>	<u>-</u>	<u>108,495</u>	<u>-</u>	<u>401</u>	<u>-</u>	<u>360</u>	<u>1,918,538</u>	<u>69,074</u>	<u>5,091,033</u>
-	-	-	-	-	-	-	-	-	-	4,127
234,784	39,580	49,548	-	1,228,858	2,880,977	48,349	2,509,148	1,533,045	1,164,913	22,532,922
-	-	-	-	-	-	-	-	-	-	(8,272)
<u>234,784</u>	<u>39,580</u>	<u>49,548</u>	<u>-</u>	<u>1,228,858</u>	<u>2,880,977</u>	<u>48,349</u>	<u>2,509,148</u>	<u>1,533,045</u>	<u>1,164,913</u>	<u>22,528,777</u>
<u>\$ 1,475,637</u>	<u>\$ 39,580</u>	<u>\$ 49,548</u>	<u>\$ 108,495</u>	<u>\$ 1,228,858</u>	<u>\$ 2,881,378</u>	<u>\$ 48,349</u>	<u>\$ 2,509,508</u>	<u>\$ 3,451,583</u>	<u>\$ 1,233,987</u>	<u>\$ 27,619,810</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Balance Sheet, Continued  
 Nonmajor Governmental Funds  
 September 30, 2019

<u>Assets</u>	Capital Projects Funds						Total Capital Projects Funds	Total Nonmajor Governmental Funds
	Commonwealth Development Authority	Infrastructure Tax	Public Works Grants	American Memorial Park	Local Capital Projects	Private Capital Grants		
Restricted cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,986
Restricted investments	-	-	-	-	-	-	-	1,565,442
Receivables, net:								
Federal	-	-	-	-	-	-	-	284,562
General	-	-	-	-	-	-	-	56
Other	-	-	-	-	-	-	-	1,209,830
Due from other funds	52,895	2,509,343	828,080	6,869	141,461	405,093	3,943,741	25,799,161
Due from fiduciary funds	-	-	-	-	-	-	-	864,788
Due from component units	-	-	-	-	-	-	-	1,832,726
	<u>\$ 52,895</u>	<u>\$ 2,509,343</u>	<u>\$ 828,080</u>	<u>\$ 6,869</u>	<u>\$ 141,461</u>	<u>\$ 405,093</u>	<u>\$ 3,943,741</u>	<u>\$ 31,563,551</u>
<u>Liabilities and Fund Balances (Deficit)</u>								
Liabilities:								
Accounts payable	\$ -	\$ 422,726	\$ 254,510	\$ -	\$ 152,821	\$ 31,574	\$ 861,631	\$ 3,737,954
Health and life insurance payable	-	-	-	-	-	-	-	1,912,134
Other liabilities and accruals	-	-	56,997	6,869	-	-	63,866	140,907
Due to other funds	-	-	-	-	(45,572)	-	(45,572)	132,466
Unearned revenues	52,569	-	-	-	-	-	52,569	100,066
Total liabilities	<u>52,569</u>	<u>422,726</u>	<u>311,507</u>	<u>6,869</u>	<u>107,249</u>	<u>31,574</u>	<u>932,494</u>	<u>6,023,527</u>
Fund balances (deficit):								
Restricted	-	-	-	-	-	-	-	4,127
Committed	326	2,086,617	516,573	-	34,212	373,519	3,011,247	25,544,169
Unassigned	-	-	-	-	-	-	-	(8,272)
Total fund balances (deficit)	<u>326</u>	<u>2,086,617</u>	<u>516,573</u>	<u>-</u>	<u>34,212</u>	<u>373,519</u>	<u>3,011,247</u>	<u>25,540,024</u>
	<u>\$ 52,895</u>	<u>\$ 2,509,343</u>	<u>\$ 828,080</u>	<u>\$ 6,869</u>	<u>\$ 141,461</u>	<u>\$ 405,093</u>	<u>\$ 3,943,741</u>	<u>\$ 31,563,551</u>

See Accompanying Independent Auditors' Report.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (Deficit)  
Nonmajor Governmental Funds  
For the Year Ended September 30, 2019

	Special Revenue Funds								
	Private Grants	Commonwealth Arts Council	Oil Overcharge	Commonwealth Nonresident Workers' Fee	Commonwealth Alien Deportation	Local Revenue	Saipan Trust	Tobacco Settlement Trust	Tobacco Control
Revenues:									
Federal contributions	\$ 1,609,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	-	3,692,754
Licenses and fees	1,500	-	-	-	-	3,641,854	-	-	-
Contributions from component units	-	-	-	-	-	-	-	-	-
Interest and dividends	-	-	58	-	-	-	-	317	-
Charges for sales and services	-	-	-	-	-	(1)	-	-	-
Other	945,714	45,900	-	-	-	100,091	-	561,502	-
<b>Total revenues</b>	<b>2,556,824</b>	<b>45,900</b>	<b>58</b>	<b>-</b>	<b>-</b>	<b>3,741,944</b>	<b>-</b>	<b>561,819</b>	<b>3,692,754</b>
Expenditures by function:									
Current:									
Education	-	-	-	-	-	2,445,915	-	-	-
Economic development	1,034,313	-	-	-	-	201,413	-	-	-
Public safety and law enforcement	188,784	-	-	209,916	-	-	-	-	-
Community and social services	136,466	44,843	-	-	-	55,054	-	-	-
Health	14,358	-	-	-	-	-	-	340	694,619
Lands and natural resources	-	-	-	-	-	10,000	-	-	-
General government	1,134,192	-	-	-	-	217,732	-	31,095	-
Other elected officials	-	-	-	-	-	36,066	-	21,334	-
Payment to Marianas Visitors Authority	-	-	-	-	-	-	-	-	-
Payment to Commonwealth Healthcare Corporation	-	-	-	-	-	-	-	-	161,289
Capital outlay:									
Public works	-	-	-	-	-	76,904	-	-	-
<b>Total expenditures</b>	<b>2,508,113</b>	<b>44,843</b>	<b>-</b>	<b>209,916</b>	<b>-</b>	<b>3,043,084</b>	<b>-</b>	<b>52,769</b>	<b>855,908</b>
Excess (deficiency) of revenues over (under) expenditures	48,711	1,057	58	(209,916)	-	698,860	-	509,050	2,836,846
Other financing sources:									
Operating transfers in	-	-	-	450,000	-	-	-	-	-
Operating transfers out	(62,494)	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	(62,494)	-	-	450,000	-	-	-	-	-
Net change in fund balances (deficit)	(13,783)	1,057	58	240,084	-	698,860	-	509,050	2,836,846
Fund balances (deficit) at beginning of year	1,328,171	3,176	737	-	(9,329)	6,892,225	4,127	348,296	-
Fund balances (deficit) at end of year	\$ 1,314,388	\$ 4,233	\$ 795	\$ 240,084	\$ (9,329)	\$ 7,591,085	\$ 4,127	\$ 857,346	\$ 2,836,846

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (Deficit), Continued  
Nonmajor Governmental Funds  
For the Year Ended September 30, 2019

Special Revenue Funds										
Solid Waste Revolving	Managaha Landing Fee	Qualifying Certificate Reserve	MVA Trust	CNMI Scholarship	CNMI Workers' Compensation Commission	Judiciary Legal Services	Commonwealth Casino Commission	CNMI Group Health and Life Insurance Trust	Miscellaneous	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,609,610
2,686,377	-	-	203,105	-	-	-	-	-	-	6,582,236
859,275	-	-	-	-	-	-	93,560	-	69,296	4,665,485
-	-	-	-	-	-	-	-	-	-	-
2,846	-	-	-	-	38,197	-	4,641	-	-	46,059
-	-	-	-	-	-	-	-	-	288,796	288,795
-	-	-	12,151	140,196	130,998	14,702	160	-	72,335	2,023,749
<u>3,548,498</u>	<u>-</u>	<u>-</u>	<u>215,256</u>	<u>140,196</u>	<u>169,195</u>	<u>14,702</u>	<u>98,361</u>	<u>-</u>	<u>430,427</u>	<u>15,215,934</u>
-	-	-	-	-	-	-	-	-	-	2,445,915
-	-	-	-	-	-	-	-	-	-	1,235,726
-	-	-	-	-	9,999	-	-	-	56,872	465,571
-	-	-	-	-	-	-	-	-	70,944	307,307
-	-	-	-	-	-	-	-	-	-	709,317
-	-	-	-	-	-	-	-	-	69,134	79,134
-	-	-	-	146,007	-	490	2,673,436	-	-	4,202,952
-	-	-	-	-	-	-	-	-	-	57,400
-	-	-	1,538,959	-	-	-	-	-	-	1,538,959
-	-	-	-	-	-	-	-	-	-	161,289
<u>3,297,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,374,421</u>
<u>3,297,517</u>	<u>-</u>	<u>-</u>	<u>1,538,959</u>	<u>146,007</u>	<u>9,999</u>	<u>490</u>	<u>2,673,436</u>	<u>-</u>	<u>196,950</u>	<u>14,577,991</u>
250,981	-	-	(1,323,703)	(5,811)	159,196	14,212	(2,575,075)	-	233,477	637,943
-	-	-	1,323,703	759,844	-	-	-	-	-	2,533,547
-	-	-	-	-	-	-	-	-	-	(62,494)
-	-	-	1,323,703	759,844	-	-	-	-	-	2,471,053
250,981	-	-	-	754,033	159,196	14,212	(2,575,075)	-	233,477	3,108,996
(16,197)	39,580	49,548	-	474,825	2,721,781	34,137	5,084,223	1,533,045	931,436	19,419,781
<u>\$ 234,784</u>	<u>\$ 39,580</u>	<u>\$ 49,548</u>	<u>\$ -</u>	<u>\$ 1,228,858</u>	<u>\$ 2,880,977</u>	<u>\$ 48,349</u>	<u>\$ 2,509,148</u>	<u>\$ 1,533,045</u>	<u>\$ 1,164,913</u>	<u>\$ 22,528,777</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances (Deficit), Continued  
Nonmajor Governmental Funds  
For the Year Ended September 30, 2019

	Capital Projects Funds						Total Capital Projects Funds	Total Nonmajor Governmental Funds
	Commonwealth Development Authority	Infrastructure Tax	Public Works Grants	American Memorial Park	Local Capital Projects	Private Capital Grants		
Revenues:								
Federal contributions	\$ -	\$ -	\$ 2,615,794	\$ -	\$ -	\$ -	\$ 2,615,794	\$ 4,225,404
Taxes	-	426,916	-	-	-	-	426,916	7,009,152
Licenses and fees	-	45,448	-	-	-	-	45,448	4,710,933
Contributions from component units	-	-	-	-	325,154	-	325,154	325,154
Interest and dividends	-	578	-	-	-	-	578	46,637
Charges for sales and services	-	-	-	-	-	-	-	288,795
Other	-	174,115	-	-	-	-	174,115	2,197,864
<b>Total revenues</b>	<b>-</b>	<b>647,057</b>	<b>2,615,794</b>	<b>-</b>	<b>325,154</b>	<b>-</b>	<b>3,588,005</b>	<b>18,803,939</b>
Expenditures by function:								
Current:								
Education	-	-	-	-	-	-	-	2,445,915
Economic development	-	-	-	-	1,375,393	-	1,375,393	2,611,119
Public safety and law enforcement	-	101,217	-	-	-	-	101,217	566,788
Community and social services	-	478,715	-	-	-	-	478,715	786,022
Health	-	-	-	-	-	-	-	709,317
Lands and natural resources	-	-	-	-	-	-	-	79,134
General government	-	-	-	-	-	-	-	4,202,952
Other elected officials	-	-	-	-	-	-	-	57,400
Payment to Marianas Visitors Authority	-	-	-	-	-	-	-	1,538,959
Payment to Commonwealth Healthcare Corporation	-	-	-	-	-	-	-	161,289
Capital outlay:								
Public works	-	153,958	2,844,920	-	218,912	-	3,217,790	6,592,211
<b>Total expenditures</b>	<b>-</b>	<b>733,890</b>	<b>2,844,920</b>	<b>-</b>	<b>1,594,305</b>	<b>-</b>	<b>5,173,115</b>	<b>19,751,106</b>
Excess (deficiency) of revenues over (under) expenditures	-	(86,833)	(229,126)	-	(1,269,151)	-	(1,585,110)	(947,167)
Other financing sources (uses):								
Operating transfers in	-	-	-	-	1,303,363	-	1,303,363	3,836,910
Operating transfers out	-	-	-	-	-	-	-	(62,494)
<b>Total other financing sources (uses), net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,303,363</b>	<b>-</b>	<b>1,303,363</b>	<b>3,774,416</b>
<b>Net change in fund balances (deficit)</b>	<b>-</b>	<b>(86,833)</b>	<b>(229,126)</b>	<b>-</b>	<b>34,212</b>	<b>-</b>	<b>(281,747)</b>	<b>2,827,249</b>
Fund balances (deficit) at beginning of year	326	2,173,450	745,699	-	-	373,519	3,292,994	22,712,775
<b>Fund balances (deficit) at end of year</b>	<b>\$ 326</b>	<b>\$ 2,086,617</b>	<b>\$ 516,573</b>	<b>\$ -</b>	<b>\$ 34,212</b>	<b>\$ 373,519</b>	<b>\$ 3,011,247</b>	<b>\$ 25,540,024</b>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
FIDUCIARY FUNDS

September 30, 2019

Pension and Other Employee Benefits Trust Funds

Pension and other employee benefit trust funds are used to account for a Public Employee Retirement System, health and life benefits and workers' compensation benefits. These funds use the accrual basis of accounting and have a capital maintenance measurement focus. The basic financial statements reflect the balances and activity of the pension and other employee benefit trust fund of the Government, which are described below.

Northern Mariana Islands Retirement Fund (NMIRF)

NMIRF was initially established through CNMI Public Law (P.L.) 1-43, as amended by P.L. 6-17, to provide retirement security and other benefits to government employees, their spouses and dependents. NMIRF was governed by a seven-member Board of Trustees who appointed an Administrator who administered NMIRF in a manner that furthered its purposes. On September 30, 2013, District Court approved a Settlement Agreement between retirees, the CNMI, the NMIRF and others for Civil Case No. 09-00023. The Board of Trustees has not been renewed by the Governor and NMIRF is administered by the CNMI Secretary of Finance who serves as the Acting Administrator.

Defined Contribution Plan (DCP)

DCP was created by Public Law 15-13 to provide an individual account retirement system for any person employed by the CNMI or its autonomous agencies. Participating employers include the CNMI, NMIRF, CGECU, CDA, CHCC, CPA, CUC, MPLT, MVA, NMC, NMHC and PSS. The NMIRF Acting Administrator is responsible for the general administration and operation of DCP. DCP, by its nature, is fully funded on a current basis from employer and member contributions. DCP is a voluntary multi-employer pension plan and is the single retirement program for all new employees whose employment commenced on or after January 1, 2007.

See Accompanying Independent Auditors' Report.

## COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Fiduciary Net Position  
 Fiduciary Funds - Pension Trusts  
 September 30, 2019

	<u>Northern Mariana Islands Retirement Fund</u>	<u>Defined Contribution Plan</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 3,914,606	\$ -	\$ 3,914,606
Receivables, net:			
Notes	1,911,385	-	1,911,385
Agency	-	794,900	794,900
Other	7,951	-	7,951
Total receivables, net	<u>1,919,336</u>	<u>794,900</u>	<u>2,714,236</u>
Defined contribution plan investments	-	41,043,713	41,043,713
Foreclosed real estate	209,095	-	209,095
Total assets	<u>6,043,037</u>	<u>41,838,613</u>	<u>47,881,650</u>
<u>Liabilities and Fiduciary Net Position</u>			
Accounts payable and accrued expenses	217,758	-	217,758
Due to primary government	2,523,810	-	2,523,810
Total liabilities	<u>2,741,568</u>	<u>-</u>	<u>2,741,568</u>
Fiduciary net position:			
Held in trust for pension benefits	<u>\$ 3,301,469</u>	<u>\$ 41,838,613</u>	<u>\$ 45,140,082</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds - Pension Trusts  
Year Ended September 30, 2019

	Northern Mariana Islands Retirement Fund	Defined Contribution Plan	Total
Additions:			
Employee contributions	\$ 68,490	\$ 7,664,969	\$ 7,733,459
Employer contributions	<u>-</u>	<u>2,900,940</u>	<u>2,900,940</u>
	<u>68,490</u>	<u>10,565,909</u>	<u>10,634,399</u>
Investment income:			
Net change in the fair value of investments	-	1,054,635	1,054,635
Interest and dividend income	<u>-</u>	<u>233,648</u>	<u>233,648</u>
Total investment income	-	1,288,283	1,288,283
Less management and custodial fees	<u>-</u>	<u>(351,334)</u>	<u>(351,334)</u>
Net investment income	<u>-</u>	<u>936,949</u>	<u>936,949</u>
Interest and fees on loans	160,356	-	160,356
Transfers and rollovers	-	50,065	50,065
Other	<u>14,631</u>	<u>-</u>	<u>14,631</u>
Total additions	<u>243,477</u>	<u>11,552,923</u>	<u>11,796,400</u>
Deductions:			
Benefits and refund payments:			
Withdrawal and refunds	494	7,140,161	7,140,655
Retirement benefits	256,522	-	256,522
Forfeitures	-	128,291	128,291
Health and life insurance premiums	62,692	-	62,692
Survivor benefits	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total benefits and refund payments	<u>325,708</u>	<u>7,268,452</u>	<u>7,594,160</u>
Administrative expenses:			
Salaries and wages	79,038	-	79,038
Employee benefits	6,730	-	6,730
Professional fees	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total administrative expenses	<u>145,768</u>	<u>-</u>	<u>145,768</u>
Total deductions	<u>471,476</u>	<u>7,268,452</u>	<u>7,739,928</u>
Change in net position held in trust for employees' pension benefits	(227,999)	4,284,471	4,056,472
Fiduciary net position held in trust:			
Beginning of year	<u>3,529,468</u>	<u>37,554,142</u>	<u>41,083,610</u>
End of year	<u>\$ 3,301,469</u>	<u>\$ 41,838,613</u>	<u>\$ 45,140,082</u>

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
FIDUCIARY FUNDS - AGENCY

September 30, 2019

Security Deposit Fund

The Security Deposit Fund was established to account for security deposits received from persons licensed to engage in the business of selling foreign currency notes or receiving money for the purpose of transmitting the same or its equivalent to any country outside the CNMI (pursuant to 1 CMC 2, Section 2454 and 4 CMC 6, Sections 6351 and 6108) and for security deposits received from alien insurers (pursuant to Public Law No. 3-107).

See Accompanying Independent Auditors' Report.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Statement of Changes in Assets and Liabilities  
 Fiduciary Funds - Agency  
 September 30, 2019

<u>Assets</u>	<u>Balance October 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2019</u>
Cash and cash equivalents	\$ 1,634,202	\$ 135,100	\$ -	\$ 1,769,302
Restricted assets	<u>1,962,939</u>	<u>59,597</u>	<u>-</u>	<u>2,022,536</u>
Total assets	<u>\$ 3,597,141</u>	<u>\$ 194,697</u>	<u>\$ -</u>	<u>\$ 3,791,838</u>
 <u>Liabilities</u>				
Deposits payable	<u>\$ 3,597,141</u>	<u>\$ 194,697</u>	<u>\$ -</u>	<u>\$ 3,791,838</u>
Total liabilities	<u>\$ 3,597,141</u>	<u>\$ 194,697</u>	<u>\$ -</u>	<u>\$ 3,791,838</u>

See Accompanying Independent Auditors' Report.





COMMONWEALTH OF THE  
NORTHERN MARIANA ISLANDS

INDEPENDENT AUDITORS' REPORTS ON  
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2019

INDEPENDENT AUDITORS' REPORT 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 Ralph DLG. Torres  
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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands (CNMI) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise **the CNMI's** basic financial statements, and have issued our report thereon dated April 21, 2021. Our report includes explanatory paragraphs concerning the correction of errors, going concern and the impact of COVID-19, and contains an adverse opinion due to the lack of adoption of Governmental Accounting Standards Board (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 financial statements of the Commonwealth Utilities Corporation, the Commonwealth Healthcare Corporation and the Northern Mariana Islands Settlement Fund not being included in the financial statements. Our report includes a reference to other auditors who audited the financial statements of the Marianas Public Land Trust, the Northern Marianas College, the Public School System and the Marianas Visitors Authority, as described in our report on **the CNMI's** financial statements. This **report does not include the results of the other auditors' testing of internal control** over financial reporting and 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 Commonwealth Development Authority and the Northern Mariana Islands Retirement Fund 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 entities that were 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 Marianas Public Land Trust, the Northern Marianas College, the Public School System and the Marianas Visitors Authority. The findings, if any, included in those reports are not included herein.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CNMI's internal control over financial reporting (internal control) to determine the 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 the CNMI's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify 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 2019-001 and 2019-002, 2019-006, 2019-011 and 2019-012 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 2019-003 through 2019-005, 2019-007 through 2019-010, 2019-013 and 2019-014 to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-015.

## The CNMI's Response to Findings

The CNMI's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The CNMI's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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.

*Deloitte & Touche LLC*

April 21, 2021

INDEPENDENT AUDITORS' REPORT 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 Ralph DLG. Torres  
Governor  
Commonwealth of the Northern Mariana Islands:

### Report on Compliance for Each Major Federal Program

We have audited the Commonwealth of the Northern Mariana Islands' (the CNMI's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the CNMI's major federal programs for the year ended September 30, 2019. The CNMI's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

As discussed in Note 3b to the Schedule of Expenditures of Federal Awards, the CNMI's financial statements include the operations of certain entities whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2019. Our audit, described below, did not include the operations of the entities identified in Note 3b as these entities conducted separate audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), if required.

#### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the CNMI's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the CNMI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the CNMI's compliance.

*Basis for Qualified Opinion on CFDA Programs 15.875, 93.767, 93.778, and 97.036*

As described in items 2019-016, 2019-017, 2019-019, and 2019-021 through 2019-025 in the accompanying Schedule of Findings and Questioned Costs, the CNMI did not comply with requirements regarding the following:

<i>Finding #</i>	<i>CFDA #</i>	<i>Program Name</i>	<i>Compliance Requirement</i>
2019-016	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Equipment and Real Property Management
2019-017	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Procurement and Suspension and Debarment
2019-019	15.875	Economic, Social, and Political Development of the Territories - Capital Improvement Projects	Subrecipient Monitoring
2019-021	93.767	Children's Health Insurance Program	Special Tests and Provisions - Provider Eligibility
2019-022	93.778	Medical Assistance Program	Special Tests and Provisions - ADP
2019-023	93.778	Medical Assistance Program	Special Tests and Provisions - Provider Eligibility
2019-024	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Period of Performance
2019-025	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring

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

*Qualified Opinion on CFDA 15.875, CFDA 93.767, Medicaid Cluster, and CFDA 97.036*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the CNMI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 15.875 Economic, Social, and Political Development of the Territories; CFDA 93.767 Children's Health Insurance Program, the Medicaid Cluster, and CFDA 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) for the year ended September 30, 2019.

*Unmodified Opinion on the Other Major Federal Program*

In our opinion, the CNMI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its **other major federal program identified in the summary of auditors' results** section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2019.

*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 2019-015, 2019-018, and 2019-020. Our opinion on each major federal program is not modified with respect to these matters.

The CNMI's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. **The CNMI's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.**

The CNMI is responsible for preparing a corrective action plan to address each audit **finding included in our auditors' report. The 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

Management of the CNMI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **the CNMI's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the **CNMI's** internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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 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 2019-016, 2019-017, 2019-019, and 2019-021 through 2019-025 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 2019-015, 2019-018, and 2019-020 to be significant deficiencies.

**The CNMI's** response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. **The CNMI's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The CNMI is responsible for preparing a corrective action plan to address each audit **finding included in our auditors' report**. **The 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 governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the CNMI as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the CNMI's basic financial statements. We issued our report thereon dated April 21, 2021, which contained explanatory paragraphs concerning the correction of errors, going concern and the impact of COVID-19, and contained an adverse opinion due to the lack of adoption of Governmental Accounting Standards Board (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 financial statements of the Commonwealth Utilities Corporation, the Commonwealth Healthcare Corporation and the Northern Mariana Islands Settlement Fund not being included in the financial statements. Our audit 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.

*Deloitte & Touche LLC*

April 21, 2021



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Summary of Schedule of Expenditures of Federal Awards by Grantor  
Year Ended September 30, 2019

Federal Grantor	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture	\$ -	\$ 34,014,524
U.S. Department of Commerce	-	2,629,082
U.S. Department of Defense	-	32,029
U.S. Department of the Interior	1,192,609	10,530,379
U.S. Department of Justice	-	1,473,497
U.S. Department of Labor	-	4,962,437
U.S. Department of Transportation	-	1,431,049
U.S. Institute of Museum and Library Services	-	111,398
U.S. Environmental Protection Agency	-	1,782,912
U.S. Department of Energy	-	353,932
U.S. Department of Education	-	800,207
U.S. Department of Health and Human Services	-	56,929,973
U.S. Department of Homeland Security	67,019,908	103,460,498
U.S. Small Business Administration	-	96,122
TOTAL FEDERAL GRANTS FUND	68,212,517	218,608,039
TOTAL CAPITAL PROJECTS FUND	958,958	2,871,398
TOTAL PUBLIC WORKS FUND	-	2,844,920
Unallocated expenditures	-	108,743
TOTAL EXPENDITURES OF FEDERAL AWARDS	<u>\$ 69,171,475</u>	<u>\$ 224,433,100</u>

Note: All awards are received direct from the Federal agency.

Reconciliation:

Expenditures per above	\$ 224,433,100
Local match	3,379,587
Amount of Compact Impact grants recorded in operating transfers out	(1,073,525)
Public Works Grants (CFDA No. 20.205) recorded in Other Governmental Funds	(2,844,920)
Unreconciled difference	<u>22,435</u>
	<u>\$ 223,916,677</u>

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
	U.S. DEPARTMENT OF AGRICULTURE		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ -	\$ 35,300
10.170	Specialty Crop Block Grant Program - Farm Bill SNAP Cluster:	-	72,357
10.551	Supplemental Nutrition Assistance Program	-	15,801,990
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	-	17,956,100
	Subtotal SNAP Cluster	-	33,758,090
10.664	Cooperative Forestry Assistance	-	120,648
10.766	Community Facilities Loans and Grants Cluster: Community Facilities Loans and Grants	-	15,500
	Subtotal Community Facilities Loans and Grants Cluster	-	15,500
10.950	Agricultural Statistics Reports	-	12,629
	TOTAL U.S. DEPARTMENT OF AGRICULTURE	-	34,014,524
	U.S. DEPARTMENT OF COMMERCE		
11.016	Statistical, Research, and Methodology Assistance Economic Development Cluster:	-	586,329
11.307	Economic Adjustment Assistance	-	34,986
	Subtotal Economic Development Cluster	-	34,986
11.407	Interjurisdictional Fisheries Act of 1986	-	6,257
11.419	Coastal Zone Management Administration Awards	-	1,389,687
11.437	Pacific Fisheries Data Program	-	68,477
11.454	Unallied Management Projects	-	53,382
11.467	Meteorologic and Hydrologic Modernization Development	-	58,438
11.472	Unallied Science Program	-	48,207
11.482	Coral Reef Conservation Program	-	365,748
11.549	State and Local Implementation Grant Program	-	17,571
	TOTAL U.S. DEPARTMENT OF COMMERCE	-	2,629,082
	U.S. DEPARTMENT OF DEFENSE		
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	-	19,185
12.300	Basic and Applied Scientific Research	-	12,844
	TOTAL U.S. DEPARTMENT OF DEFENSE	-	32,029
	U.S. DEPARTMENT OF THE INTERIOR		
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration	-	1,341,736
15.611	Wildlife Restoration and Basic Hunter Education	-	761,722
	Subtotal Fish and Wildlife Cluster	-	2,103,458
15.615	Cooperative Endangered Species Conservation Fund	-	416,987
15.634	State Wildlife Grants	-	93,518
15.875	Economic, Social, and Political Development of the Territories: Development of TTPI Islands	-	4,591,427
	Compact Impact	1,192,609	2,908,523
15.904	Historic Preservation Fund Grants-In-Aid	-	289,306
15.916	Outdoor Recreation - Acquisition, Development and Planning	-	48,517
15.925	National Maritime Heritage Grants	-	49,540
15.954	National Park Service Conservation, Protection, Outreach, and Education	-	29,103
	TOTAL U.S. DEPARTMENT OF THE INTERIOR	1,192,609	10,530,379
	U.S. DEPARTMENT OF JUSTICE		
16.017	Sexual Assault Services Formula Program	-	54,610
16.540	Juvenile Justice and Delinquency Prevention	-	73,411
16.575	Crime Victim Assistance	-	368,615
16.582	Crime Victim Assistance/Discretionary Grants	-	4,187
16.588	Violence Against Women Formula Grants	-	520,261
16.710	Public Safety Partnership and Community Policing Grants	-	214,463
16.738	Edward Byrne Memorial Justice Assistance Grant Program	-	148,273
16.750	Support for Adam Walsh Act Implementation Grant Program	-	89,677
	TOTAL U.S. DEPARTMENT OF JUSTICE	-	1,473,497

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
	U.S. DEPARTMENT OF LABOR		
	WIOA Cluster:		
17.258	WIOA Adult Program	-	373,856
17.259	WIOA Youth Activities	-	217,472
17.278	WIOA Dislocated Worker Formula Grants	-	1,039,351
	Subtotal WIOA Cluster	-	1,630,679
17.225	Unemployment Insurance	-	2,024,028
17.235	Senior Community Service Employment Program	-	250,280
17.273	Temporary Labor Certification for Foreign Workers	-	29,393
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	-	848,799
17.504	Consultation Agreements	-	178,660
17.600	Mine Health and Safety Grants	-	598
	TOTAL U.S. DEPARTMENT OF LABOR	-	4,962,437
	U.S. DEPARTMENT OF TRANSPORTATION		
20.218	Motor Carrier Safety Assistance	-	233,397
20.509	Formula Grants for Rural Areas and Tribal Transit Program	-	494,657
20.514	Public Transportation Research, Technical Assistance, and Training	-	2,217
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	-	691,533
	Subtotal Highway Safety Cluster	-	691,533
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	-	9,245
	TOTAL U.S. DEPARTMENT OF TRANSPORTATION	-	1,431,049
	U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES		
45.025	Promotion of the Arts - Partnership Agreements	-	2,778
45.310	Grants to States	-	108,620
	TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES	-	111,398
	U.S. SMALL BUSINESS ADMINISTRATION		
59.061	State Trade Expansion	-	96,122
	U.S. ENVIRONMENTAL PROTECTION AGENCY		
66.600	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	-	1,782,912
	TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY	-	1,782,912
	U.S. DEPARTMENT OF ENERGY		
81.041	State Energy Program	-	197,284
81.042	Weatherization Assistance for Low-Income Persons	-	156,648
	TOTAL U.S. DEPARTMENT OF ENERGY	-	353,932
	U.S. DEPARTMENT OF EDUCATION		
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	-	749,643
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	-	34,609
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	-	15,955
	TOTAL U.S. DEPARTMENT OF EDUCATION	-	800,207
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	Aging Cluster:		
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	-	149,547
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	-	373,168
93.053	Nutrition Services Incentive Program	-	35,000
	Subtotal Aging Cluster	-	557,715
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	-	3,533

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2019

Federal CFDA Number	Federal Grantor/Program or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, CONTINUED		
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	-	8,530
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	-	3,238
93.052	National Family Caregiver Support, Title III, Part E	-	63,921
93.127	Emergency Medical Services for Children	-	48,959
93.369	ACL Independent Living State Grants	-	27,867
93.464	ACL Assistive Technology	-	118,667
93.556	Promoting Safe and Stable Families	-	139,641
93.568	Low-Income Home Energy Assistance	-	204,674
93.569	Community Services Block Grant	-	532,569
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	-	2,870,773
	Subtotal CCDF Cluster	-	2,870,773
93.590	Community-Based Child Abuse Prevention Grants	-	187,794
93.612	Native American Programs	-	122,947
93.630	Developmental Disabilities Basic Support and Advocacy Grants	-	249,633
93.643	Children's Justice Grants to States	-	52,474
93.645	Stephanie Tubbs Jones Child Welfare Services Program	-	144,710
93.667	Social Services Block Grant	-	51,907
93.669	Child Abuse and Neglect State Grants	-	132,093
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	-	117,439
93.767	Children's Health Insurance Program	-	5,619,815
	Medicaid Cluster:		
93.778	Medical Assistance Program	-	45,671,055
	Subtotal Medicaid Cluster	-	45,671,055
93.780	Grants to States for Operation of Qualified High-Risk Pools	-	2
93.782	Medicare Transitional Drug Assistance Program for Territories	-	6
93.784	Medicare Transitional Drug Assistance Program for States	-	9
93.786	State Pharmaceutical Assistance Programs	-	2
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	-	56,929,973
	U.S. DEPARTMENT OF HOMELAND SECURITY		
97.012	Boating Safety Financial Assistance	-	453,018
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	67,019,908	100,747,039
97.039	Hazard Mitigation Grant	-	985,476
97.042	Emergency Management Performance Grants	-	521,535
97.047	Pre-Disaster Mitigation	-	26,225
97.067	Homeland Security Grant Program	-	727,205
	TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY	67,019,908	103,460,498
	TOTAL FEDERAL GRANTS FUND	68,212,517	218,608,039
	U.S. DEPARTMENT OF THE INTERIOR		
15.875	Economic, Social, and Political Development of the Territories: Capital Improvement Projects: FY04 Appropriations Act Grant	958,958	2,871,398
	TOTAL CAPITAL PROJECTS FUND	958,958	2,871,398
	U.S. DEPARTMENT OF TRANSPORTATION		
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	-	2,844,920
	Total Highway Planning and Construction Cluster and TOTAL PUBLIC WORKS GRANT FUND	-	2,844,920
99.U00	Unallocated expenditures	-	108,743
	TOTAL EXPENDITURES OF FEDERAL AWARDS	\$ 69,171,475	\$ 224,433,100

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2019

(1) Scope of Audit

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

(2) Basis of Presentation

The accompanying Schedule of Expenditures 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, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the CNMI, it is not intended to and does not present the financial position or changes in financial position of the CNMI.

(3) Summary of Significant Accounting Policies

a. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of operations to amounts reported as expenditures in prior years.

b. Reporting Entity

The CNMI, for purposes of the financial statements, 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, the CNMI's reporting entity is defined in Note 1A to its September 30, 2019 basic financial statements; except that the Northern Mariana Islands Settlement Fund, the Northern Mariana Islands Retirement Fund and all of the discretely presented component units are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards presents the federal award programs administered by the CNMI, as defined above, for the year ended September 30, 2019.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Notes to the Schedule of Expenditures of Federal Awards, Continued  
Year Ended September 30, 2019

(3) Summary of Significant Accounting Policies, Continued

b. Reporting Entity, Continued

Federal award totals for the excluded departments and component units as of September 30, 2019, are as follows:

<u>Agency or Component Unit</u>	<u>Federal Award Total</u>
Commonwealth Ports Authority	\$ 9,048,256
Commonwealth Development Authority	\$ 12,722,520
Northern Marianas College	\$ 8,650,299
Public School System	\$ 42,032,601

c. 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 the CNMI's control, utilized the funds. The CNMI is considered to have responsibility for any questioned costs which could result from Single Audits of these entities.

d. Indirect Cost Allocation

The CNMI did not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance. For fiscal year 2019, the CNMI has the following approved indirect cost rates:

Programs which directly charged utilities	9.50%
Programs not directly charging utilities	30.25%

e. Matching Costs

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

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2019

Section I - Summary of Auditors' Results

*Financial Statements*

- |    |  |                        |
|----|--|------------------------|
| 1. | Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified and Adverse |
|----|--|------------------------|

Internal control over financial reporting:

- |    |   |     |
|----|---|-----|
| 2. | Material weakness(es) identified?                     | Yes |
| 3. | Significant deficiency(ies) identified?               | Yes |
| 4. | Noncompliance material to financial statements noted? | Yes |

*Federal Awards*

Internal control over major federal programs:

- |    |   |     |
|----|---|-----|
| 5. | Material weakness(es) identified?       | Yes |
| 6. | Significant deficiency(ies) identified? | Yes |

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

SNAP Cluster	Unmodified
All other major federal programs	Qualified

- |    |  |     |
|----|--|-----|
| 8. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
|----|--|-----|

9. Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	SNAP Cluster:
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
15.875	Economic, Social, and Political Development of the Territories: Capital Improvement Projects
	Compact Impact
93.767	Children's Health Insurance Program
	Medicaid Cluster:
93.778	Medical Assistance Program
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

- |     |  |              |
|-----|--|--------------|
| 10. | Dollar threshold used to distinguish between type A and type B Programs: | \$ 3,000,000 |
|-----|--|--------------|

- |     |  |    |
|-----|--|----|
| 11. | Auditee qualified as low-risk auditee? | No |
|-----|--|----|

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Section II - Financial Statement Findings

<u>Reference Number</u>	<u>Findings</u>
2019-001	External Financial Reporting
2019-002	Cash and Cash Equivalents
2019-003-004	Receivables
2019-005	Tax Rebates Payable
2019-006	Notes Payable - Judicial Building Loan
2019-007	Compensated Absences
2019-008	Due to Component Units
2019-009	Fund Balance - Encumbrances
2019-010	Commonwealth Healthcare Corporation
2019-011	<b>CNMI Workers'</b> Compensation Commission
2019-012	CNMI Group Health and Life Insurance
2019-013	CNMI Local Noncompliance
2019-014	Schedule of Expenditures of Federal Awards
2019-015	Allowable Costs/Cost Principles

Section III - Federal Award Findings and Questioned Costs

<u>Reference Number</u>	<u>CFDA Number</u>	<u>Findings</u>	<u>Questioned Costs</u>
2019-015	10.551/10.561	Allowable Costs/Cost Principles	\$ 50,004
2019-016	15.875	Equipment and Real Property Management	-
2019-017	15.875	Procurement and Suspension and Debarment	363,800
2019-018	15.875	Reporting	51,563
2019-019	15.875	Subrecipient Monitoring	-
2019-020	93.767	Eligibility	-
2019-021	93.767	Special Tests and Provisions - Provider Eligibility	-
2019-020	93.778	Eligibility	-
2019-022	93.778	Special Tests and Provisions - ADP	-
2019-023	93.778	Special Tests and Provisions - Provider Eligibility	-
2019-024	97.036	Period of Performance	3,274,353
2019-025	97.036	Subrecipient Monitoring	-
			<u>\$ 3,739,720</u>



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

External Financial Reporting

Finding No. 2019-001

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 61, *the Financial Reporting Entity: Omnibus*, requires the financial statements of the reporting entity to include financial statements of component units for which the primary government is financially accountable or for which exclusion would cause the reporting **entity's financial statements to be misleading or incomplete.**

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

1. Northern Mariana Islands Settlement Fund (NMISF)
2. Commonwealth Healthcare Corporation (CHCC)
3. Commonwealth Utilities Corporation (CUC)

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

Effect: The CNMI is in noncompliance with GASB Statement No. 61, and **the CNMI's financial statements contain an adverse opinion.**

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

Identification as a Repeat Finding: Finding No. 2018-001.

Views of Responsible Officials:

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.** The **CNMI's Corrective Action Plan** provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Cash and Cash Equivalents

Finding No. 2019-002

Criteria: Bank reconciliations should be timely performed, and reconciling items should be timely adjusted.

Condition: Tests of bank reconciliations noted the following:

1. Bank reconciliations for three accounts (bank code: 11401, 11410 and 11431) were not provided.
2. We were not able to verify the validity of two accounts as the bank confirmation or the related bank statement was not provided: a \$65,050 security deposit comprising a one-time certificate of deposit (bank code 15050); and a miscellaneous cash account (bank code 11628).
3. At September 30, 2019, the CNMI recorded cash clearing accounts of \$3,971,875. These accounts are expected to be zero at fiscal year-end. An audit adjustment was proposed to correct \$3,858,796 of the amount; however, correcting entries for the remaining \$113,079 could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.
4. At September 30, 2019, the CNMI recorded non-CNMI cash accounts of \$310,586 (bank code 11980) and \$125,278 (bank code 11432). Correcting entries could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.
5. At September 30, 2019, the CNMI recorded a negative \$1,489,602 cash account (bank code 11960) related to unidentified transactions. Correcting entries could not be determined. Management did not consider the amount sufficiently material to the financial statements to warrant an adjustment.
6. At September 30, 2019, the CNMI recorded a negative \$1,713,167 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.

Cause: The CNMI did not adhere to policies and procedures related to timely preparing bank reconciliations, to updating bank account authorized signatories, to recording bank reconciling items in the general ledger, and to reconciling cash clearing accounts for adjustment at fiscal year end.

Effect: Cash balances could be misstated throughout the year.

Recommendation: The CNMI should adhere to established policies and procedures over the timely reconciliation and adjustment of bank accounts and cash clearing accounts and over the updating of bank account authorized signatories.

Identification as a Repeat Finding: Finding No. 2018-003.

Views of Responsible Officials:

The CNMI's **Corrective Action** Plan states acceptance of proposed audit adjustments and provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Receivables

Finding No. 2019-003

Criteria: Receivables should be identified, recorded, and reconciled. Further, transfers of assets from component units should be documented.

Condition: Section 8.1 of the Settlement Agreement for Civil Case No. 09-000023 assigns the CNMI rights to collect deficient employer defined benefit contributions and related costs as of August 6, 2013 from autonomous agencies. In October 2016, NMIRF transferred receivables from autonomous agencies of \$46,051,656 to the CNMI. The CNMI has not obtained details of these receivables and has not assessed collectability. In addition, no written document supported the transfer. The transfer has not been recorded as of September 30, 2019. No audit adjustment was proposed due to the uncertainty of collection.

Cause: The CNMI lacks policies and procedures to identify, record, and reconcile valid receivables and lacks written documentation to substantiate the transfer of receivables.

Effect: Receivables could be understated.

Recommendation: The CNMI should establish policies and procedures to identify, record, and reconcile valid receivables. Furthermore, responsible personnel should coordinate with NMIRF to document the transfer.

Identification as a Repeat Finding: Finding No. 2018-004.

Views of Responsible Officials:

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. **The CNMI's Corrective Action** Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Receivables

Finding No. 2019-004

Criteria: Receivables should be reconciled, assessed, and monitored for collectability.

Condition: Public Law 9-66 requires public corporations or other autonomous agencies to pay to the CNMI Treasurer an amount no less than one percent of their total operations budget, and such funds will be deposited into a special account within the CNMI general fund to be solely used for the operations and activities of the Office of the Public Auditor (OPA). Receivables related to one percent of OPA fees recorded and reported in a schedule obtained from OPA did not agree to payables recorded in corresponding component unit (CU) financial statements. Further, collectability of these receivables was not assessed at year-end. Additionally, consideration of the application of the statute of limitations to these receivables has not occurred.

<u>Component Unit</u>	<u>Receivables Per OPA Schedule</u>	<u>Payables Reported in CU's Financial Statements</u>	<u>Difference</u>	<u>Comments</u>
CDA	\$ 111,395	-	-	not reported in CU financial statements
CHCC	\$ 2,930,053	Unknown	Unknown	lack of CU financial statements
Commonwealth Ports Authority (CPA)	\$ 3,749,522	\$ 2,178,191	\$ 1,571,331	unreconciled differences
CUC	\$ 15,347,119	Unknown	Unknown	lack of CU financial statements
Marianas Public Land Trust	\$ 160,620	-	-	not reported in CU financial statements
Northern Marianas College (NMC)	\$ 1,649,393	-	-	not reported in CU financial statements
Public School System (PSS)	\$ 1,843,754	-	-	not reported in CU financial statements

As of September 30, 2019, receivables related to OPA fees are fully allowed for.

Cause: The CNMI lacks policies and procedures to reconcile receivables and to assess collectability.

Effect: Receivables and related revenue could be misstated.

Recommendation: The CNMI should record receivables based on the updated calculation and should reconcile amounts to payable balances recorded by component units.

Identification as a Repeat Finding: Finding No. 2018-005.

Views of Responsible Officials:

The component units dispute the receivables. The Department of Finance will engage with the component units to determine the collectability of prior years. **The CNMI's** Corrective Action Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Tax Rebates Payable

Finding No. 2019-005

Criteria: The *Covenant to Establish the Commonwealth of the Northern Mariana Islands in Political Union with the United States of America* (the Covenant) adopted the Internal Revenue Code of the United States of America as the local income tax. Percentages of income tax due to the CNMI from CNMI source income are rebated at 90%, 70% or 50%, based on specified tax brackets for corporate and individual income taxes paid. The rebate liability is therefore estimated at the end of each fiscal year.

In addition, in accordance with Public Law 9-22, §1713, Interest on Overpayments, interest allowed by NMTIT §6611 on an overpayment shall be calculated only on the amount not already rebated.

Condition: At September 30, 2019, tax rebates payable aggregated \$58,664,462. The balance consists of the following:

Estimated 2019 liability based on fiscal year 2019 collections	\$ 1,569,352
Additional Child Tax Credit (ACTC)	6,875,038
2018 and prior rebates unpaid as of September 30, 2019	<u>50,220,072</u>
	<u>\$ 58,664,462</u>

Tests of tax rebates payable noted the following:

1. For unpaid tax year 2018 and prior rebates:
  - a. Of seventeen unmatched filings relating to individual and corporate tax rebate payables of \$7,259,621, the following were noted:
    - i. Tax returns were not provided for ten totaling \$2,600,757:

<u>Assigned No.</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>
I-42693	2011	\$ 91,822
C-01032	2004	353,316
C-01078	2005	1,024,000
C-00984	2003	556,738
C-01168	2008	274,000
C-01277	2016	211,500
C-01365	2017	82,426
I-27820	2000	27
I-33056	2004	5,304
I-40084	2008	<u>1,624</u>
		<u>\$ 2,600,757</u>

- ii. One did not agree to the tax return by \$20,816 due to a miscalculation of rebate taxes.

<u>Assigned No.</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>	<u>Rebate Payable Per Return</u>	<u>Variance</u>
C-01231	2011	\$ 519,144	\$ 539,960	\$ 20,816

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No. 2019-005, Continued

Condition, Continued:

- b. Of thirteen assessed filings tested relating to individual and corporate tax rebate payables of \$5,058,440, the following were noted:

- i. Tax returns were not provided for five totaling \$2,472,608:

<u>Assigned No.</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>
C-00565	2012	\$ 2,425,129
C-00055	2001	41,554
I-01492	2003	112
I-07163	2004	5,512
I-15330	2005	<u>301</u>
		\$ <u>2,472,608</u>

- ii. The rebate amounts on the tax returns were left blank or zero for two totaling \$737,530. Further, the related tax returns were filed incomplete, a different tax form was used and/or the taxpayer did not submit relevant documentation to calculate taxes.

<u>Assigned No.</u>	<u>Tax Year</u>	<u>Rebate Payable Per Detailed Reports</u>
C-00368	2007	\$ 649,000
C-00255	2004	<u>88,530</u>
		\$ <u>737,530</u>

2. No interest is calculated or paid on overpayments.

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.

Effect: Tax rebates payable could be misstated; however, since the CNMI calculates an estimated tax liability based on current information, the amount recorded as tax rebate payable is a best estimate. In addition, the CNMI has taken the approach of recording unmatched return variances as liabilities until the items listed above are resolved. The effect is also mitigated by a corresponding permanent tax reserve to offset disputes or claims.

Recommendation: The CNMI should establish policies and procedures requiring periodic review of tax rebate payable reports to assess accuracy and completeness. Also, the CNMI should establish policies and procedures to assess the reasonableness of estimated rebates payable. Additionally, the Division of Revenue and Taxation should properly file and maintain tax forms. Moreover, the CNMI should reconcile recorded rebates payable with the liability indicated on the tax forms, and significant variances, if any, should be investigated, monitored, documented and timely addressed.

Identification as a Repeat Finding: Finding No. 2018-006.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No. 2019-005, Continued

Views of Responsible Officials:

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. The CNMI's **Corrective Action Plan** provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Notes Payable - Judicial Building Loan

Finding No. 2019-006

Criteria: Public Law 9-3 authorized the CNMI to secure a loan from NMIRF as a general obligation for the purpose of funding construction of a Judicial Complex. On February 28, 1995, the CNMI entered into a \$15,000,000 loan agreement with NMIRF. The loan was initially for a period of fifteen years and was due on February 28, 2010, with interest at 7.50% per annum. On July 15, 1999, the loan was amended to extend the term to twenty years and to increase the interest rate to 7.75% per annum. Repayment of the loan is based on an assignment of future receipts from the CNMI courts; however, the CNMI is required to pay any shortfall through the budgetary process. On October 1, 2013, the loan was transferred from NMIRF to NMISF pursuant to Section 8 of the Settlement for Civil Case No. 09-00023.

Condition: At September 30, 2019, principal and interest payable to NMISF amounted to \$2,019,860 and \$3,044, respectively, which was due on March 1, 2015. On September 27, 2016, Public Law 19-67 authorized the CNMI to enter into a \$15,000,000 loan with the U.S. Department of Agriculture (USDA) to pay the loan to NMISF and for the expansion and improvement of projects related to building facilities of the Judiciary, the Office of the Attorney **General and the Public Defender's Office**. The CNMI has not provided the status of the agreement with USDA or determined necessary modifications of the NMISF loan.

Cause: The CNMI lacks a formal plan to pay this obligation.

Effect: The CNMI is in noncompliance with Public Law 9-3 and the related loan terms.

Recommendation: The CNMI should develop and implement a formal plan to pay the outstanding obligation.

Identification as a Repeat Finding: Finding No. 2018-007.

Views of Responsible Officials:

The CNMI is following PL 9-3 to the extent that it is able and is transferring funds as required by law. Urgent priorities throughout the year has resulted in the non-transfer of appropriated funds before the end of the fiscal year. The CNMI will continue to work to ensure that the funding is remitted. The CNMI's **Corrective Action** Plan provides additional details.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Compensated Absences

Finding No. 2019-007

Criteria: Accrued annual leave is limited to 45 days or 360 hours, as amounts in excess of 45 days transfer to sick leave at the end of the leave year. Further, an effective system of internal control requires that accrued annual leave for employees who are separated from the entity be identified and reviewed for validity. The payroll records should be timely updated for annual leave balances that do not represent valid obligations.

Condition: At September 30, 2019, compensated absences payable per the subsidiary ledger aggregated \$10,207,139. Of this amount, \$119,624 represents accrued leave of inactive, terminated, resigned or retired employees. Also, \$940,704 represents accrued leave in excess of the 45-day/360-hour limit. The balance at September 30, 2019 is net of individual debit balances of \$100,390.

The above condition was corrected through a proposed audit adjustment.

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.

Effect: Compensated absences payable and related expenditures could be misstated.

Recommendation: Responsible Department of Finance (DOF) personnel should record valid charges as compensated absences payable.

Identification as a Repeat Finding: Finding No. 2018-008.

Views of Responsible Officials:

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. The CNMI's Corrective Action Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Due to Component Units

Finding No. 2019-008

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

Condition: **We noted the following variances between the CNMI's** amounts due to component units and the amounts confirmed by the component units:

<u>Component Units</u>	<u>Amount Per General Ledger</u>	<u>Amount Reported by the CU</u>	<u>Difference</u>
MVA	\$ 2,546,259	\$ 6,149,517	\$ (3,603,258)
NMC	\$ 185,235	\$ 3,093,652	\$ (2,908,417)
PSS	\$ 6,906	\$ 4,949,038	\$ (4,942,132)

The above differences were corrected through a proposed audit adjustment.

Cause: The cause of the above condition is a lack of reconciliation of balances with component units.

Effect: The effect of the above condition is a misstatement of the due to component units and related transfers.

Recommendation: We recommend that the CNMI review transactions with component units and reconcile differences.

Identification as a Repeat Finding: Finding No. 2018-009.

Views of Responsible Officials:

DOF will accept audit adjustments based on audited financial statements of each of the financial reports. DOF will work with CU to develop a systematic approach to reconcile differences in a timely manner. The CNMI's **Corrective Action** Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Fund Balance - Encumbrances

Finding No. 2019-009

Criteria: A system of internal control provides for adequate monitoring and tracking of commitments related to open purchase orders and unfulfilled contracts. Encumbrances should be reviewed and adjusted for balances that are no longer valid.

Condition: Tests of encumbrances noted the following:

General Fund

1. Subsidiary ledger encumbrances of \$24,140,436 differed from the general ledger of \$6,194,027 at September 30, 2019. The difference of \$17,946,409 was corrected through a proposed audit reclassification.
2. Of five encumbrances tested, aggregating \$13,070,500, an underlying contract was not provided.

<u>Fund</u>	<u>Business Unit</u>	<u>General Ledger Account</u>	<u>Obligating Document No.</u>	<u>General Ledger Amount</u>
1010	N/A	1160	677885 OC	\$ 17,052

3. The encumbrance aging includes a negative balance of \$304,101, which has been outstanding for more than five years. There was no evidence of DOF review of outstanding encumbrances.

<u>Fund</u>	<u>Amount</u>
1010	\$ 41,803
1013	1,728
1015	200
2037	2,270
2039	8,100
2058	<u>250,000</u>
Total	\$ <u>304,101</u>

Grants Assistance Funds

1. Subsidiary ledger encumbrances of \$10,130,429 differed from the general ledger of \$48,538,909 at September 30, 2019. The difference of \$38,408,480 was corrected through a proposed audit reclassification.
2. The encumbrance aging includes a negative balance of \$1,013,282, which has been outstanding for more than five years. There was no evidence of DOF review of outstanding encumbrances.

<u>Fund</u>	<u>CFDA No.</u>	<u>Amount</u>
2020	10.475	\$ 7,269
2020	11.123	75
2020	15.605	2,400
2020	16.582	42,583
2020	20.600	1,226
2020	45.310	600
2020	66.600	20,972
2020	93.243	932
2020	93.251	5,280
2020	93.268	3,607

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No. 2019-009, Continued

Condition, Continued:

Grants Assistance Funds, Continued

<u>Fund</u>	<u>CFDA No.</u>	<u>Amount</u>
2020	93.505	11,712
2020	93.959	4,350
2020	93.994	1,240
2020	97.089	10,331
2020	Unknown	353,384
2022	16.803	12,100
4044	15.875	26,450
4045	15.875	76,246
4045	Unknown	12,391
4049	15.875	104,770
4052	15.875	27,480
4052	Unknown	172,758
4058	15.875	39,665
4058	Unknown	<u>75,461</u>
Total		\$ <u>1,031,282</u>

3. Of three encumbrances tested, aggregating \$2,157,037, the following were noted:

a. For two encumbrances totaling \$101,665, underlying contracts were expired. This was corrected through a proposed audit reclassification.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>Amount</u>
4052	Unknown	2412	604267 OS	\$ 46,571
4058	15.875	5664B	604267 OS	\$ 55,094

b. The obligating document for an encumbrance was not provided.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>General Ledger Amount</u>
2020	97.036	M42355	667077 OC	\$ 365,325

Saipan Amusement Funds

1. Encumbrances in the subsidiary ledger of \$1,551,623 differed from the general ledger of \$372,809 at September 30, 2019. The difference of \$1,178,809 was corrected through a proposed audit reclassification.

2. Of four encumbrances tested, aggregating \$1,003,152, two encumbrances were subsequently adjusted. The disclosure misstatement was corrected during the audit process.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>General Ledger Amount</u>
7069	N/A	7184T	688928 OC	\$ 364,962
7069	N/A	7186P	683390 OC	\$ 401,444

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No. 2019-009, Continued

Condition, Continued:

Other Governmental Funds

1. Encumbrances in the subsidiary ledger of \$7,221,357 differed from the general ledger of \$8,888,877 at September 30, 2019. The difference of \$1,616,709 was corrected through a proposed audit reclassification.
2. The encumbrance aging includes a balance of \$1,688,312, which has been outstanding for more than five years. There was no evidence of DOF review of outstanding encumbrances.

<u>Fund</u>	<u>CFDA No.</u>	<u>Amount</u>
2030	N/A	\$ 14,959
2032	Unknown	180
2033	Unknown	52
2043	N/A	8,555
2080	Unknown	248
2300	Unknown	1,001
2400	Unknown	1,022
4042	N/A	180,852
4043	20.205	414,779
4043	83.516	907,535
4043	Unknown	110,813
4047	15.875	46,958
6070	Unknown	362
6075	Unknown	169
6076	Unknown	85
6079	Unknown	742
Total		<u>\$ 1,688,312</u>

3. Of ten encumbrances tested, aggregating \$5,016,801, the following were noted:
  - a. Two encumbrances were subsequently adjusted. The disclosure misstatement was corrected during the audit process.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>Amount</u>
2041	N/A	3753S	600432 OC	\$ 29,382
4043	20.205	T6205G	674847 OC	\$ 2,147,914

- b. The underlying contract for an encumbrance was expired. This was corrected through a proposed audit reclassification.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>Amount</u>
4043	20.205	T0205K	557659 OC	\$ 173,889

- c. One encumbrance was subsequently adjusted. The disclosure misstatement was corrected during the audit process.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>Amount</u>
4043	20.205	T0205K	557659 OC	\$ 348,539

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No. 2019-009, Continued

Condition, Continued:

Other Governmental Funds, Continued

- d. The obligating document for one encumbrance was not provided.

<u>Fund</u>	<u>CFDA No.</u>	<u>Business Unit</u>	<u>Obligating Document No.</u>	<u>General Ledger Amount</u>
2030	N/A	3022	677363 OP	\$ 2,500

Cause: The CNMI lacks policies and procedures to monitor recorded encumbrance reserves and lacks adequate file maintenance.

Effect: Disclosure requirements relative to the reserve for encumbrances could be misstated and may result in incorrect budgetary financial statements.

Recommendation: Responsible DOF personnel should support all encumbrances with encumbering documents and update encumbrances for actual expenditures. Long outstanding encumbrances and debit balances should be examined for validity. DOF should take reasonable steps to timely adjust the subsidiary ledger to include valid encumbrances at year end.

Identification as a Repeat Finding: Finding No. 2018-010.

Views of Responsible Officials:

The CNMI's **Corrective Action** Plan states acceptance of proposed audit adjustments and provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Commonwealth Healthcare Corporation

Finding No. 2019-010

Criteria: Transfers of assets and liabilities that attach to discretely presented component units should be documented.

Condition: CNMI Public Law 16-51 created the Commonwealth Healthcare Corporation (CHCC), which is responsible for providing healthcare services in the CNMI, as of October 1, 2011. Healthcare services had previously been accounted for within the General Fund. As of September 30, 2019, transfers of associated receivables, inventory and obligations has not occurred.

Cause: The CNMI lacks coordination over the transfer of assets and liabilities.

Effect: Assets and liabilities associated with CHCC remain in the General Fund.

Recommendation: The CNMI should document the transfer of receivables, inventory and obligations as of October 1, 2011 between the CNMI and CHCC.

Identification as a Repeat Finding: Finding No. 2018-011.

Views of Responsible Officials:

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. The **CNMI's** Corrective Action Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

**CNMI Workers' Compensation Commission**

Finding No. 2019-011

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 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, 2019, 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 \$1,565,442 at September 30, 2019; however, an investment policy was not provided. In addition, fiscal year 2019 investment transactions were not recorded, reconciled and monitored.

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

Effect: **WCC's funds** could be misstated.

Recommendation: The 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.

Identification as a Repeat Finding: Finding No. 2018-012.

Views of Responsible Officials:

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. The CNMI's **Corrective Action** Plan provides additional details.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

CNMI Group Health and Life Insurance

Finding No. 2019-012

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 August 5, 2016, Public Law 19-60 transferred administrative functions of the CNMI Group Health and Life Insurance (GHLI) from NMIRF to the CNMI Department of Finance (DOF). CNMI management determined that GHLI should be included within its Special Revenue Funds. As of September 30, 2019, transfers of **GHLI's assets and liabilities were not documented**. In addition, tests of GHLI accounts noted the following:

1. Bank reconciliations were not prepared for GHLI cash account (account no. 11431) with a bank balance of \$763,359 as of September 30, 2019.
2. GHLITF acts in a trustee capacity for health and life insurance coverage payments. During FY2019, the CNMI recorded revenues of \$27,202,673 (Business Units 7180 and 7181; Fund 7071), which relate to collections of health and life insurance contributions from various component units and agencies. These amounts are not valid CNMI revenue and should be remitted to third party insurance providers. In addition, the CNMI recorded health insurance expense of \$10,368,485 (Business Units 6022; Fund 6062), which relates to disbursements made to third party insurance providers. There was no evidence that these entries were reviewed prior to posting. Audit adjustments were proposed to reverse these entries.

Cause: The CNMI lacks coordination over the transfer of GHLI accounts between NMIRF and the CNMI and lacks procedures over financial reporting.

Effect: **GHLI's funds could be misstated.**

Recommendation: The CNMI should document transfers of **GHLI's assets and liabilities**. Bank reconciliations should be prepared for the GHLI cash account. Further, journal entries should be reviewed prior to posting.

Identification as a Repeat Finding: Finding No. 2018-013.

Views of Responsible Officials:

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 discussions between DOF and GHLI staff are still taking place. Records are in transition from the previous system (Peachtree) to a new financial system.

The CNMI's Corrective Action Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

CNMI Local Noncompliance

Finding No. 2019-013

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

Condition: On September 19, 2018, the CNMI passed Public Law 20-67 as the Appropriations and Budget Authority Act of 2019 (the Act). On October 15, 2018, the CNMI passed Public Law 20-78 to amend Public Law 20-67 to appropriate the funds that were line item vetoed under Governors Communications relating to the Act. The following activity levels reported expenditures in excess of budget allotments for the year ended September 30, 2019.

	Budgeted Level of <u>Expenditures</u>	Actual <u>Expenditures</u>	Over <u>Expenditure</u>
Executive branch:			
Other Offices of the Governor and Lt. Governor	\$ 7,317,977	\$ 8,231,559	\$ 913,582
Department of Commerce	\$ 1,815,735	\$ 2,076,319	\$ 260,584
Department of Community and Cultural Affairs	\$ 3,207,672	\$ 3,209,364	\$ 1,692
Department of Corrections	\$ 5,225,215	\$ 5,950,693	\$ 725,478
Department of Finance	\$ 8,140,544	\$ 9,689,426	\$ 1,548,882
Department of Fire and Emergency Medical Services	\$ 5,502,570	\$ 6,580,541	\$ 1,077,971
Department of Lands and Natural Resources	\$ 3,392,943	\$ 3,406,762	\$ 13,819
Department of Public Safety	\$ 7,773,751	\$ 13,515,178	\$ 5,741,427
Department of Public Works	\$ 2,989,655	\$ 3,420,516	\$ 430,861
Second Senatorial District - Tinian and Aguiguan	\$ 8,292,213	\$ 8,646,078	\$ 353,865
First Senatorial District - Rota	\$ 8,095,749	\$ 8,926,526	\$ 830,777
Judicial branch	\$ 5,788,188	\$ 6,012,157	\$ 223,969
Office of the Attorney General	\$ 2,737,390	\$ 2,886,733	\$ 149,343
Office of the Public Auditor	\$ 1,421,552	\$ 2,032,045	\$ 610,493
Boards and commissions	\$ 1,974,502	\$ 2,115,132	\$ 140,630
Employee benefits (payment to GHLITF)	\$ 8,977,663	\$ 12,359,052	\$ 3,381,389
Health (Medicaid local expenditures and medical referrals)	\$ 6,758,124	\$ 21,492,519	\$ 14,734,395
Disaster expenditures	\$ -	\$ 19,027,432	\$ 19,027,432
Debt service	\$ 9,548,750	\$ 9,564,446	\$ 15,696

Cause: The CNMI authorized expenditures in excess of budget allotments.

Effect: Expenditures exceed budget allotments.

Recommendation: Responsible DOF personnel should examine issues attendant to the over expenditures and should assess the propriety of budgeted levels.

Identification as a Repeat Finding: Finding No. 2018-014.

Views of Responsible Officials:

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. The CNMI's **Corrective Action Plan** provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Schedule of Expenditures of Federal Awards

Finding No. 2019-014

Criteria: In accordance with the Uniform Guidance, the auditee shall prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. At a minimum, the SEFA must include the total amount provided to subrecipients from each Federal program.

Condition: The September 30, 2019 SEFA is overstated by \$350,435 of federal expenditures passed through to subrecipients for CFDA No. 97.036.

Cause: The CNMI lacks awareness of applicable regulations.

Effect: The CNMI is in noncompliance with federal SEFA requirements. No questioned costs are presented as expenditures were incurred.

Recommendation: The CNMI should provide training to responsible personnel over the accurate preparation of the SEFA in accordance with the Uniform Guidance.

Views of Responsible Officials:

The CNMI agrees with the finding and will provide training on the preparation of the SEFA in accordance with the Uniform Guidance. The CNMI's **Corrective Action** Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-015  
Federal Agency: U.S. Department of Agriculture  
CFDA Program: 10.551/10.561 SNAP Cluster  
Federal Award Nos.: 7NM4004NM and USDA-FNS-SNAP-CNMI-01  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$50,004

Criteria: In accordance with applicable allowable costs/cost principles requirements, costs should be necessary and reasonable for the performance of the Federal award and be adequately documented.

Condition: Total program benefit costs of \$50,004 are not supported by the total of food coupons redeemed, as follows:

	<u>Program Benefit Costs</u>
Per general ledger	\$ 31,029,156
Per redemption reports	<u>30,979,152</u>
Unsupported program benefits	\$ <u>50,004</u>

Cause: The CNMI did not periodically perform a reconciliation of its recorded program benefit costs with the total of food coupons redeemed.

Effect: The CNMI is in noncompliance with allowable costs/cost principles requirements, and questioned costs of \$50,004 exist.

Recommendation: Responsible CNMI personnel should periodically perform a reconciliation of its recorded program benefit costs with the total of food coupons redeemed.

Views of Responsible Officials:

The CNMI agrees with the recommendation and as the responsible party for this function of the federal award, the CNMI is working with Nutrition Assistance Program (NAP) to address this deficiency. It has been noted that NAP periodically performs on a monthly basis reconciliation of food coupons against the redemption reports or bank statements. DOF also utilizes the bank statements as the source to draw final funds for each month. To verify and confirm accuracy and consistency, the CNMI will work with the NAP to ensure there are no variances between the General Ledger entries, the bank reports, and the monthly reconciliation of food coupons. The CNMI's Corrective Action Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-016  
 Federal Agency: U.S. Department of the Interior  
 CFDA Program: 15.875 Economic, Social, and Political Development of the Territories  
 Federal Award Nos.: CIP-CNMI-2016-8, TAP-CNMI-CIP-2018-2, TAP-CNMI-2018-8, TAP-CNMI-2017-8, TAP-CNMI-2017-7, CNMI-BTS-2017-1; TAP-CNMI-2016-1, MAP-CNMI-2018-2 and MAP-CNMI-2017-3  
 Area: Equipment and Real Property Management  
 Questioned Costs: \$-0-

Criteria: In accordance with applicable regulations, a state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.

The CNMI Property Management Policies and Procedures requires the Division of Procurement & Supply (P&S) to 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, P&S shall perform random audits of property held by each accountable person to validate the integrity of the property control process.

Further, property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Condition: Tests of equipment and real property noted the following:

1. There is no documentation that a complete physical inventory of equipment and property was performed in FY 2019.
2. A property listing, including such required information as serial or federal award identification number, source of the property, who holds title, percentage of federal participation in the cost of the property, and use and condition of the property, was not provided.
3. A variance of \$759,544 was noted between the GL details of \$855,479 and \$95,935 from the property listing provided by P&S.

Cause: The CNMI lacks the human resources and financial management system structure needed to effect compliance with applicable equipment and real property management requirements.

Effect: The CNMI is in noncompliance with applicable equipment management requirements. No questioned cost is presented as we are unable to quantify the overall extent of noncompliance. See below for the cumulative dollar amount of property and equipment acquired with program funds over the past five years.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Grand Total</u>
\$ 855,479	\$ 335,551	\$ 501,789	\$ 62,939	\$ 1,123,090	\$ 2,878,848

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-016, Continued  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories  
Federal Award Nos.: CIP-CNMI-2016-8, TAP-CNMI-CIP-2018-2, TAP-CNMI-2018-8, TAP-CNMI-2017-8, TAP-CNMI-2017-7, CNMI-BTS-2017-1; TAP-CNMI-2016-1, MAP-CNMI-2018-2 and MAP-CNMI-2017-3  
Area: Equipment and Real Property Management  
Questioned Costs: \$-0-

Recommendation: The CNMI should consider seeking technical and financial support from Federal agencies to develop human resources and a financial management system that are capable of effecting compliance with applicable property management policies and procedures.

Identification as a Repeat Finding: Finding No. 2018-016.

Views of Responsible Officials:

The Department of Finance is in the process of adopting a new financial management system which will be an end user friendly that will incorporate the required documents as stated in the grant terms and conditions to be able to populate the required information for compliance in property management and procedures.

The new system maintains a flexible application to easily manage asset management and capital inventory for the department and agencies. The company has begun the work for the transition to the new financial management system and will go live January 2022.

The CNMI's **Corrective Action** Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-017  
 Federal Agency: U.S. Department of the Interior  
 CFDA Program: 15.875 Economic, Social, and Political Development of the Territories  
 Federal Award Nos.: TAP-CNMI-2019-3  
 Area: Procurement and Suspension and Debarment  
 Questioned Costs: \$363,800

Criteria: In accordance with applicable procurement requirements, procurement transactions shall provide for full and open competition through the use of competitive procedures. Also, for any sole source procurement, a written justification for sole source procurement shall be prepared by the official with expenditure authority and 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.

Condition: Of twenty non-payroll expenditures tested, aggregating \$4,243,549 of a total population of \$10,374,347, deficiencies were noted, as follows:

1. For one (or 5%), documents were not provided to demonstrate that competitive procurement was used.

<u>Business Unit</u>	<u>TA/ Contract No.</u>	<u>PO/Contract Amount</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Total FY19 Expenditures and Questioned Costs</u>
1694	667091-OC	\$ 41,334	65600	08/06/19	22159	\$ 41,334

2. For one (or 5%), sole source procurement was used. The written justification stated that efforts were made to obtain competition; however, there was no documentation provided to support the assertion.

<u>Business Unit</u>	<u>TA/ Contract No.</u>	<u>PO/Contract Amount</u>	<u>Object</u>	<u>General Ledger Date</u>	<u>Document No.</u>	<u>Total FY19 Expenditures and Questioned Costs</u>
1365	664022-OC	\$ 1,598,087	65600	08/06/19	22159	\$ 322,466

Cause: The CNMI did not enforce compliance with applicable procurement requirements.

Effect: The CNMI is in noncompliance with applicable procurement requirements, and questioned costs of \$363,800 exist.

Recommendation: Responsible personnel should monitor and enforce compliance with applicable procurement requirements, including the review of procurement files for completeness as to written rationales for any deviations from applicable procurement requirements.

Views of Responsible Officials:

The Office of Grants Management received approval from the federal grantor (Office of Insular Affairs) for a transfer of expenses to BU 19875M for payment of prior incurred expenses by the CNMI government. In relation to procurement regulation 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. With that, the CNMI agrees with the recommendation. **The CNMI's Corrective Action Plan** provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-018  
 Federal Agency: U.S. Department of the Interior  
 CFDA Program: 15.875 Economic, Social, and Political Development of the Territories  
 Federal Award Nos.: D19AF00073 (CNMI-CI-2018-12) and D17AF00042 (CNMI)  
 Area: Reporting  
 Questioned Costs: \$51,563

Criteria: The Program is required to submit an SF-425, Federal Financial Report that is accurately prepared and supported.

Condition: Tests of reporting noted the following:

1. The semi-annual financial report for D19AF0073 was not prepared for the fiscal year end.
2. The SF-425 amount and period end reported for D17AF00042 did not agree with the underlying accounting records, resulting in an understatement of expenditures reported of \$51,563, which exceeded the authorized grant funding.

Business Unit	<u>Per General Ledger Details</u>				SF-425 Support	Variance
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>		
I17CIA	\$ 825,299	\$ -	\$ -	\$ 825,299	\$ 825,299	\$ -
I17CIB	94,617	-	-	94,617	94,617	-
I17CIC	-	24,601	100	24,701	32,917	(8,216)
I17CID	23,990	524,489	165,305	713,784	423,029	290,755
I17CIE	-	-	-	-	29,631	(29,631)
I17CIF	52,101	146,125	2,163	200,389	205,249	(4,860)
I17CIG	221,603	-	-	221,603	221,603	-
I17CIH	74,187	-	-	74,187	74,187	-
I17CIJ	53,637	-	-	53,637	53,637	-
I17CIK	32,907	34,016	-	66,923	149,686	(82,763)
I17CIL	<u>15,633</u>	<u>21,335</u>	<u>21,335</u>	<u>58,303</u>	<u>172,025</u>	<u>(113,722)</u>
Total	\$ <u>1,393,974</u>	\$ <u>750,566</u>	\$ <u>188,903</u>	\$ <u>2,333,443</u>	\$ <u>2,281,880</u>	\$ <u>51,563</u>

Cause: The CNMI did not effectively monitor cumulative expenditures and approved funding limits.

Effect: The CNMI is in noncompliance with reporting requirements, and questioned costs of \$51,563 exist for Condition 2. No questioned costs result for D19AF0073 at Condition 1 as actual Federal draws did not exceed recorded expenditures.

Recommendation: The Program should establish a schedule showing due dates of required reports to effectively monitor compliance with applicable reporting requirements. Furthermore, responsible personnel should review the SF 425 for accuracy and completeness prior to submission.

Views of Responsible Officials:

The Office of Management and Budget agrees to this finding. **The CNMI's Corrective Action Plan** provides additional details.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-019  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories  
Federal Award Nos.: CNMI-CIP-2015-7, CNMI-CIP-2017-3, CNMI-CIP-2017-7 and CNMI-CI-2019-1  
Area: Subrecipient Monitoring  
Questioned Costs: \$-0-

Criteria: In accordance with applicable subrecipient monitoring requirements, the pass-through entity (PTE) must establish and implement subrecipient monitoring policies and procedures, including the following:

- At the time of the award, clearly identify to the subrecipient all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award; and
- Evaluate the impact of subrecipient activities on the PTE's ability to comply with applicable federal regulations.

Condition:

1. The CIP Office listed the PSS as its only subrecipient and failed to include CUC. Further, a subrecipient agreement was not provided for CUC. The subrecipient listing does not include \$873,345 in subrecipient expenditures.
2. The program did not include the following required information in the subrecipient agreements:
  - Federal award identification
  - Subrecipient name (which must match the registered name in the Data Universal Numbering System (DUNS))
  - **Subrecipient's DUNS number**
  - Federal award identification number
  - Federal award date
  - Subaward period of performance start and end date
  - Amount of federal funds obligated by this action
  - Total amount of federal funds obligated to the subrecipient
  - Total amount of the federal award
  - Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act
  - Name of federal awarding agency, PTE, and contact information for awarding official
  - CFDA number and name; the PTE must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement
  - Identification of whether the award is R&D
  - Indirect cost rate for the federal award
3. Control procedures to monitor subrecipient compliance with applicable laws, regulations, and provisions of contracts and grant agreements are not evident. We are aware that subrecipients CHCC and CUC were subject to a Single Audit for FY 2018 and such audits are ongoing. There is no evidence that the Single Audit reports are used as a monitoring tool.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-019, Continued  
Federal Agency: U.S. Department of the Interior  
CFDA Program: 15.875 Economic, Social, and Political Development of the Territories  
Federal Award Nos.: CNMI-CIP-2015-7, CNMI-CIP-2017-3, CNMI-CIP-2017-7 and CNMI-CI-2019-1  
Area: Subrecipient Monitoring  
Questioned Costs: \$-0-

Condition, Continued:

4. Supervisory reviews are not being performed to determine the adequacy of subrecipient monitoring.

Cause: The CNMI failed to enforce compliance with subrecipient monitoring requirements.

Effect: The CNMI is in noncompliance with applicable subrecipient monitoring requirements. No questioned costs are presented as the FY 2018 Single Audit reports of the subrecipients tested reported no findings for this program. Furthermore, we are aware that the FY 2018 Single Audit of CUC was issued with no findings for this program.

Recommendation: Responsible personnel should consider obtaining training in the area of subrecipient monitoring and establishing and implementing policies and procedures over compliance with applicable subrecipient monitoring requirements.

Identification as a Repeat Finding: Finding No. 2018-017.

Views of Responsible Officials:

The listed federal awards were previously submitted in preceding audit requests. The program did include most of the information as stated in Condition 2. The CIP Office has incorporated the required information listed in Condition 2 in the Subrecipient Monitoring Agreement. A copy of the revised agreement has been sent to the subrecipient for acknowledgement and signature.

The CIP Office agrees that responsible personnel should obtain more training in the area of subrecipient monitoring and a revision to the established and implementation policies and procedures to reflect the changes and/or updates in the compliance for applicable subrecipient monitoring requirements.

The CNMI's **Corrective Action** Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-020  
Federal Agency: U.S. Department of Health and Human Services

CFDA Program: 93.767 **Children's Health Insurance Program**  
Federal Award No.: 1905CQ5O21

CFDA Program: 93.778 Medical Assistance Program  
Federal Award Nos.: 1905CQ5MAP, 1905CQ5ADM, 1905CQ1935, 1905CQMMIS,  
1905MPIMPL, 1905CQACAI, 1905CQDMAP, 1805CQ5ADM,  
180CQIIMPL and 1805CQMMIS

Area: Eligibility  
Questioned Costs: \$-0-

Criteria: Applicants must be determined eligible prior to receiving Medicaid assistance based on the criteria set forth in the Medicaid Revised Operational Plan.

Condition: For two (or 3%) of sixty-eight eligibility files tested, aggregating \$96,111 in total benefits paid of a population of \$49.3 million, total countable income by the Program differs from the third-party verification. No questioned cost is reported as the total countable income per third-party verifications are within income limits.

<u>Case Number</u>	<u>Certification Effective</u>	<u>Income Per Third-Party Verification</u>	<u>Income Per Medicaid</u>	<u>Variance</u>
15-019766-00	01/25/2019	\$ 1,311	\$ 1,069	\$ 242
13-024461-00	10/09/2018	\$ 1,273	\$ 1,147	<u>126</u>
				\$ <u>368</u>

Cause: The CNMI miscalculated countable income. Further, the records/database of individuals receiving benefits may not be periodically monitored and updated for completeness of population and eligibility information.

Effect: The CNMI is in noncompliance with applicable eligibility requirements pursuant to the Medicaid Operational Plan. The projected questioned cost for each major program exceeds \$25,000.

Recommendation: The CNMI Medicaid Office should establish and enforce control procedures over compliance with eligibility requirements pursuant to the Medicaid Revised Operational Plan.

Identification as a Repeat Finding: Finding No. 2018-020.

Views of Responsible Officials:

Yes, we do agree Medicaid made an error on both eligibility income calculations. CMA will enforce thorough review of supporting documents and validate income calculations are correct. The CNMI's **Corrective** Action Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-021  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.767 Children's Health Insurance Program  
Federal Award Nos.: 1905CQ5021  
Area: Special Tests and Provisions - Provider Eligibility  
Questioned Costs: \$-0-

Criteria: In accordance with special tests and provisions requirements, service provider agreements are required and should be supported by a current CNMI business license and a CNMI or U.S. license to practice medicine.

Condition: Of sixty-eight eligibility files tested, aggregating \$96,111 in total benefits paid of a population of \$49.3 million, deficiencies were noted, as follows:

1. For two (or 17%), **the physicians' current licenses to practice** during the selected service dates were not on file.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Document No.</u>	<u>Service Date</u>	<u>Number of Physicians</u>
12/17/18	H96767D	1429292	06/05/18 - 08/10/18	4
02/07/19	H96767D	1434016	09/11/18 - 11/08/18	4

**No questioned costs are presented as the effective dates of the physicians' licenses that were subsequently obtained between February 28, 2020 and May 27, 2020 covered the service dates tested.**

2. For **three (25%), the providers' current licenses to practice** during the selected service dates were not on file.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Document No.</u>	<u>Service Dates</u>
12/17/18	H96767D	1429292	11/17/17 - 08/22/18
07/10/19	H96767D	1452880	04/01/19 - 04/30/19
04/03/19	H96767D	1439264	09/07/18 - 12/31/18

**No questioned costs are presented as the effective dates for the providers' licenses that were subsequently obtained between May 2, 2020 and May 13, 2020 covered the service dates tested.**

Cause: The CNMI lacks a systematic filing of relevant documentation for service providers.

Effect: The CNMI is in noncompliance with applicable special tests and provisions requirements.

Recommendation: The responsible personnel should maintain relevant documentation for service providers in accordance with special tests and provisions requirements.

Views of Responsible Officials:

We agree with these findings. CMA is making every effort each year to improve the maintenance of provider applications and supporting documents. **The CNMI's** Corrective Action Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-022  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.778 Medical Assistance Program  
Federal Award Nos.: 1905CQ5MAP, 1905CQ5ADM, 1905CQ1935, 1905CQMMIS,  
1905MPIMPL, 1905CQ1323, 1905CQACAI, 1905CQDMAP,  
1905CQINCT, 1805CQ5ADM, 180CQIIMPL, 1805CQMMIS and  
1805CQI1323  
Area: Special Tests and Provisions - ADP Risk Analysis and System  
Security Review  
Questioned Costs: \$-0-

Criteria: In accordance with applicable special tests and provisions requirements, State agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. State agencies shall review the ADP system security installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices. The State agency shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews (45 CFR section 95.621).

Condition: The CNMI did not provide reports or other documentation on its biennial ADP system security reviews.

Cause: The CNMI lacked policies and procedures for the required biennial ADP system security review.

Effect: The CNMI is in noncompliance with special tests and provisions requirements for the biennial ADP system security review. No questioned costs result as we are unable to quantify the extent of the noncompliance.

Recommendation: The CNMI should establish and implement policies and procedures for the required biennial ADP system security review.

Identification as a Repeat Finding: Finding No. 2018-021.

Views of Responsible Officials:

The Division of Information Technology Services has developed the policies and procedures **to be in compliance with the program's ADP security system**. It has been reviewed and approved by the Secretary of Finance and has been formally implemented into the current process. The CNMI's **Corrective Action** Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-023  
Federal Agency: U.S. Department of Health and Human Services  
CFDA Program: 93.778 Medical Assistance Program  
Federal Award Nos.: 190CQDMAP  
Area: Special Tests and Provisions - Provider Eligibility  
Questioned Costs: \$-0-

Criteria: In accordance with applicable special tests and provisions requirements for provider eligibility, providers of medical services must be licensed in order to participate in the Medicaid program.

Condition: Of twelve service providers tested, aggregating \$2.3 million of program costs of \$45.6 million, deficiencies were noted, as follows:

1. For two (or 17%), **the physicians' current licenses** to practice during the selected service dates were not on file.

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Document No.</u>	<u>Service Date</u>	<u>Number of Physicians</u>
07/24/19	H9778J	1455157	02/15/19 - 04/19/19	4
09/11/19	H9778J	1472752	06/21/19 - 07/31/19	5

No questioned costs are presented for services provided by the physicians as the effective dates of the **physicians' licenses that were subsequently obtained** between February 28, 2020 and June 1, 2020 covered the service dates tested.

2. For six (50%), the providers' **current licenses to practice** during the selected service dates were not on file

<u>General Ledger Date</u>	<u>Business Unit</u>	<u>Document No.</u>	<u>Service Dates</u>
07/24/19	H9778J	1455157	02/15/19 - 05/31/19
09/11/19	H9778J	1472752	04/19/19 - 07/31/19
09/04/19	H9778J	1459311	07/24/18 - 06/11/19
08/07/19	H9778J	1456586	05/01/19 - 05/31/19
07/10/19	H9778J	1452970	05/01/19 - 05/31/19
05/03/19	H9778G	1442323	09/26/18 and 11/14/18

No questioned costs are presented as the effective dates for the provider licenses that were subsequently obtained between May 2, 2020 and September 29, 2020 covered the service dates tested.

Cause: The CNMI lacks systematic filing of required documentation for physicians and service providers.

Effect: The CNMI is in noncompliance with applicable special tests and provisions requirements for provider eligibility.

Recommendation: The responsible personnel should maintain required documentation for physicians and service providers in accordance with special tests and provisions requirements for provider eligibility.

Identification as a Repeat Finding: Finding No. 2018-022.

Views of Responsible Officials:

We agree with these findings. CMA is making every effort each year to improve the maintenance of provider applications and supporting documents. The CNMI's Corrective Action Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-024  
 Federal Agency: U.S. Department of Homeland Security  
 CFDA Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
 Federal Award No.: B-4235DRMPP1SMR500  
 Area: Period of Performance  
 Questioned Costs: \$3,274,353

Criteria: In accordance with applicable period of performance requirements, a non-Federal entity shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. Further, time extensions should be approved by the grantor.

Condition: Of three nonpayroll expenditures tested, aggregating \$3,274,353, of a total population of \$18,495,365, for three (or 100%), the liquidation occurred after the 90-day liquidation end date. Grant extension documentation was not provided.

<u>Business Unit</u>	<u>Document No.</u>	<u>General Ledger Date</u>	<u>Check No.</u>	<u>Check Clearance Date</u>	<u>Liquidation End Date</u>	<u>Days Lapsed</u>	<u>Questioned Costs</u>
M42355	1491358	02/11/20	57225	02/21/20	11/03/19	110	\$ 44,100
M4235Q	1482381	11/20/19	55506	11/27/19	11/03/19	24	2,370,255
M4235Q	1482382	11/20/19	55506	11/27/19	11/03/19	24	<u>859,998</u>
						Total	\$ <u>3,274,353</u>

Cause: The CNMI did not effectively monitor compliance with applicable period of performance requirements.

Effect: The CNMI is in noncompliance with period of performance requirements, and questioned costs of \$3,274,353 exist.

Recommendation: The responsible personnel should monitor check payments so that liquidations occur timely. Grantor approval should be sought if extensions are needed.

Views of Responsible Officials:

Audit finding no. 2019-024 highlights an area unintentionally overlooked - that of monitoring liquidation compliance. With current financial and audit staff on board the CNMI PA office, monitoring guidelines addressing liquidation regulations will be prioritized and incorporated into administrative and program monitoring for immediate assessment and action. **The CNMI's Corrective Action Plan** provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-025  
Federal Agency: U.S. Department of Homeland Security  
CFDA Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
Federal Award No.: FEMA-4235-DR, FEMA-4404-DR  
Area: Subrecipient Monitoring  
Questioned Costs: \$-0-

Criteria: In accordance with applicable subrecipient monitoring requirements, pass-through entities must establish and implement subrecipient monitoring policies and procedures. A pass-through entity (PTE) is responsible for:

- At the time of the award, clearly identifying to the subrecipient all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award;
- **Monitoring the subrecipient's** use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved;
- Ensuring that subrecipients expending \$750,000 or more in Federal awards **during the subrecipient's fiscal year for fiscal years beginning on or after December 26, 2014** have met the audit requirements of 2 CFR part 200, subpart F and that the required audits are completed within 9 months of the end of the **subrecipient's audit period; and**
- Evaluating the impact of subrecipient activities on the pass-through **entity's** ability to comply with applicable federal regulations.

Condition:

1. For two, or 100% of subrecipients tested, control procedures to monitor subrecipient compliance with applicable laws, regulations, and provisions of contracts and grant agreements were not evident.
2. The program did not include the following required information in the subrecipient agreements for the subrecipient to be aware of the award information, and for the PTE to comply with Federal statutes, regulations, and the terms and conditions of the award, as follows:
  - **Subrecipient's DUNS number**
  - Amount of federal funds obligated by this action
  - Total amount of federal funds obligated to the subrecipient
  - Total amount of the federal award
  - CFDA number and name; the PTE must identify the dollar amount made available under each federal award and the CFDA number at time of disbursement
  - Identification of whether the award is R&D
  - Indirect cost rate for the federal award



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Schedule of Findings and Questioned Costs, Continued  
Year Ended September 30, 2019

Finding No.: 2019-025, Continued  
Federal Agency: U.S. Department of Homeland Security  
CFDA Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
Federal Award No.: FEMA-4235-DR, FEMA-4404-DR  
Area: Subrecipient Monitoring  
Questioned Costs: \$-0-

Condition, Continued:

3. For subrecipients audits tested, there was no evidence that a procedure was implemented to determine that subrecipients expending \$750,000 or more in **Federal awards during the subrecipient's fiscal year have met** the audit requirements 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**. We are aware that subrecipient CUC was subject to a Single Audit for FY 2019 and such audit is ongoing.

Cause: The CNMI failed to enforce compliance with applicable subrecipient monitoring requirements.

Effect: The CNMI is in noncompliance with applicable subrecipient monitoring requirements. No questioned costs are presented as we are unable to quantify the extent of the noncompliance.

Recommendation: The responsible personnel should consider obtaining training in the area of subrecipient monitoring and establishing and implementing policies and procedures over compliance with applicable subrecipient monitoring requirements.

Identification as a Repeat Finding: Finding No. 2018-024.

Views of Responsible Officials:

The CNMI, through the Public Assistance Office (PAO), hired a Compliance and Audit personnel in early January of this year. This personnel's **primary responsibility** is to evaluate internal controls within the agency and establish written subrecipient monitoring policies and procedures and ensure implementation to comply with *2 CFR Part 200, Subpart D - Subrecipient Monitoring Management, and Subpart F - Audit Requirements*. The **CNMI's Corrective Action** Plan provides additional details.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Unresolved Prior Year Findings and Questioned Costs  
Year Ended September 30, 2019

Questioned Costs

The prior year Single Audit report on compliance with laws and regulations noted the following questioned costs that were unresolved at September 30, 2019:

Questioned costs as previously reported:

Fiscal year 2018	\$	369
Fiscal year 2017		1,393,892
Fiscal year 2016		6,144,375
Fiscal year 2015 and prior		<u>12,778,409</u>
		20,317,045
Questioned costs of fiscal year 2019 Single Audit		<u>3,739,720</u>
Unresolved questioned costs at September 30, 2019	\$	<u>24,056,765</u>



Office of the Secretary  
**Department of Finance**



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**Finding No.:** 2019-001  
**Area:** External Financial Reporting  
**Contact Person(s):** David Atalig, Secretary of Finance, Department of Finance

**Corrective Action Plan:**

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.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2019-002  
**Area:** Cash and Cash Equivalents  
**Contact Person(s):** Bernadita Palacios, Director, Division of Finance & Accounting

**Corrective Action Plan:**

Condition 1: Bank Code 11401 does not have any transactions during FY 2019. Bank Code 11410 does not have any transactions during FY 2019. 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 reconciliation for bank code 11431 is available at the GHFI 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 transactions during FY 2019. DOF will conduct a review of accounts to include 11628 and determine appropriate actions.

Condition 3: DOF accepts the proposed audit adjustments of \$3,858,796. DOF will conduct a review and determine appropriate actions.

Condition 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

**Proposed Completion Date:** Ongoing

**Finding No.:** 2019-003  
**Area:** Receivables  
**Contact Person(s):** David Atalig, Secretary of Finance, Department of Finance  
Velma Palacios, Program Director, NMI Retirement Fund

**Corrective Action Plan:**

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.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2019-004  
**Area:** OPA Receivables  
**Contact Person(s):** David Atalig, Secretary of Finance, Department of Finance  
David Blake, Audit Manager, Office of the Public Auditor

**Corrective Action Plan:**

The component units dispute the receivables. The Department of Finance will engage with the component units to determine the collectability of prior years.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2019-005  
**Area:** Tax Rebates Payable  
**Contact Person(s):** Tracy Norita, Director, Division of Revenue & Taxation  
Maria White, Research and Statistics Manager, Division of Revenue & Taxation

**Corrective Action Plan:**

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.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2019-006  
**Area:** Notes Payable - Judicial Building Loan  
**Contact Person(s):** Alexander Castro, Chief Justice, CNMI Judiciary  
John Villagomez, Budget and Finance Director, CNMI Judiciary  
David Atalig, Secretary of Finance, Department of Finance

**Corrective Action Plan:**

The CNMI is following PL 9-3 to the extent that it is able and is transferring funds as required by law. Urgent priorities throughout the year has resulted in the non-transfer of appropriated funds before the end of the fiscal year. The CNMI will continue to work to ensure that the funding is remitted.

**Proposed Completion Date:** September 30, 2020

**Finding No.:** 2019-007  
**Area:** Compensated Absences  
**Contact Person(s):** Bernadita Palacios, Director, Division of Finance & Accounting

**Corrective Action Plan:**

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

**Proposed Completion Date:** September 30, 2020



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**Finding No.:** 2019-008  
**Area:** Due to Component Units  
**Contact Person(s):** David Atalig, Secretary of Finance, Department of Finance

**Corrective Action Plan:**

DOF will accept audit adjustments based on audited financial statements of each of the financial reports.  
DOF will work with CU to develop a systematic approach to reconcile differences in a timely manner.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2019-009  
**Area:** Fund Balance - Encumbrances  
**Contact Person(s):** Bernadita Palacios, Director, Division of Finance & Accounting

**Corrective Action Plan:**

General Fund 1: DOF accepts the proposed audit reclassification

General Fund 2: Contract was not materialized as there was no response from the Attorney General's officer regarding this contract

General Fund 3: DOF will review outstanding encumbrances

Grants Assistance Fund 1: DOF accepts the proposed audit reclassification.

Grants Assistance Fund 2: DOF will review outstanding encumbrances

Grants Assistance Fund 3:

- a. The contract process was not completed as DOF was not informed of the outcome. DOF will review for de-obligation
- b. Contract was not materialized as there was no response from the AG's Office and the Office of the Governor

Saipan Amusement Fund 1: DOF accepts the proposed audit reclassification

Saipan Amusement Fund 2: DOF accepts the adjustments to the encumbrances

Other Governmental Funds 1: DOF accepts the proposed audit reclassification

Other Governmental Funds 2: DOF will review outstanding encumbrances

Other Governmental Funds 3:

- a. DOF accepts the adjustments to the encumbrances
- b. DOF accepts the proposed audit reclassification
- c. DOF accepts the adjustment to the encumbrance
- d. Contract was not materialized. DOF will review if de-obligation is needed.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2019-010  
**Area:** Commonwealth Healthcare Corp (CHCC)  
**Contact Person(s):** Esther Muna, CEO, Commonwealth Healthcare Corporation  
Perlie Santos, CFO, Commonwealth Healthcare Corporation  
David Atalig, Secretary of Finance, Department of Finance

**Corrective Action Plan:**

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.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2019-011  
**Area:** CNMI Workers' Compensation Commission  
**Contact Person(s):** Mark Rabauliman, Secretary of Commerce, Department of Commerce  
David Atalig, Secretary of Finance, Department of Finance

**Corrective Action Plan:**

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.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2019-012  
**Area:** CNMI Group Health & Life Insurance  
**Contact Person(s):** Velma Palacios, Program Director, Group Health & Life Insurance Program

**Corrective Action Plan:**

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 discussions between DOF and GHLI staff are still taking place. Records are in transition from the previous system (Peachtree) to a new financial system.

**Proposed Completion Date:** September 30, 2020

**Finding No.:** 2019-013  
**Area:** CNMI Local Noncompliance - Budget  
**Contact Person(s):** David Atalig, Secretary of Finance, Department of Finance

**Corrective Action Plan:**

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.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2019-014  
**Area:** Schedule of Expenditures of Federal Awards  
**Contact Person(s):** David Atalig, Secretary of Finance, Department of Finance

**Corrective Action Plan:**

The CNMI agrees with the finding and will provide training on the preparation of the SEFA in accordance with the Uniform Guidance.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2019-015  
**Federal Agency:** U.S. Department of Agriculture  
**CFDA Program:** 10.551/10.561 SNAP Cluster  
**Federal Awards Nos.:** 7NM4004NM AND USDA-FNS-SNAP-CNMI-01  
**Area:** Allowable Costs/Cost Principles  
**Questioned Costs:** \$462,934  
**Contact Person(s):** David Atalig, Secretary of Finance, Department of Finance  
Walter Macaranas, Administrator, Nutrition Assistance Program

**Corrective Action Plan:**

The CNMI agrees with the recommendation and as the responsible party for this function of the federal award, the CNMI is working with Nutrition Assistance Program (NAP) to address this deficiency. It has been noted that NAP periodically performs on a monthly basis reconciliation of food coupons against the redemption reports or bank statements. DOF also utilizes the bank statements as the source to draw final funds for each month. To verify and confirm accuracy and consistency, the CNMI will work with the NAP to ensure there are no variances between the General Ledger entries, the bank reports, and the monthly reconciliation of food coupons.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2019-016  
**Federal Agency:** U.S. Department of the Interior  
**CFDA Program:** 15.875 Economic, Social, and Political Development of the Territories  
**Federal Award Nos.:** CIP-CNMI-2016-8, TAP-CNMI-CIP-2018-2, TAP-CNMI-2018-8, TAP-CNMI-2017-8, TAP-CNMI-2017-7, CNMI-BTS-2017-1; TAP-CNMI-2016-1, MAP-CNMI-2018-2 and MAP-CNMI-2017-3  
**Area:** Equipment and Real Property Management  
**Questioned Costs:** \$-0-  
**Contact Person:** Elizabeth S. Balajadia, CIP Administrator

**Corrective Action Plan:**

The Department of Finance is in the process of adopting a new financial management system which will be an end user friendly that will incorporate the required documents as stated in the grant terms and conditions to be able to populate the required information for compliance in property management and procedures.

The new system maintains a flexible application to easily manage asset management and capital inventory for the department and agencies. The company has begun the work for the transition to the new financial management system and will go live January 2022.

**Proposed Completion Date:** September 30, 2022



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**Finding No.:** 2019-017  
**Federal Agency:** U.S. Department of the Interior  
**CFDA Program:** 15.875 Economic, Social, and Political Development of the Territories  
**Federal Awards Nos.:** TAP-CNMI-2019-3  
**Area:** Procurement and Suspension and Debarment  
**Questioned Costs:** \$363,800  
**Contact Person(s):** Epiphanio Cabrera, Office of Grants Management  
David Atalig, Secretary of Finance, Department of Finance

**Corrective Action Plan:**

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 regulation 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.

With that, 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.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2019-018  
**Federal Agency:** U.S. Department of the Interior  
**CFDA Program:** 15.875 Economic, Social, and Political Development of the Territories  
**Federal Awards Nos.:** D19AF00073 (CNMI-CI-2018-12) and D17AF00042  
**Area:** Reporting  
**Questioned Costs:** \$51,563  
**Contact Person(s):** Virginia C. Villagomez, SAMB  
Jazmin L. Camacho, Technical Financial Analyst

**Corrective Action Plan:**

Condition 1:

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.

Condition 2:

The Office of Management and Budget agrees to this finding. OMB will coordinate the journal entry to transfer excess expenditure in business unit I17CID. 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.

**Proposed Completion Date:** Ongoing





Office of the Secretary  
**Department of Finance**



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**Finding No.:** 2019-019  
**Federal Agency:** U.S. Department of the Interior  
**CFDA Program:** 15.875 Economic, Social, and Political Development of the Territories  
**Federal Award Nos.:** CNMI-CIP-2015-7, CNMI-CIP-2017-3, CNMI-CIP-2017-7 and CNMI-CI-2019-1  
**Area:** Subrecipient Monitoring  
**Questioned Costs:** \$-0-  
**Contact Person:** Elizabeth S. Balajadia, CIP Administrator

**Corrective Action Plan:**

The listed federal awards were previously submitted in preceding audit requests. The program did include most of the information as stated in Condition 2. The CIP Office has incorporated the required information listed in Condition 2 in the Subrecipient Monitoring Agreement. A copy of the revised agreement has been sent to the subrecipient for acknowledgement and signature.

The CIP Office agrees that responsible personnel should obtain more training in the area of subrecipient monitoring and a revision to the established and implementation policies and procedures to reflect the changes and/or updates in the compliance for applicable subrecipient monitoring requirements.

**Proposed Completion Date:** March 31, 2021

**Finding No.:** 2019-020  
**Federal Agency:** U.S. Department of Health and Human Services  
**CFDA Program:** 93.767 Children's Health Insurance Program  
**Federal Award No.:** 1905CQ5O21  
**CFDA Program:** 93.778 Medical Assistance Program  
**Federal Award Nos.:** 1905CQ5MAP, 1905CQ5ADM, 1905CQ1935, 1905CQMMIS, 1905MPIMPL, 1905CQACAI, 1905CQDMAP, 1805CQ5ADM, 180CQIIMPL and 1805CQMMIS  
**Area:** Eligibility  
**Questioned Costs:** \$-0-  
**Contact Person:** Maria Elena C. Sablan, Medicaid Director

**Corrective Action Plan:**

Yes, we do agree Medicaid made an error on both eligibility income calculations. CMA will enforce thorough review of supporting documents and validate income calculations are correct.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2019-021  
**Federal Agency:** U.S. Department of Health and Human Services  
**CFDA Program:** 93.767 Children's Health Insurance Program  
**Federal Award Nos.:** 1905CQ5O21  
**Area:** Special Tests and Provisions - Provider Eligibility  
**Questioned Costs:** \$-0-  
**Contact Person:** Maria Elena C. Sablan, Medicaid Director

**Corrective Action Plan:**

We agree with these findings. CMA is making every effort each year to improve the maintenance of provider applications and supporting documents.

**Proposed Completion Date:** Ongoing



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**Finding No.:** 2019-022  
**Federal Agency:** U.S. Department of Health and Human Services  
**CFDA Program:** 93.778 Medical Assistance Program  
**Federal Awards Nos.:** 1905CQ5MAP, 1905CQ5ADM, 1905CQ1935, 1905CQMMIS, 1905MPIMPL, 19005CQINCT, 1805CQ5ADM, 180CQIIMPL, 1805CQMMIS, AND 1805CQI1323  
**Area:** Special Tests and Provisions - ADP Risk Analysis and System Security Review  
**Questioned Costs:** \$0  
**Contact Person(s):** Frank Celis, Director, Division of Information Technology Services

**Corrective Action Plan:**

The Division of Information Technology Services has developed the policies and procedures to be in compliance with the program's ADP security system. It has been reviewed and approved by the Secretary of Finance and has been formally implemented into the current process.

**Proposed Completion Date:** Completed

**Finding No.:** 2019-023  
**Federal Agency:** U.S. Department of Health and Human Services  
**CFDA Program:** 93.778 Medical Assistance Program  
**Federal Award Nos.:** 190CQDMAP  
**Area:** Special Tests and Provisions - Provider Eligibility  
**Questioned Costs:** \$-0-  
**Contact Person:** Maria Elena C. Sablan, Medicaid Director

**Corrective Action Plan:**

We agree with these findings. CMA is making every effort each year to improve the maintenance of provider applications and supporting documents.

**Proposed Completion Date:** Ongoing

**Finding No.:** 2019-024  
**Federal Agency:** U.S. Department of Homeland Security  
**CFDA Program:** 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
**Federal Award No.:** B-4235DRMPP1SMR500  
**Area:** Period of Performance  
**Questioned Costs:** \$3,274,353  
**Contact Person(s):** Virginia C. Villagomez, Governor's Authorized Representative, CNMI

**Agency Response:**

In 2018 and 2019, the CNMI Public Assistance Office (PAO) comprised four full-time staff addressing administrative and project requirements. Subrecipient monitoring and activity focused heavily on completing projects according to the approved scope of work, as reflected in project worksheets, and within the agreed Periods of Performance (POP). Additionally, with multiple open disasters - DR-4235 (Soudelor), DR-4396 (Mangkhut), and DR-4404 (Yutu), in 2018 and 2019, PAO staff shared responsibilities to address disaster response and recovery priorities across the CNMI. Further, with the latest and ongoing response activities involving DR-4511 (COVID-19), the CNMI PA Office continues to work diligently to monitor subrecipient projects, support multiple disaster response and recovery priorities, and complete administrative requirements.



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**Finding No.:** 2019-024, Continued  
**Federal Agency:** U.S. Department of Homeland Security  
**CFDA Program:** 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
**Federal Award No.:** B-4235DRMPP1SMR500  
**Area:** Period of Performance  
**Questioned Costs:** \$3,274,353  
**Contact Person(s):** Virginia C. Villagomez, Governor's Authorized Representative, CNMI

**Agency Response, Continued:**

The CNMI made an effort to request a blanket grant time extension, covering the remaining DR-4235 open projects. However, the time extension request was submitted after the POP end date because the PAO was still performing Category A and B (Debris and Emergency) work until late 2019. The grantor responded to the request, acknowledging the CNMI's challenges in completing the projects but unfortunately, only specific projects were approved for extensions.

Audit finding no. 2019-024 highlights an area unintentionally overlooked - that of monitoring liquidation compliance. With current financial and audit staff on board the CNMI PA office, monitoring guidelines addressing liquidation regulations will be prioritized and incorporated into administrative and program monitoring for immediate assessment and action.

**Corrective Action Plan:**

1. As part of Public Assistance (PA) Closeout Processes, current implementation and monitoring measures are in place to ensure that all required closeout documents pertaining to the completed project scope of work by subrecipients with validation by the CNMI PA office are submitted to the Regional PA office. While these mechanisms have been established for the closeout reporting of subrecipients and approved scope of work, additional documentation and components are needed for inclusion and monitoring of liquidation regulations. Liquidation deadlines will be detailed and documented into subrecipient monitoring checklists and mechanisms to ensure that timely liquidations occur and that, when needed, timely extension requests are submitted for grantor consideration and approval.
2. Effective immediately, the CNMI PA office will include the liquidation regulations as a critical component of subrecipient monitoring processes alongside closeout reporting regulations. The CNMI PA office has monitored the completion of project work and deliverables within approved Periods of Performance (POP); however, the liquidation deadline monitoring is an area that will be highlighted of equal importance, included in the monitoring process and detailed accordingly. Liquidations will be referenced based on 2 C.F.R. §200.343.
3. All CNMI PA projects will be examined to determine compliance with liquidation regulations by May 2021. The PAO's immediate attention will be directed to correct any oversight in meeting liquidation of obligations requirements. Through the review, monitoring, and communication with CNMI PA projects, request(s) to FEMA will be submitted for any projects that may need extensions to the Period of Performance end date, the closeout reporting, and liquidation deadline.

**Proposed Completion Date:** April 30, 2021



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**Finding No.:** 2019-025  
**Federal Agency:** U.S. Department of Homeland Security  
**CFDA Program:** 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)  
**Federal Awards Nos.:** FEMA-4235-DR, FEMA-4404-DR  
**Area:** Subrecipient Monitoring  
**Questioned Costs:** \$0  
**Contact Person(s):** Virginia C. Villagomez, Governor's Authorized Representative, CNMI

**Corrective Action Plan:**

The CNMI, through the Public Assistance Office (PAO), hired a Compliance and Audit personnel in early January of this year. This personnel's primary responsibility is to evaluate internal controls within the agency and establish written subrecipient monitoring policies and procedures and ensure implementation to comply with *2 CFR Part 200, Subpart D - Subrecipient Monitoring Management, and Subpart F - Audit Requirements*.

Additionally, the PAO is in the process of revisiting its subrecipient agreement to include all required information to ensure every subaward is clearly identified to the subrecipient as stipulated in *2 CFR § 200.322(a)(1) - Requirements for pass-through entities. Federal Award Identification*.

**Proposed Completion Date:** April 30, 2021



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
<b>2018</b>				
2018-001	External Financial Reporting	Ongoing	David Atalig, Secretary of Finance, Dept of Finance	The Department of Finance and the Office of the Public Auditor are working together and exploring methods to improve the timeliness of the Component Units's audits so that they may be included in the Single Audit (SA). Though component units complete their audits on or around the deadline (June 30), this does not provide CNMI's auditors sufficient time to be incorporated in the Single Audit reports for that reporting period. A restatement is often recorded in the following year SA report. One proposal is to establish legislation to require component units to complete the audits 1-2 months before the deadline so that they can be included.
2018-002	External Financial Reporting	Completed September 30, 2020	David Atalig, Secretary of Finance, Dept of Finance	The Settlement Fund (NMISF) Trustee maintains the position that the NMISF is not a component unit and is not subject to be included in the Single Audit or GASB rules. Nevertheless, continued discussions with the Trustee and CNMI officials have led to a solution to provide improved external financial reporting for the CNMI. We anticipate this
2018-003	Cash and Cash Equivalents	Completed September 30, 2019	Bernadita Palacios, Director, Div. of Finance & Accounting	Condition 1: Bank code 11230 was left unreconciled at the grantor's request until disaster-related adjustments were submitted to DOF from program grantee office. Condition 2: Reconciliations are done at the agency level and documents are available for review at respective offices (Judiciary and NMIRF). Condition 3: Bank Code 15050 does not have any transactions during FY 2018. DOF will conduct a review of accounts to include 11991 and determine appropriate actions. Condition 4: DOF accepts the proposed audit adjustments of \$972,230. DOF will conduct a review and determine appropriate actions. Condition 5 & 7: 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.
2018-004	Receivables	Completed September 30, 2019	David Atalig, Secretary of Finance, Dept of Finance, Velma Palacios, Program Manager, NMI Retirement Fund	DOF and the NMIRF have completed the review and analysis to determine the receivables of the NMIRF to be transferred to the CNMI. These should be reflected as audit adjustment in the Single Audit reports for September 30, 2019.
2018-005	Receivables	Ongoing	David Atalig, Secretary of Finance, Dept of Finance, David Blake, Audit Manager, Office of the Public Auditor	The component units dispute the receivables. The Department of Finance will engage with the component units to determine collectability of prior years.
2018-006	Tax Rebates Payables	09/30/2019	Tracy Norita, Director, Div of Revenue & Taxation, Maria White, Research and Statistics Manager, Div of Revenue & Taxation	Condition 1: For unpaid tax year 2017 and Prior a. Unmatched filings i. The requested tax returns were unable to be located due to damage to the file storage facility caused by Super Typhoon Yutu. The Division of Revenue and Taxation 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. ii. The Division of Revenue and Taxation - Compliance Branch is currently developing internal standard procedures to properly review returns for completeness prior to data entry. b. Assessed filings i. Tax filings for tax years 1998-2006 were unable to be located due to water damage caused by the typhoon. For the other returns requested, the Division of Revenue & taxation will develop standard filing procedures to ensure returns are properly filed and efficiently retrieved. ii. The miscalculation of rebate taxes was due to a taxpayer amendment to the filed return to include an additional W-2, thus the payable increased to \$1,001. The Division of Revenue and Taxation - Compliance Branch is currently developing internal standard procedures to properly document such changes to amended returns. c. Matched filings i. The discrepancy in rebate payable was due to error in taxpayer calculation of rebate computation and system allocation error.  The Division of Revenue & Taxation is working closely with system programmers to correct this system allocation error.
2018-007	Notes Payable - Judicial Building Loan	Ongoing	Alexander Casto, Chief Justice, CNMI Judiciary, David Atalig, Secretary of Finance, Dept of Finance	The CNMI is following PL 9-3 to the extent that it is able and is transferring funds as required by law. Unfortunately, there is a lack of funding to cover the remaining balance owed on monthly payment as collections are not sufficient to cover the entire monthly payment. The Judiciary has applied for a loan with the USDA to address this issue, but no agreement has been established at this time.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
2018-008	Compensated Absences	Completed September 30, 2019	Bernadita Palacios, Director, Div. of Finance & Accounting	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 has changed revised reporting processes to so as to improve data validity (removing non-employees for the reporting period) and compensated absences calculations.
2018-009	Due to Component Units	Ongoing	David Atalig, Secretary of Finance, Dept of Finance	DOF will accept audit adjustments based on audited financial statements of each of the financial reports. DOF will work with CU to develop a systematic approach to reconcile differences in a timely manner.
2018-010	Fund Balance - Encumbrances	Ongoing	Bernadita Palacios, Director, Div. of Finance & Accounting	<p><b>Update September 2020:</b> DOF is currently preparing to transition to a new financial management system. One of the key tasks is to identify old encumbrances that cannot be removed from the current system and ensure that they are not included in the data transfer.</p> <p>General Fund 1: DOF accepts the proposed audit reclassification of \$1,888,060. General Fund 2: Contract 494924-OC was rejected by the Attorney General and was not notified to complete de-obligation process. DOF will remind relevant agencies of standard operating procedures and steps to prevent further occurrences.</p> <p>Grants Assistance Fund 1: DOF accepts the proposed audit reclassification. Grants Assistance Fund 2: DOF will review outstanding encumbrances. Grants Assistance Fund 3: (a) DOF accepts the proposed audit adjustment. (b) DOF accepts the proposed audit adjustment. (c) Contract 59-OS was a transfer from the old system and was corrected by using another line item--DOF will make the necessary adjustments. Contract 658502-OP is an open purchase order for childcare and left pending for 90 days for liquidation period. Contract 574600-OC was rejected by the Attorney General and was not notified to complete de-obligation process. DOF will remind relevant agencies of standard operating procedures and steps to prevent further occurrences.</p> <p>Saipan Amusement Fund 1: DOF accepts the proposed audit reclassification.</p> <p>Other Governmental Funds 1: DOF accepts the proposed audit reclassification. Other Governmental Funds 2: DOF will review outstanding encumbrances. Other Governmental Funds 3: (a) DOF accepts the proposed audit adjustment. (b) Contract 600733-OM is an obligation to reserve funds for a pending case that never materialized. We will de-obligate this encumbrance and will review other outstanding encumbrances.</p>
2018-011	Commonwealth Healthcare Corporation	Ongoing	Esther Muna, CEO, Commonwealth Healthcare Corp., Derek Sasamoto, CFO, Commonwealth Healthcare Corp., David Atalig, Secretary of Finance, Dept of Finance	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.
2018-012	CNMI Workers' Compensation Commission	Ongoing	Mark Rabauliman, Secretary of Commerce, Dept of Commerce, David Atalig, Secretary of Finance, Dept of Finance	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.
2018-013	CNMI Group Health and Life Insurance	Completed 9/30/2020	Velma Palacios, Program Manager, Group Health & Life Insurance Program	<p><b>Update September 2020:</b> DOF has established accounts and processes to record GHLI transactions in CNMI.</p> <p>DOF and GHLI will finalize the transfer of assets in writing and complete the work on establishing and assigning general ledger accounts for GHLI.</p> <ol style="list-style-type: none"> <li>1. Bank Reconciliations are available for review at the respective office.</li> <li>2. DOF and GHLI staff have scheduled a meeting to establish new processes to properly record monies received by CU's held in trust.</li> <li>3. GHLI have since updated the records for receivables from component units and reconcile against the proposed audit adjustments.</li> </ol>
2018-014	CNMI Local Noncompliance	Ongoing	David Atalig, Secretary of Finance, Dept of Finance	The CNMI agrees with this 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 not available in the Commonwealth, it is anticipated that revenue will continue to arise to address the areas where the Commonwealth often experiences budgetary shortfalls. Additional hiring of law enforcement personnel will also reduce the amount of overtime as there are more employees working regular hours and sharing the responsibility for the CNMI safety.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
<b>2017</b>				
2017-001	External Financial Report	06/30/2019	Michael Pai, Public Auditor, Lillian Pangelinan, NMISF Administrator, Gary Camacho, CUC Executive Director, Esther Muna CHCC CEO, Glenn Muna, Acting PSS Commissioner and Carmen Fernandez, NMC President	The Public School System and the Northern Marianas College completed their FY17 audits prior to June 30th, but after the deadlines set by the auditors conducting the CNMI audit, and therefore was not possible to include their financial in the CNMI audit without impacting the release of the CNMI audit in a timely manner. As contractor for this audit, the Public Auditor will establish a schedule oversight in conjunction with all agencies that are required to submit audited financial statements to the CNMI Government and work with agencies to meet the deadlines in a timely manner for the FY18 audit. All Department Heads of each of the agencies are aware of the deadlines and will ensure that all contracts to begin audits are in place for their financial audits prior to the close of the fiscal year. They will also ensure that all year end reports required for the FY18 audit are submitted to the CNMI as per deadlines set in conjunction with OPA to ensure that they are included in the next report.
2017-002	External Financial Report	Ongoing	Edward Manibusam, Attorney General, Lillian Pangelinan NMISF Administrator, and Larrisa Larson, Secretary of Finance	Legal Review in this matter is ongoing as the NMISF has taken the position that it is an arm of the court and not the component unit. As a result, the NMISF believes that it is not a pension fund and is not required to comply with GASB Statement No. 68. The matter continues to be under discussion between the CNMI and the NMISF. The Administration will take appropriate action upon conclusion of this discussion.
2017-003	Cash and Cash Equivalents	09/30/2018	Larrisa Larson, Secretary of Finance and Connie Agulto, CNMI Treasurer	1. An updated signature card for the new authorized signers are completed and will be submitted in FY 2018. 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. 5. DOF will conduct a review of accounts to include 15050 and determine appropriate actions. 6-7. DOF accepts the proposed audit adjustments. The cash management policies were implemented in the latter part of FY 17, and the reconciliation of similar accounts are to be completed in a timely manner.
2017-004	Receivables	09/30/2019	Larrisa Larson, Secretary of Finance, Michael Pai, Public Auditor	DOF and the NMIRF are in the process of updating and recording these receivables. The agencies area also in the process of coordinating the documentation of this transfer if deemed collectible.
2017-005	Receivables	06/30/2019	Larrisa Larson, Secretary of Finance, Michael Pai, Public Auditor	The component units dispute the receivables schedule nevertheless, the Department of Finance will enforce collections starting in FY 2019 and determine collectability of prior years.
2017-006	Tax Rebates Payable	09/30/2018	Larrisa Larson, Secretary of Finance and Maria White, Division of Revenue & Taxation	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 FY 2018. It is imperative that the division trains its employees on the newly established policies and procedures and retain its quality employees to effectively carry out the divisions directives.
2017-007	Notes Payable - Judicial Building Loan	09/30/2019	Alexandro Castro, Chief Justice and Larrisa Larson, Secretary of Finance	The CNMI is following PL 9-3 to the extent that it is able and is transferring funds as required by law. Unfortunately, there is a lack of funding to cover the remaining balance owed on monthly payment as collections are not sufficient to cover the entire monthly payment. The Judiciary has applied for a loan with the USDA to address this issue. With the improving financial standing of the CNMI in the recent years, and through discussion in FY 2019, we are optimistic the loan will be approved in the coming months.
2017-008	Compensated Absences	09/30/2018	Bernadita Palacios, Director of F&A, Eloida Macaranas, Payroll Manager	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 will continue to review these balances on a regular basis.
2017-009	Fund Balance - Encumbrances	09/30/2018	Bernadita Palacios, Director of F&A	CNMI agrees with all proposed audit adjustments. The cash management plan implemented in the latter part of FY 17 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.
2017-010	Revenue/Receipts - Division of Revenue & Taxation	Ongoing	Larrisa Larson, Secretary of Finance	DOF is currently updating its policies and procedures that will address the security of files that contain personal information. With the implementation of the revised policies and procedures we aim to address proper filings and maintenance.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
2017-011	Expenditures	Not Applicable	Municipal Treasurers and/or Mayors of First and Second Senatorial District	The CNMI disagrees with this finding. The CNMI has conducted transfers based upon both CNMI law and a spending plan/budget worksheet provided by the Municipalities prior to transfer of funding. 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.
2017-012	Commonwealth Healthcare Corporation	Ongoing	Esther Muna, CHCC CEO, Derek Sasamoto, CHCC CFO and Larrisa Larson, Secretary of Finance	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 pending matters.
2017-013	CNMI Worker's Compensation Commission	Ongoing	Larrisa Larson, Secretary of Finance and Mark Rabauliman, Secretary of Commerce	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.
2017-014	CNMI Group Health and Life Insurance	09/30/2019	Larrisa Larson, Secretary of Finance	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.
2017-015	CNMI Local Noncompliance	09/30/2018	Virginia Villagomez, Special Assistant for the Office of Management and Budget and Larrisa Larson, Secretary of Finance	The CNMI agrees with this 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 not available in the Commonwealth, it is anticipated that revenue will continue to arise to address the areas where the Commonwealth often experiences budgetary shortfalls. Additional hiring of law enforcement personnel will also reduce the amount of overtime as there are more employees working regular hours and sharing the responsibility for the CNMI safety.
<b>2016</b>				
2016-001	External Financial Report	09/30/2018	Michael Pai, Public Auditor Lillian Pangelinan, NMISF Manuel Sablan, CDA Executive Director Gary Camacho, CUC Executive Director Esther Muna, CHC CEO Larrisa Larson, DOF Secretary	There have been several changes in the financial oversight of the various agencies that did not complete their audits for FY16 by the deadline required for submission of this report. As contractor for the contract for the audit, the Public Auditor will establish a schedule of oversight in conjunction with all agencies that are required to submit audited financial statements to the CNMI Government and work with agencies to meet the deadlines in a timely manner to meet deadlines for the FY17 audit. All Department Heads of each of the agencies are aware of the deadlines and will get all contracts in place for their financial audits prior to close of the fiscal year and have all year end reports required for the FY 17 audit as per deadlines set in conjunction with OPA.
2016-002	External Financial Report	09/30/2018	Edward Manibusan, Attorney General Lillian Pangelinan, NMISF Larrisa Larson, DOF Secretary	The NMISF has taken the position that it is not a component unit of the CNMI Government and that it is also not a pension fund and therefore does not need to provide financial statements that comply with GASB Statement No. 61. The matter is currently under legal review by the OAG and the CNMI Government and a course of action regarding this matter is still pending. The Administration will take a position once the legal review has been completed and address this matter upon deciding whether it agrees or disagrees with this position.





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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
2016-003	Cash and Cash Equivalents	Ongoing	Larrisa Larson, DOF Secretary Bernadita Palacios, F&A Director Martha Camacho, F&A Manager	<p>1. The Division of Finance and Accounting has hired new employees to help and have greatly improved our bank reconciliations to meet target dates and be in compliance with established policies and procedures. We expect such findings to be resolved in FY 2017.</p> <p>2. Bank code 11411 is operated under the Department of Commerce (See Finding 2016-012), and the Department of Finance (DOF) will coordinate/facilitate with Commerce to implement reconciliation policies and procedures.</p> <p>3. DOF accepts the proposed adjustments.</p> <p>4. We have contacted the Judicial offices and received confirmation that reconciliations for such accounts are now being prepared in accordance with policies and procedures. We expect such finding to be resolved in FY 2017.</p> <p>5. Department of Finance has developed a cash management plan to consolidate policies and procedures for the various sections and divisions, which does include timely updating bank account information. We will update our records to include information for bank code 15050.</p> <p>6. DOF accepts the proposed adjustments.</p> <p>7. DOF accepts the proposed adjustments.</p> <p>Due to the findings presented in the audit of fiscal year 2015, DOF has taken great strides to improve compliance and expect to see improvements in fiscal year 2017. There is in development a cash management plan, which is currently under final review to update policies and procedures and pertinent information. The cash management plan is expected to be formally implemented at the start of fiscal year 2018.</p>
2016-004	Receivables	Ongoing	Larrisa Larson, NMIRF Administrator (Acting)	DOF and the NMIRF are in the process of updating and recording these receivables. The agencies area also in the process of coordinating the documentation of this transfer.
2016-005	Receivables	Ongoing	Michael Pai, Public Auditor Larrisa Larson, DOF Secretary Edward Manibusan, Attorney General	OPA will provide reports on receivables to DOF on a regular basis to allow for 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 arrears. OPA, OAG and DOF will work on draft legislation to ensure that all agencies comply with the mandated 1%
2016-006	Interfund Receivables and Payables	Ongoing	Larrisa Larson, DOF Secretary	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.
2016-007	Tax Rebates Payable	09/30/2018	Larrisa Larson, DOF Secretary Maria T. White, Division of Revenue and Taxation Manager	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 FY 2018. It is imperative that the division trains its employees on the newly established policies and procedures and retain its quality employees to effectively carry out the divisions directives.
2016-008	Notes Payable - Judicial Building Loan	09/30/2018	Alexandro Castro, Chief Justice Larrisa Larson, DOF Secretary	The CNMI is following PL9-3 to the extent that it is able and transferring funds as collected and as required by law. Unfortunately, there is a lack of funding to cover the remaining balance owed on monthly payment as collections aren't sufficient to cover the entire monthly payment. The Judiciary has applied for a loan with the USDA to address this issue. Upon approval of this loan, the entire balance of this loan will be paid and a new loan at a lower rate will be in place.
2016-009	Compensated Absences	08/30/2017	Larrisa Larson, DOF Secretary Bernadita Palacios, F&A Director	<p>DOF has contracted a consultant to update personnel records of inactive, terminated, or retired employees.</p> <p>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.</p>
2016-010	Fund Balance - Encumbrances	08/30/2017	Larrisa Larson, DOF Secretary Bernadita Palacios, F&A Director	<p>General Fund - 1. DOF has informed the auditor that this testing/finding is invalid as DOF did not receive a request for such documents.</p> <p>Grants 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 then end of fiscal year 2017.</p> <p>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.</p>
2016-011	Commonwealth Healthcare Corporation	Ongoing	Esther Muna, CHCC CEO Derek Sasamoto, CHCC CFO Larrisa Larson, DOF Secretary	The CNMI and CHCC have been working on the final issues of the transition of CHCC to independent corporation. CHCC and the CNMI will review the pending matters and develop a plan for any pending matters.



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: FINANCIAL STATEMENTS FINDINGS**

REF	Findings	Status/Completion Date	Contact Person	Remarks
2016-012	CNMI Worker's Compensation Commission	12/31/2017	Larrisa Larson, DOF Secretary Mark Rabauliman, Department of Commerce, Secretary	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.
2016-013	CNMI Local Noncompliance	Ongoing	Virginia Villagomez, OMB Special Assistant Larrisa Larson, DOF Secretary	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 who's responsibility is 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 of the community are spending within their operating budget.
<b>2015</b>				
2015-01	External Financial Reporting	FY 2018	Larrisa Larson Edward Manibusan	The Settlement Fund (NMISF) Trustee maintains the position that the NMISF is not a component unit and is not subject to be included in the Single Audit or GASB rules. Nevertheless, continued discussions with the Trustee and CNMI officials have led to a solution to provide improved external financial reporting for the CNMI. We anticipate this
2015-02	External Financial Reporting	FY 2018	Larrisa Larson Edward Manibusan	The Settlement Fund (NMISF) Trustee maintains the position that the NMISF is not a component unit and is not subject to be included in the Single Audit or GASB rules. Nevertheless, continued discussions with the Trustee and CNMI officials have led to a solution to provide improved external financial reporting for the CNMI. We anticipate this
2015-03	Revenue/Receipts - Tobacco Settlement Resources	Completed	Larrisa Larson Edward Manibusan	The CNMI has consulted with Michael Herring from the NAAG, and it was determined that it is nearly impossible to estimate receivables and revenues for the CNMI, even based on historical data, as proscribed in GASB TB 2004-1. It is recommended that a footnote to such revenue be provided in future financial statements.
2015-04	Cash and Cash Equivalents	Completed	Connie Agulto Bernadita Palacios	We have hired new employees to help keep with timely bank reconciliations and timely adjustments to the general ledger in order to adhere to the established policies and procedures. We are currently reviewing such policies and procedures to improve time management and process improvement.
2015-05	Receivables	FY 2018	Larrisa Larson Velma Palacios	Staff have been hired by NMIRF to address the outstanding issues. We have identified a significant portion of the receivables and have reconciled them to the appropriate accounts. Policies have been proposed and currently under review. Operational procedures are currently being developed to be in line
2015-06	Receivables	FY 2018	Larrisa Larson	We are currently in discussion with the OAG to determine the collectability on all arrears due to the CNMI. We are also currently working with the Office of the Public Auditor and have established a procedure for periodic review of such receivables between our offices. We have also begun discussions with both the Office of the Public Auditor and the OAG in order to draft legislation that ensures agency compliance with the mandated 1% receivables.
2015-07	Tax Rebates Payable	FY 2018	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2015-08	Notes Payable - Judicial Building Loan	FY 2017	Larrisa Larson	See Finding 2016-07
2015-09	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2015-10	Fund Balance - Encumbrances	FY 18	Larrisa Larson	We are reviewing past encumbrances and have made the necessary corrections thus far. Also in progress is a review of our policies and procedures and will make the necessary changes to ensure precise reporting.
2015-11	Commonwealth Health Center Corporation	30-Sep-17	Larrisa Larson Esther Muna Derek Sasamoto	We have contacted the Chief Financial Officer of the Commonwealth Health Center to document receivables, inventory and obligations. We expect this finding to be completed FY 2017
2015-12	CNMI Worker's Compensation Commission	30-Sep-17	Larrisa Larson Mark Rabauliman	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 FY 2017.



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REF	Findings	Status/Completion Date	Contact Person	Remarks
2015-13	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.
2015-14	Schedule of Expenditures of Federal Awards	30-Sep-17	Larrisa Larson	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2017.
<b>2014</b>				
2014-001	External Financial Reporting	Ongoing	Larrisa Larson Edward Manibusan	The Department of Finance (DOF) and the Office of the Attorney General (OAG) have had discussions with NMISF regarding NMISF's position of not being a component unit and therefore not required to provide financial statements to the CNMI. This matter is currently under legal review by the OAG, and the Administration will be taking a position when such review is completed.
2014-002	Revenue/Receipts - Tobacco Settlement Resources	Completed	Larrisa Larson Edward Manibusan	<b>Corrective Action Taken:</b> The CNMI has consulted with Michael Herring from the NAAAG, and it was determined that it is nearly impossible to estimate receivables and revenues for the CNMI, even based on historical data, as proscribed in GASB TB 2004-1. It is recommended that a footnote to such revenue be provided in future financial statements.
2014-003	Cash and Cash Equivalents	Completed	Connie Agulto Bernadita Palacios	We have hired new employees to help keep with timely bank reconciliations and timely adjustments to the general ledger in order to adhere to the established policies and procedures. We are currently reviewing such policies and procedures to improve time management and process improvement.
2014-004	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2014-005	Receivables	FY 2018	Larrisa Larson Velma Palacios	Staff have been hired by NMIRF to address the outstanding issues. We have identified a significant portion of the receivables and have reconciled them to the appropriate accounts. Policies have been proposed and currently under review. Operational procedures are currently being developed to be in line
2014-006	Receivables	FY 2018	Larrisa Larson	We are currently in discussion with the OAG to determine the collectability on all arrears due to the CNMI. We are also currently working with the Office of the Public Auditor and have established a procedure for periodic review of such receivables between our offices. We have also begun discussions with both the Office of the Public Auditor and the OAG in order to draft legislation that ensures agency compliance with the mandated 1% receivables.
2014-007	Advances	Completed	Corrective action was taken.	
2014-008	Tax Rebates Payable	Ongoing	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2014-009	Other Liabilities and Accruals	Completed	Corrective action was taken.	
2014-010	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2014-011	Fund Balance - Encumbrances	FY 2018	Larrisa Larson	We are reviewing past encumbrances and have made the necessary corrections thus far. Also in progress is a review of our policies and procedures and will make the necessary changes to ensure precise reporting.
2014-012	Commonwealth Healthcare Corporation	FY 2017	Larrisa Larson Esther Muna Derek Sasamoto	We have contacted the Chief Financial Officer of the Commonwealth Health Center to document receivables, inventory and obligations. We expect this finding to be completed FY 2017
2014-013	CNMI Workers' Compensation Commission	FY 2017	Larrisa Larson Mark Rabauliman	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 FY 2017.
2014-014	CNMI Local Noncompliance	Completed	Corrective action was taken.	



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REF	Findings	Status/Completion Date	Contact Person	Remarks
2014-015	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.
2014-016	Schedule of Expenditures of Federal Awards	FY 2017	Larrisa Larson	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2017.
<b>2013</b>				
2013-001	Revenues/Receipts - Tobacco Settlement Resources	Completed	Larrisa Larson Edward Manibusan	<b>Corrective Action Taken:</b> The CNMI has consulted with Michael Herring from the NAA, and it was determined that it is nearly impossible to estimate receivables and revenues for the CNMI, even based on historical data, as proscribed in GASB TB 2004-1. It is recommended that a footnote to such revenue be provided in future financial statements.
2013-002	Purchases/Disbursements	Completed	Corrective action was taken.	
2013-003	Purchases/Disbursements	Completed	Corrective action was taken.	
2013-004	Cash and Cash Equivalents	Completed	Connie Agulto Bernadita Palacios	We have hired new employees to help keep with timely bank reconciliations and timely adjustments to the general ledger in order to adhere to the established policies and procedures. We are currently reviewing such policies and procedures to improve time management and process improvement.
2013-005	Receivables	Completed	Corrective action was taken.	
2013-006	Advances	Completed	Corrective action was taken.	
2013-007	Interfund Receivables and Payables	Completed	Corrective action was taken.	
2013-008	Tax Rebates Payable	Ongoing	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2013-009	Other Liabilities and Accruals	Completed	Corrective action was taken.	
2013-010	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2013-011	Fund Balance - Encumbrances	FY 2018	Larrisa Larson	We are reviewing past encumbrances and have made the necessary corrections thus far. Also in progress is a review of our policies and procedures and will make the necessary changes to ensure precise reporting.
2013-012	Commonwealth Healthcare Corporation	FY 2017	Larrisa Larson Esther Muna Derek Sasamoto	We have contacted the Chief Financial Officer of the Commonwealth Health Center to document receivables, inventory and obligations. We expect this finding to be completed FY 2017
2013-013	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.
2013-014	Schedule of Expenditures of Federal Awards	FY 2017	Larrisa Larson	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2017.
<b>2012</b>				
2012-01	Cash Flows	Completed	Corrective action was taken.	
2012-02	Revenues/Receipts - Tobacco Settlement Resources	Completed	Larrisa Larson Edward Manibusan	<b>Corrective Action Taken:</b> The CNMI has consulted with Michael Herring from the NAA, and it was determined that it is nearly impossible to estimate receivables and revenues for the CNMI, even based on historical data, as proscribed in GASB TB 2004-1. It is recommended that a footnote to such revenue be provided in future financial statements.
2012-03	Purchases/Disbursements	Completed	Corrective action was taken.	
2012-04	Purchases/Disbursements	Completed	Corrective action was taken.	



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REF	Findings	Status/Completion Date	Contact Person	Remarks
2012-05	Cash and Cash Equivalents	Completed	Connie Agulto Bernadita Palacios	We have hired new employees to help keep with timely bank reconciliations and timely adjustments to the general ledger in order to adhere to the established policies and procedures. We are currently reviewing such policies and procedures to improve time management and process improvement.
2012-006	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2012-07	Receivables	Completed	Corrective action was taken.	
2012-08	Tax Receivables - Division of Customs	Completed	Corrective action was taken.	
2012-09	Advances	Completed	Corrective action was taken.	
2012-10	Travel Advances	Completed	Corrective action was taken.	
2012-11	Interfund Receivables and Payables	Completed	Corrective action was taken.	
2012-12	Retirement Contributions - General Fund	Completed	Corrective action was taken.	
2012-13	Tax Rebates Payable	Ongoing	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2012-14	Other Liabilities and Accruals	Completed	Corrective action was taken.	
2012-15	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2012-16	Fund Balance - Encumbrances	FY 2018	Larrisa Larson	We are reviewing past encumbrances and have made the necessary corrections thus far. Also in progress is a review of our policies and procedures and will make the necessary changes to ensure precise reporting.
2012-17	Commonwealth Healthcare Corporation	FY 2017	Larrisa Larson Esther Muna Derek Sasamoto	We have contacted the Chief Financial Officer of the Commonwealth Health Center to document receivables, inventory and obligations. We expect this finding to be completed FY 2017
2012-18	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.
2012-19	CNMI Local Noncompliance	Completed	Corrective action was taken.	
2012-20	Schedule of Expenditures of Federal Awards	FY 2017	Larrisa Larson	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2017.
2012-21	Single Audit Reporting	Completed	Corrective action was taken.	
<b>2011</b>				
2011-01	Cash Flows	Completed	Corrective action was taken.	
2011-02	Revenues/Receipts - Tobacco Settlement Resources	Completed	Larrisa Larson Edward Manibusan	<b>Corrective Action Taken:</b> The CNMI has consulted with Michael Herring from the NAAG, and it was determined that it is nearly impossible to estimate receivables and revenues for the CNMI, even based on historical data, as proscribed in GASB TB 2004-1. It is recommended that a footnote to such revenue be provided in future financial statements.
2011-03	Purchases/Disbursements	Completed	Corrective action was taken.	
2011-04	Purchases/Disbursements	Completed	Corrective action was taken.	
2011-05	Purchases/Disbursements	Completed	Corrective action was taken.	
2011-06	Cash and Cash Equivalents	Completed	Connie Agulto Bernadita Palacios	<b>Corrective Action Taken:</b> We have hired new employees to help keep with timely bank reconciliations and timely adjustments to the general ledger in order to adhere to the established policies and procedures. We are currently reviewing such policies and procedures to improve time management and process improvement.
2011-07	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2011-08	Receivables	Completed	Corrective action was taken.	
2011-09	Receivables	Completed	Corrective action was taken.	
2011-10	Tax Receivables - Division of Customs	Completed	Corrective action was taken.	
2011-11	Advances	Completed	Corrective action was taken.	
2011-12	Travel Advances	Completed	Corrective action was taken.	
2011-13	Interfund Receivables and Payables	Completed	Corrective action was taken.	



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REF	Findings	Status/Completion Date	Contact Person	Remarks
2011-14	Retirement Contributions - General Fund	Completed	Corrective action was taken.	
2011-15	Tax Rebates Payable	Ongoing	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2011-16	Other Liabilities and Accruals	Completed	Corrective action was taken.	
2011-17	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2011-18	Fund Balance - Encumbrances	FY 2018	Larrisa Larson	We are reviewing past encumbrances and have made the necessary corrections thus far. Also in progress is a review of our policies and procedures and will make the necessary changes to ensure precise reporting.
2011-19	Journal Entries	Completed	Corrective action was taken.	
2011-20	Schedule of Expenditures of Federal Awards	FY 2017	Larrisa Larson	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2017.
2011-21	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.
2011-22	CNMI Local Noncompliance	Completed	Corrective action was taken.	
<b>2010</b>				
2010-01	Cash Flows	Completed	Corrective action was taken.	
2010-02	Revenues/Receipts - Division of Customs	Completed	Corrective action was taken.	
2010-03	Revenues/Receipts - Tobacco Settlement Resources	Completed	Corrective action was taken.	
2010-04	Purchases/Disbursements	Completed	Corrective action was taken.	
2010-05	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2010-06	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2010-07	Receivables	Completed	Corrective action was taken.	
2010-08	Receivables	Completed	Corrective action was taken.	
2010-09	Advances	Completed	Corrective action was taken.	
2010-10	Interfund Receivables and Payables	Completed	Corrective action was taken.	
2010-11	Retirement Contributions - General Fund	Completed	Corrective action was taken.	
2010-12	Tax Rebates Payable	Ongoing	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2010-13	Other Liabilities and Accruals	Completed	Corrective action was taken.	
2010-14	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2010-15	Fund Balance - Encumbrances	FY 2018	Larrisa Larson	We are reviewing past encumbrances and have made the necessary corrections thus far. Also in progress is a review of our policies and procedures and will make the necessary changes to ensure precise reporting.
2010-16	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.
<b>2009</b>				
2009-1	External Financial Reporting	Completed	Corrective action was taken.	
2009-2	Cash Flows	Completed	Corrective action was taken.	
2009-3	Revenues/Receipts - Division of Customs	Completed	Corrective action was taken.	



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REF	Findings	Status/Completion Date	Contact Person	Remarks
2009-4	Revenues/Receipts - Tobacco Settlement Resources	Completed	Corrective action was taken.	
2009-5	Purchases/Disbursements	Completed	Corrective action was taken.	
2009-6	Disbursements - Land Compensation	Completed	Corrective action was taken.	
2009-7	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2009-8	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2009-9	Receivables	Completed	Corrective action was taken.	
2009-10	Receivables	Completed	Corrective action was taken.	
2009-11	Travel Advances	Completed	Corrective action was taken.	
2009-12	Advances	Completed	Corrective action was taken.	
2009-13	Interfund Receivables and Payables	Completed	Corrective action was taken.	
2009-14	Retirement Contributions - General Fund	Completed	Corrective action was taken.	
2009-15	Tax Rebates Payable	Ongoing	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2009-16	Other Liabilities and Accruals	Completed	Corrective action was taken.	
2009-17	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2009-18	Fund Balance - Encumbrances	FY 2018	Larrisa Larson	We are reviewing past encumbrances and have made the necessary corrections thus far. Also in progress is a review of our policies and procedures and will make the necessary changes to ensure precise reporting.
2009-19	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.
<b>2008</b>				
2008-01	External Financial Reporting	Completed	Corrective action was taken.	
2008-02	Cash Flows	Completed	Corrective action was taken.	
2008-03	Purchases/Disbursements	Completed	Corrective action was taken.	
2008-04	Disbursements - Land Compensation	Completed	Corrective action was taken.	
2008-05	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2008-06	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2008-07	Receivables	Completed	Corrective action was taken.	
2008-08	Receivables	Completed	Corrective action was taken.	
2008-09	Travel Advances	Completed	Corrective action was taken.	
2008-10	Advances	Completed	Corrective action was taken.	
2008-11	Retirement Contributions - General Fund	Completed	Corrective action was taken.	
2008-12	Tax Rebates Payable	Ongoing	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2008-13	Other Liabilities and Accruals	Completed	Corrective action was taken.	
2008-14	Due to Component Units	Completed	Corrective action was taken.	
2008-15	Compensated Absences	FY 2017	Bernadita Palacios	DOF will establish a calendar review of these leave balance and ensure timely review of payroll records. Compensated absences payable will be updated frequently.
2008-16	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.



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REF	Findings	Status/Completion Date	Contact Person	Remarks
<b>2007</b>				
2007-1	External Financial Reporting	Completed	Corrective action was taken.	
2007-2	Cash Flows	Completed	Corrective action was taken.	
2007-3	Purchases/Disbursements	Completed	Corrective action was taken.	
2007-4	Cash and Cash Equivalents	Completed	Corrective action was taken.	
2007-5	Receivables	Completed	Corrective action was taken.	
2007-6	Receivables	Completed	Corrective action was taken.	
2007-7	Travel Advances	Completed	Corrective action was taken.	
2007-8	Retirement Contributions - General Fund	Completed	Corrective action was taken.	
2007-9	Tax Rebates Payable	Ongoing	Maria T. White Canice M. Diaz	There have been significant increase in personnel in February 2017 and as such, we hope to implement most, if not all, the recommendations by the start of FY 2018.
2007-10	Due to Component Units	Completed	Corrective action was taken.	
2007-11	CNMI Local Noncompliance	Ongoing	Larrisa Larson Virginia Villagomez	Corrective Action Taken: The CNMI agrees with this finding and continuously works towards compliance with the Appropriations and Budget Authority Act. Areas affecting public health, welfare and safety are important issues to the CNMI as resources (personnel and medical) are not readily available on island and thus incurred additional expenditures beyond initial budget. We expect revenue to increase in the following years to bring to balance such budgetary shortfalls. Measures are in place to keep within budgetary targets for agencies that do not have a direct role with the public safety and welfare.





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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule										
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$ Amt Bal Carry Forward		
							\$ 14,754,556	\$ 18,208,174		
<b>FY2018</b>										
2018-015	15.875	Allowable Costs/Cost Principles	\$ -	Completed	Kodep Ogumoro-Uludong, Administrator, Office of Capital Improvement Projects	<p><b>Update September 2020:</b> The DOF conducts an annual review of accounts to ensure that grants that are old, closed, and inactive are properly controlled in the system to prevent erroneous, invalid transactional postings. Our standard operating procedures assign an individual to monitor and report on federal programs based on the Federal Agency. In addition, since our inclusion in the Government Finance Officers Association (GFOA), through the support of the Office of Insular Affairs, we have also implemented performance measure to improve and ensure completion and timeliness of the required reporting, such as the SF-425.</p> <p>Our current systems do not support program-based accounting, and as such, significant resources, time and talent, is dedicated to ensure proper administration and support rather than program deliverables. CNMI has initiated procurement of additional software tools to aid in project-based accounting to increase timeliness of reviews and efficiency of tasks.</p> <p>---Previous Response--- Will defer to Ryan Camacho of the Department of Finance to appropriately address this issue. It was recommended that the CIP Office request a copy of the General Ledger Expenditure report of all business units associated with the CIP program prior to submission to auditors for review and request for adjustments that may need to be made if any.</p> <p>Business unit (BU) 5192 is an old grant and has expired. However, this business unit was part of the older Capital Improvement Program, which had a federal and local cost share of 50% of the total project cost. The obligation for the construction of the Tinian Transfer Station (683-05) was made to BU 5192 for the remaining local CIP available funds.</p> <p>The CIP Office will request from the Department of Finance a list of cumulative expenses incurred and we will monitor and reconcile against the approved funding.</p> <p>Ryan Camacho: The business unit has been corrected after the submission of ledger details and adjustments have been made. These expenditures are not included in the S.E.F.A. as they are funded from local CIP funds.</p>	\$ -	\$ -		
2018-016	15.875	Equipment and Real Property Management	\$ -	09/30/2019	Kodep Ogumoro-Uludong, Administrator, Office of Capital Improvement Projects	<p><b>Update September 2020:</b> The Division of Procurement and Supply (P&amp;S) has developed and implemented the Fixed Asset Inventory Reconciliation (FAIR) program. This 6-phase program requires all departments and offices of the central government to provide annual updates from the agencies and reconciliation to our asset management system. Audit-identified agencies are reported to have submitted their initial updates to P&amp;S on or before June 30, 2020. P&amp;S is currently reviewing these preliminary submissions and will be working to reconcile various information. Additionally, this program will allow us to determine high-risk agencies for more frequent inspections and controls.</p> <p>Our current technological systems makes executing this program highly manual and labor-intensive. CNMI is currently seeking support to upgrade the financial and resource management system to improve efficiencies in agency updates, review notifications, accurate reporting and analyses.</p> <p>---Previous Response--- We determined that only fiscal years 2014 and 2015 are part of the CIP program and the remaining fiscal years are part of the MAP or TAP grants, which is administered by the Office of Grants Management. We have reviewed the capital inventory listing and identified which capital inventory was purchased for the respective department/agency. The CIP office will submit a transfer for the equipment to the respective department/agencies.</p> <p>The CIP office will submit a request annually to P&amp;S by the end of July for a list of fixed assets and capital inventory to complete an assessment of annual inventory of property to ensure compliance on the state of use, management and disposition of equipment procured under OIA 702 grant funds.</p>	\$ -	\$ -		



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2018-017	15.875	Subrecipient Monitoring	\$ -	09/30/2019	Kodep Ogumoro-Uludong, Administrator, Office of Capital Improvement Projects	<p><b>Update September 2020:</b> The CNMI has developed templates to meet requirements of sub-recipient monitoring and is provided to new and on-going federal program managers through the Office of Grants Management. Additionally, the Department of Defense has agreed to fund training programs for grant managers and other federal program staff to improve compliance of sub-recipient monitoring and other Uniform Guidance requirements. We anticipate training to resume by the year end or when conditions are manageable during the COVID-19 pandemic.</p> <p>---Previous Response--- Although the subrecipient agreement has been drafted and reviewed by the Office of the Attorney General, a standardized subrecipient agreement monitoring policies and procedures and checklists will be made for all CNMI departments /agencies. In addition, there is no formal training on subrecipient monitoring so a request for technical assistance for subrecipient monitoring training will be useful for grant managers to ensure compliance and completeness of the requirements by Uniform Code - CFR 200.</p>	\$ -	\$ -
2018-018	20.205	Equipment and Real Property Management	\$ -	09/30/2019	Lorraine M. Seman, Administrator, Highway Planning Program	<p><b>Update September 2020:</b> The Division of Procurement and Supply (P&amp;S) has developed and implemented the Fixed Asset Inventory Reconciliation (FAIR) program. This 6-phase program requires all departments and offices of the central government to provide annual updates from the agencies and reconciliation to our asset management system. Audit-identified agencies are reported to have submitted their initial updates to P&amp;S on or before June 30, 2020. P&amp;S is currently reviewing these preliminary submissions and will be working to reconcile various information. Additionally, this program will allow us to determine high-risk agencies for more frequent inspections and controls.</p> <p>Our current technological systems makes executing this program highly manual and labor-intensive. CNMI is currently seeking support to upgrade the financial and resource management system to improve efficiencies in agency updates, review notifications, accurate reporting and analyses.</p> <p>---Previous Response--- 1. DPW, TSD-Highway Branch has included in its inventory sheet "Federal participation" and "Federal Award Identification Number" and will resubmit its FY18 inventory list to the Department of Finance, Division of Procurement &amp; Supply and to the Auditing firm, Deloitte &amp; Touche. 2. DPW, TSD-Highway Branch has been in compliance with the Secretary of Public Works Directive (Corrective Action Plan and its process) but still encounter discrepancies because of Procurement &amp; Supply's overall lump sum master list including inventories of both local and federal properties. To address the difference in the program total and P&amp;S, Highway Branch has requested for a separate "Inventory Location Number" and continues to work with Procurement &amp; Supply to separate its inventory from local. 3. DPW, TSD-HIGHWAY Branch and Deloitte agreed to remove Federal Award Projects CM-NH-0031(016), CM-NH-0033(023), CM-NH-2000(004), and TQ-THS-JTSS(002) from the audit finding as these projects are in compliance.</p>	\$ -	\$ -



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2018-019	20.509	Equipment and Real Property Management	\$ -	09/30/2019	Alfreda Camacho, Director, Commonwealth Office of Transit Authority	<p><b>Update September 2020:</b> The Division of Procurement and Supply (P&amp;S) has developed and implemented the Fixed Asset Inventory Reconciliation (FAIR) program. This 6-phase program requires all departments and offices of the central government to provide annual updates from the agencies and reconciliation to our asset management system. Audit-identified agencies are reported to have submitted their initial updates to P&amp;S on or before June 30, 2020. P&amp;S is currently reviewing these preliminary submissions and will be working to reconcile various information. Additionally, this program will allow us to determine high-risk agencies for more frequent inspections and controls. Our current technological systems makes executing this program highly manual and labor-intensive. CNMI is currently seeking support to upgrade the financial and resource management system to improve efficiencies in agency updates, review notifications, accurate reporting and analyses.</p> <p><b>---Previous Response---</b> The Commonwealth Office of Transit Authority, together with Mr. Ton Manahane at Procurement &amp; Supply worked together to attain a copy of the most updated property listing. A comparison was conducted with the listing COTA provided for the audit performed by Deloitte: Ms. Carole Dela Cruz.</p> <p>COTA's listing are items currently being used or in good working condition. Procurement &amp; Supply's listing are of all items/property acquired from the inception of the program. Some of the items/property in the listing with Procurement &amp; Supply are no longer with the Program (damaged/ past its' useful life) or are not in working condition.</p> <p>Another internal asset management inventory was conducted on Tuesday, July 23, 2019 and some of the items in question were located and resolved.</p> <p>We acknowledge that there is no documentation to support what happened to the items that are damaged and/or past its useful life. We find that the items in question are each under \$5,000.00. Majority, if not all, are dated back to 2013, in which, none of the current employees were employed with the program.</p> <p>Corrective Action: Going forward, a semi-annual inventory on all COTA's assets will be conducted in collaboration with Procurement and Supply to ensure and maintain a comparable listing. As the administrator for the Commonwealth Office of Transit Authority, all items over \$5,000.00 will be considered, "Equipment and Real Property". (Please refer to the attached property listing in Appendix A).</p>	\$ -	\$ -
2018-020	93.767 93.778	Eligibility	\$ 369.00	Completed	Helen C. Sablan, Director, Children's Health Insurance Program	<p><b>Update 2019:</b> See email dated September 4, 2020 from Linda Gee (CMC/CMCS).</p> <p>Condition 1: We agree with the audit finding. Moving forward we will be ensuring the pregnant CW-Visa holders' Medicaid coverage expires on the expiration date of their CW-Visa.</p> <p>Condition 2: We agree with the audit finding for case number 11-011811-00. We are making every effort to get a hold of the individual to obtain a copy of their social security card.</p> <p>We agree with the audit finding for case number 14-034080-00 because we are unable to prove that the social security card for household member 2 was submitted prior to 02/08/19.</p> <p>Condition 3: We agree with the audit finding. Countable resources should be \$618 and not \$629. Correction was made.</p> <p>Condition 4: Prior to submission of the application to Medicaid, the applicant's parent (mother) was employed. However, upon submission of application date 09/25/17, she was no longer employed. Her CW-1 expired 09/30/17. It is failure on our part to request for verification of employment. Careful scrutiny will be done on future applications.</p>	\$ 369	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2018-021	93.778	Special Tests and Provisions - ADP	\$ -	Ongoing	Frank Celis, Director, Div. of Electronic Data Processing	Update September 2020: Since 2018 the CNMI Department of Finance has been working diligently to comply with the IRS Publication 1075 standards for data security. During this time, we have upgraded equipment, implemented new policies, and initiated new practices designed to better secure our data against theft, improve our disaster recovery capabilities, and enhance management oversight of data operations. These practices and policies will serve as a blueprint for other agencies in the CNMI to attain and maintain compliance with the ADP Security standards as well as other standards going forward.	\$ -	\$ -
2018-022	93.778	Special Tests and Provisions - Provider Eligibility	\$ -	Completed	Helen C. Sablan, Director, Medicaid	We agree with the audit finding. Since Guam Regional Medical City is a huge hospital facility with over a hundred medical personnel, we accepted a listing that included the names, titles and license information of all the providers. However, since we were made aware that we needed to attach each provider's licenses in the Provider's Agreement, we were able to completely obtain them. Moving forward, we will make sure that regardless of size or type of provider, we will obtain each and every license needed to complete the Provider Agreement.	\$ -	\$ -
2018-023	97.036	Reporting	\$ -	Completed	Virginia Villagomez, Governor's Authorized Representative	<p><b>Update September 2020:</b> The DOF conducts an annual review of accounts to ensure that grants that are old, closed, and inactive are properly controlled in the system to prevent erroneous, invalid transactional postings. Our standard operating procedures assign an individual to monitor and report on federal programs based on the Federal Agency. In addition, since our inclusion in the Government Finance Officers Association (GFOA), through the support of the Office of Insular Affairs, we have also implemented performance measure to improve and ensure completion and timeliness of the required reporting, such as the SF-425.</p> <p>Our current systems do not support program-based accounting, and as such, significant resources, time and talent, is dedicated to ensure proper administration and support rather than program deliverables. CNMI has initiated procurement of additional software tools to aid in project-based accounting to increase timeliness of reviews and efficiency of tasks.</p> <p>---Previous Response--- DOF submitted the SF-425 and was finalized, but reclassifications were made on the individual accounts subsequent to the filing. Because the totals were unchanged from the report, DOF determined another report was not necessary. DOF can provide details of the accounts upon request.</p>	\$ -	\$ -
2018-024	97.036	Reporting	\$ 1.00	Completed	Virginia Villagomez, Governor's Authorized Representative	<p><b>Update September 2020:</b> The DOF conducts an annual review of accounts to ensure that grants that are old, closed, and inactive are properly controlled in the system to prevent erroneous, invalid transactional postings. Our standard operating procedures assign an individual to monitor and report on federal programs based on the Federal Agency. In addition, since our inclusion in the Government Finance Officers Association (GFOA), through the support of the Office of Insular Affairs, we have also implemented performance measure to improve and ensure completion and timeliness of the required reporting, such as the SF-425.</p> <p>Our current systems do not support program-based accounting, and as such, significant resources, time and talent, is dedicated to ensure proper administration and support rather than program deliverables. CNMI has initiated procurement of additional software tools to aid in project-based accounting to increase timeliness of reviews and efficiency of tasks.</p> <p>---Previous Response--- DOF submitted the SF-425 and was finalized, but reclassifications were made on the individual accounts subsequent to the filing. Because the totals were unchanged from the report, DOF determined another report was not necessary. DOF can provide details of the accounts upon request.</p>	\$ -	\$ -
			\$ 370.00				\$ 369.00	\$ -



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS**

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
<b>FY2017</b>								
2017-016	15.875	Equipment and Real Property	\$ -	12/31/2018	Larrisa Larson, Secretary of Finance	The Department of Finance has submitted in its 2019 budget proposal to incorporate new technological systems to improve inventory (and other financial) procedures. The aim of this implementation is to process documents more efficiently, with less required human resources, and to maintain records to include information such as federal award identification number, source of property, title, percentage of federal participation, and use and condition of the property. Additionally, this will improve the time and effort needed for central government to reconcile records with program managers. A physical inventory of FY 2017 will be coordinated with program manager and Division of Procurement and Supply to address this finding.	\$ -	\$ -
2017-017	15.875	Procurement and Suspension Debarment	\$ 1,356,194	N/A	Administrator of CIP Office	CNMI disagrees with this finding. Contracting office determines that Regulations 70-30.1-115(f) is not applicable in this matter because Contract 659-OS was implemented due to extraordinary circumstances to prevent Stipulated Orders from EPA. As such, CNMI determines that section (g) is applicable: "The head of contracting activity may, in exceptional cases, waive the requirement for submission of certified cost or pricing data. The authorization for the waiver and the reasons granting it shall be in writing." CIP office believes that extending the contract through change orders was more cost effective and timely rather than conducting open bids and engineering estimates as a price analysis was conducted in the beginning of the project. CNMI will continue to communicate with OIA regarding contract No. 659-OS as this has been related finding (2015-028, 2016-021).	\$ -	\$ 1,356,194
2017-018	15.875	Subrecipient Monitorig	\$ -	06/30/2018	Adminstrator of CIP Office	1. The Subrecipient Agreement has been drafted and reviewed by the office of the Attorney General. All component units for sub grants for fiscal year 2017 have signed and executed subrecipients are required to review and sign the agreements annually, before the release of funds. 2. Sub recipient monitoring policies & procedures have been implemented and communicated to all sub recipients. Moving forward, all subrecipients are required to review and initial the document annually. Additionally, our office is aware that control procedures must be in place that require the subrecipients' reporting of audit findings related to 15.875. It is stated in the Subrecipient Monitoring Policies & Procedures that any and all independent audit findings for autonomous agencies must be reported to our office. A subrecipients monitoring checklist has been incorporated to facilitate in the monitoring process.	\$ -	\$ -
2017-019	20.205	Equipment and Real Property	\$ -	12/30/2018	Lorraine M. Seman, Administrator, Highway Planning	1. Conduct physical inventory on a semi-annual basis and update inventory forms to include Federal Award numbers, and percentage of federal participation, and to remain separate from items purchased with local funds. 2. Include a separate listing to include infrastructure assets and maintain annually. 3. Coordinate with CNMI division of Procurement & Supply to update central records to include information such as but not limited to property records, transfers, surveyed properties and de-obligation records. In addition, propose inventory system to identify separately DPW/TSD from local. 4. Establish control procedures for monitoring of property files and equipment to include follow-up of requests for property survey/de-obligation/transfer, if any that our records are complete and accurate on a regular basis.	\$ -	\$ -
2017-020	66.600	Equipment and Real Property	\$ 33,140	12/31/2018	Larrisa Lason, Secretary of Finance	Condition 1. The Department of Finance is currently in award/procurement process to incorporate new technological systems to improve inventory (and other financial) procedures. Such implementation aims to efficiently process documents. With less required human resources, and to maintaining records to include information such as federal award identification number, source of property, title, percentage if federal participation, and use and condition of the property. Condition 2-5: A physical Inventory of FY 2017 will be coordinated with program manager and Division of Procurement & Supply to address these findings. Through a TAP grant through OIA, CNMI has developed a system and process to conduct physical inventory for federally managed programs.	\$ -	\$ 33,140



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2017-021	66.600	Reporting	\$ -	06/30/2018	Gloria Castro, DEQ and Larrisa Larson, Secretary of Finance	The Department of Finance agrees that the figures reported in error need closer review. The Department of Finance disagrees with the statement that there are a lack of control over compliance with reporting requirements and monitoring of program income. Reports are done on a quarterly basis. Copies of these reports are distributed to the Department and the federal program officers on a quarterly basis as well. All supporting documentation are attached to the SF425s to support the information contained in the report. We believe this to be an isolated instance with zero question cost, but will take note of this occurrence and continue to comply with applicable regulations and monitor program income.	\$ -	\$ -
2017-022	93.767	Eligibility	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See letter from Linda Gee (CMS/CMCS)	\$ -	\$ -
2017-022	93.778	Eligibility	\$ 4,558	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 4,558	\$ -
2017-023	93.778	Special Tests and Provisions	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director and Frank Celis	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2017-024	97.036	Subrecipient Monitoring	\$ -	Closed	Virginia Villagomez, Authorized Representative	Letter from FEMA dated May 15, 2019	\$ -	\$ -
			\$ 1,393,892				\$ 4,558	\$ 1,389,334
<b>FY2016</b>								
2016-014	10.551	Allowable Costs/Cost Principles	\$ -	Corrective Action Taken: Awaiting determination letter	Walter Macaranas, NAP Administrator	CNMI-NAP is in compliance with the yearly indirect cost rate. CNMI NAP prior to an annual budget negotiation must always have and present the current and approved Indirect Cost Rate with the Memorandum of Understanding to the USDA, Food and Nutrition Services (FNS). Indirect Cost Rate consists of two types: (1) Fixed Rate with Utilities direct charges, and (2) Fixed Rate without Utilities direct charges. During FY 2016, Fixed Rate with Utilities was 4.37% while Rate without utilities was 10.64%. CNMI NAP routinely applies the Rate with Utilities due to that NAP is paying its own utilities. In this case 4.37% was applied for FY 2016.	\$ -	\$ -
2016-015	10.551	Reporting	\$ 43,552.00	Corrective Action Taken: Completed 4/11/2018 Awaiting determination letter	Walter Macaranas, NAP Administrator	CNMI NAP has identified Ms. Techelul N. Olkeriil-Accountant IV- to be the person to monitor the reconciliation and accountability reports between the Issuance and Redemption Units for accuracy and completeness. Retail and Redemption Unit will maintain the coupons redeemed for a period of three (3) Months on a quarterly basis with the flexibility that whenever there is a discrepancy, NAP shall reverify the coupons redeemed for correctness. At the same time, Issuance Unit (BICA) is required to do a daily counts of coupons inventory as well as the benefit issued. If the reports are deemed to be inconsistent Ms. Techelul will notify the units involved for further verification on the reports. A re-verification report will be submitted to Techelul for corroboration. This new procedure will be maintained and practiced so the program funding is monitored and recorded accordingly.	\$ -	\$ 43,552
2016-016	11.419	Equipment and Real Property Management	\$ 9,498.00	Warranting no further action	Janice Castro, DCRM Program Manager	1. DCRM will revise operating procedures to include detailed procurement and inventory standards according to local and federal regulations/guidelines. 2. DCRM will complete physical inventory and 3. Reconcile with P&S  Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC.	\$ 9,498	\$ -
2016-017	11.419	Procurement and Suspension Debarment	\$ 69,865.00	Warranting no further action	Janice Castro, DCRM Program Manager	1. DCRM will revise operating procedures to include detailed procurement and inventory standards according to local and federal regulations/guidelines.  Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC.	\$ 69,865	\$ -
2016-018	11.419	Reporting	\$ -	Warranting no further action	Janice Castro, DCRM Program Manager	Although not requested nor denied from grantor, DCRM will provide such reports in the future.  Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC.	\$ -	\$ -



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2016-019	11.482	Matching, Level of Effort, Earmarking	\$ 33,454.00	Warranting no further action	Jihan Buniag, DCRM Project Coordinator	DCRM will implement a more effective and accurate tracking system that will measure the amount of contributed match as it occurs over the grant cycle.  Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC.	\$ 33,454	\$ -
2016-020	11.482	Reporting	\$ -	Warranting no further action	Jihan Buniag, DCRM Project Coordinator	DCRM will revise operating procedures to monitor amounts reported on SF-425 and meet all reporting requirements.  Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC.	\$ -	\$ -
2016-021	15.875	Procurement and Suspension Debarment	\$ 15,275,668.00	Corrective Action Taken: Documents requested by DOI	Virginia C. Villagomez, CIP Administrator	Per USDOL letter dated May 22, 2018	\$ 9,567,010	\$ 5,708,658
2016-022	15.875	Subrecipient Monitoring	\$ -	Corrective Action Taken: Completed 6/30/17 Awaiting Determination Letter	Virginia C. Villagomez, CIP Administrator	1. The Subrecipient Agreement has been drafted and reviewed by the Office of the Attorney General. All component units for subawarded grants for FY 2016 have signed this agreement. 2. The Subrecipient Monitoring policies and procedures have been implemented and communicated to all subrecipients which requires subrecipient to review and initial agreement.	\$ -	\$ -
2016-023	93.767	Allowable Costs/Cost Principles	\$ 8,300.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	CNMI agrees with this finding: We will return the questioned costs and request a refund from the provider. See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 8,300	\$ -
2016-024	93.778	Activities Allowed or Unallowed	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2016-025	93.767	Eligibility	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See letter from Linda Gee (CMS/CMCS)	\$ -	\$ -
2016-025	93.778	Eligibility	\$ 18,592.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 18,592	\$ -
2016-026	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2016-027	93.778	Special Tests and Provisions	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director Frank C. Celis, EDP	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2016-028	97.036	Cash Management	\$ -	Closed/Resolved	Virginia C. Villagomez, OMB, Authorized Representative	Per US Dept. of Homeland Security Letter dated June 21, 2018.	\$ -	\$ -
2016-029	97.036	Procurement and Suspension Debarment	\$ 608,343.00	Open	Virginia C. Villagomez, OMB, Authorized Representative	Per US Dept. of Homeland Security Letter dated June 21, 2018: Pending FEMA decision on CNMI's appeal.	\$ 337,295	\$ 271,048
2016-030	97.036	Reporting	\$ -	Closed/Resolved	Virginia C. Villagomez, OMB, Authorized Representative	Per US Dept. of Homeland Security Letter dated June 21, 2018	\$ -	\$ -
2016-031	10.551	Equipment and Real Property Management	\$ -	Corrective Action Taken: Completed 4/5/2018 Awaiting Determination Letter	Larrisa Larson, DOF Secretary Walter Macaranas, NAP Administrator	CNMI NAP currently have a full-time employee who foresee the Physical Inventory of all Equipment. Attached Exhibit B indicated all Federal and Local requirements of the physical inventory equipment from serial or federal award identification number, source of the property, who holds the title, percentage of federal participation in the cost of the property and use and condition of the property. Furthermore, a FY2016 NAP Inventory Listing was reconciled against Procurement and Supply Inventory Listing. NAP has made a requirement and recommended by the Auditor to do inventory on all equipment twice a year to ensure that properties are accounted for and in compliance with state laws and procedures.	\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2016-031	15.875	Equipment and Real Property Management	\$ -	Open	Larrisa Larson, DOF Secretary Virginia Villagomez, CIP Administrator	The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records. There is a newly proposed set of policies and procedures for P&S. DOF is in the process of hiring a consultant to help train current and new employees to effectively carry out the duties set forth.	\$ -	\$ -
			\$ 16,067,272				\$ 10,044,014	\$ 6,023,258
FY2015								
2015-14	-	Schedule of Expenditures of Federal Awards	\$ -	Corrective Action Taken	Larrisa Larson, Secretary of Finance	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2018.	\$ -	\$ -
2015-15	10.551	Reporting	\$ -	Corrective Action Taken		The CNMI complied with Exhibit G, Part III E2 of the MOU between FNS and DCCA. The final CNMI-269 report for FY 2015 was submitted to FNS on Dec. 30, 2015. The grantor's reconciliation of grant carryover for FY 2015 disclosed carryover funds of \$1,056,825.	\$ -	\$ -
2015-16	10.551	Special Tests and Provisions	\$ -	Corrective Action Taken: Completed 04/11/18 Awaiting determination letter		CNMI NAP had identified Ms. Techelul N. Olkeriil to be the person to monitor the reconciliation and accountability reports between the Issuance and Redemption Units for accuracy and completeness. Retail and Redemption Unit will maintain the coupons redeemed for a period of three (3) Months on a quarterly basis with the flexibility that whenever there is a discrepancy, NAP can revisit to reverify the coupons redeemed for accuracy. At the same time, Issuance Unit (BICA) is required to do a daily monitor and inventory on all coupons as well as the benefit issued. If the reports are deemed to be inconsistent Ms. Techelul will notify the units involved for further verification on the reports including but not limited to coupons redeemed and issued. A re-verified report will be submitted to Techelul for further verification. Any addition verification needed will be done to ensure the accuracy of the accountability report is correct. This new procedure will be maintained and practiced so the program funding is monitored and recorded accordingly.	\$ -	\$ -
2015-36	10.551	Equipment and Real Property Management	\$ -	Corrective Action Taken		The reconciliation performed by P&S for FY 2015 was completed on January 14, 2016. The NAP report for the physical inventory performed July 7-22, 2016 was completed with the requirements of OMB Guidance § 200.313.	\$ -	\$ -
2015-17	11.419	Allowable Costs/Cost Principles	\$ 3,231.00	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response: DCRM is in direct contact with grantor agency and has completed prior corrective action plan (see below). DCRM demonstrated weak monitoring controls to effectively monitor transactions for proper accounting treatment. However, because payroll and payments are handled outside of DCRM, DCRM administrative personnel charged with oversight of payroll preparation and payments to vendors will work closely with the Office of Personnel Management and DOF's Finance & Accounting and Accounts Payable sections to ensure that accounts are entered correctly. Moreover, DCRM seeks to tighten its internal controls by updating its Standard Operating Procedures to include a second review by a different individual prior to moving forward with further action on any given action, including but not limited to payroll calculations, review of supporting documents for payroll, and vendor payments. DCRM SOPs will be revised to include these additional internal controls.	\$ 3,231	\$ -
2015-18	11.419	Equipment and Real Property Management	\$ -	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response: DCRM will complete an inventory count of all DCRM property and provide information to P&S to reconcile property records, especially item with no market value.	\$ -	\$ -





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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2015-19	11.419	Program Income	\$ -	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response:DCRM has sought guidance from grantor (NOAA) regarding expenditure of program income since 2010, and has received incomplete and/or conflicting guidance. As of May 2015 and June 2016, DCRM will return program income from expired grants.	\$ -	\$ -
2015-20	11.419	Reporting	\$ -	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response:DCRM has requested DOF to report all program income earned and expended on FORM SF-425 for each reporting period.	\$ -	\$ -
2015-21	11.419	Special Tests and Provisions	\$ 12,866.00	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response: DCRM has received grantor approval for SAC #2. SAC #14,#6, and #7 is still awaiting response from grantor.	\$ 12,866	\$ -
2015-22	11.482	Allowable Costs/Cost Principles	\$ -	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response:DCRM gave the employee a 10% raise for completing Master's degree and believes this is an appropriate decision as it is in approved personnel budget award. DCRM has made great stride to fine tune administrative procedures to ensure that grantor approval is acquired for such items.	\$ -	\$ -
2015-23	11.482	Matching, Level of Effor, Earmarking	\$ 46,367.00	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response: DCRM will implement a more effective and accurate tracking system that will measure the amount of contributed match as it occurs over the grant cycle.	\$ 46,367	\$ -
2015-24	11.482	Reporting	\$ -	Warranting no further action	Janice Castro, DCRM Program Manager	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response:DOF will monitor and ensure that all supporting documents are maintained, especially for SF-425 reports.	\$ -	\$ -
2015-25	15.875	Allowable Costs/Cost Principles	\$ -	Corrective action taken.		USDOJ-OIA Audit Resolution Determination for CNMI letter dated June 27, 2017.	\$ -	\$ -
2015-26	15.875	Cash Management	\$ -	Corrective Action Taken		The Office of the Attorney General has assisted the CIP office in creating the CNMI CMIAA policy, which includes 1) programs covered by the agreement, 2) the method of funding to be used 3) the method used to calculate interest, and 4) procedures for determining check clearing patterns. The CNMIAA policy will now be included in the annual CIP staff training as well as contractual agreements with contractors/vendors.	\$ -	\$ -
2015-27	15.875	Period of Availability of Federal Funds	\$ -	Corrective action taken.		USDOJ-OIA Audit Resolution Determination for CNMI letter dated June 27, 2017.	\$ -	\$ -
2015-28	15.875	Procurement and Suspension and Debarment	\$ 1,888,948.00	Partial Corrective Action		*USDOJ Audit Resolution letter dated 08/03/2017 reinstating funds for conditions 2 and 6. *USDOJ OIA letter dated 12/22/2017 (SA MDL 1); see Finding 2016-21	\$ 1,309,226	\$ 579,722
2015-29	15.875	Reporting	\$ -	Corrective Action Taken		To ensure the Financial Status Report and Narrative Project Reports are submitted timely, a grant notification system has been implemented and will be used to track any and all grant and contract expiration dates.	\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2015-30	15.875	Subrecipient Monitoring	\$ -	Corrective Action Taken: Awaiting determination letter		1. A subrecipient agreement has been drafted for all component units receiving sub-awards. Upon execution of the agreement, monitoring requirements have been implemented.  2. In collaboration with Graduate School USA, our office has developed standard tools to be used for monitoring activities.	\$ -	\$ -
2015-31	15.875	Special Tests and Provisions	\$ -	Corrective action taken.		USDOJ-OIA Audit Resolution Determination for CNMI letter dated June 27, 2017.	\$ -	\$ -
2015-36	15.875	Equipment and Real Property Management	\$ -	Open		The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records.	\$ -	\$ -
2015-36	20.205	Equipment and Real Property Management	\$ -	Open		The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records.	\$ -	\$ -
2015-32	93.778	Activities Allowed or Unallowed	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2015-33	93.778	Eligibility	\$ 101,528.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 101,528	\$ -
2015-34	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2015-35	93.778	Special Tests and Provisions	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2015-37	97.036	Cash Management	\$ -	Closed/Resolved	Virginia C. Villagomez, OMB, Authorized Representative	Per US Dept. of Homeland Security Letter dated June 21, 2018: CNMI should complete two separate drawdowns no later than July 15, 2018 (DR1541 and DR1611).	\$ -	\$ -
			\$ 2,052,940				\$ 1,473,218	\$ 579,722
FY2014								
2014-016	-	Schedule of Expenditures of Federal Awards	\$ -	Corrective Action Taken	Larrisa Larson, Secretary of Finance	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2018.	\$ -	\$ -
2014-017	10.551	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	CNMI-DOF has hired staff to ensure timely filings of Treasury-State Agreements (TSA). Additionally, CNMI-DOF has developed and implemented a cash management handbook to effectuate policies and procedures that are in compliance with TSA.	\$ -	\$ -
2014-018	10.551	Special Tests and Provisions	\$ -	Corrective Action Taken: Completed 04/11/18 Awaiting determination letter	Elizabeth Palacios-Olouachel, Retail & Redemption Office	A current practice is that the Retail and Redemption Unit is availing the first month of the quarter High Redeemer Listing to do Compliance Visit instead of waiting for the third month of the quarter. In doing so, reports are completed on time including in compliance of NAP regulation. Manual of Operation including the MOU does not restrict the listing for High Redeemer as long as the Retailer falls in the high redeemer lists of that certain Quarter.	\$ -	\$ -
2014-019	10.551	Special Tests and Provisions	\$ 270,373	Corrective Action Taken - Awaiting determination letter	Merced Muna, Benefit Issuance & Claims Accountability (BICA) Unit Supervisor	Actions and steps for claim notices to be sent out to NAP clients had been lessened and decreased to be able to meet the length of time for the notice to be mailed out. Benefit Issuance and Claim Accountability (BICA) Unit is currently operating with four (4) staffs. These staffs are more than enough to encounter the procedure of sending notices out on time to clients without any delays.	\$ -	\$ 270,373
2014-020	11.419	Allowable Costs/Cost Principles	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated June 13, 2017.	\$ -	\$ -
2014-021	11.419	Equipment and Real Property Management	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated June 13, 2017.	\$ -	\$ -
2014-022	11.419	Period of Availability of Federal Funds	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated June 13, 2017.	\$ -	\$ -
2014-023	11.419	Procurement and Suspension and Debarment	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated June 13, 2017.	\$ -	\$ -
2014-024	11.419	Program Income	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated June 13, 2017.	\$ -	\$ -
2014-025	11.419	Reporting	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated June 13, 2017.	\$ -	\$ -
2014-026	11.419	Special Tests and Provisions	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated May 11, 2016. USDOC-NOAA Audit Resolution Determination for CNMI letter dated June 13, 2017.	\$ -	\$ -
2014-027	11.482	Allowable Costs/Cost Principles	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated June 13, 2017.	\$ -	\$ -
2014-028	11.482	Matching, Level of Effort, Earmarking	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated June 13, 2017.	\$ -	\$ -
2014-029	11.482	Period of Availability of Federal Funds	\$ -	Corrective action taken.		Award Action Request Approved through Grants Online	\$ -	\$ -
2014-030	11.482	Procurement and Suspension and Debarment	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated June 13, 2017.	\$ -	\$ -
2014-031	11.482	Reporting	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated June 13, 2017.	\$ -	\$ -



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS**

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2014-032	11.482	Special Tests and Provisions	\$ -	Corrective action taken.		USDOC-NOAA Audit Resolution Determination for CNMI letter dated June 13, 2017.	\$ -	\$ -
2014-033	15.875	Period of Availability of Federal Funds	\$ 4,896	Corrective action taken.		The CIP Office has implemented policies and procedures to track expenses and reports to ensure expenditure	\$ -	\$ 4,896
2014-034	15.875	Procurement and Suspension and Debarment	\$ 1,060,520	Corrective Action Taken: Awaiting determination letter		Name of Contact Person: Virginia C. Villagomez, CIP Administrator  Corrective Action: Going forward, the CIP office has implemented evaluation procedures in procuring project managers that will ensure fairness in the selection process and compliance with procurement regulations.  Proposed Completion Date: Immediate	\$ -	\$ 1,060,520
2014-035	15.875	Subrecipient Monitoring	\$ -	Corrective Action Taken: Awaiting determination letter		1. A subrecipient agreement has been drafted for all component units receiving sub-awards. Upon execution of the agreement, monitoring requirements will be implemented.  2. In collaboration with Graduate School USA, our office has developed standard tools to be used for monitoring activities.	\$ -	\$ -
2014-036	15.875	Special Tests and Provisions	\$ -	Corrective Action Taken: Awaiting determination letter		Name of Contact Person: Virginia C. Villagomez, CIP Administrator  Corrective Action: To ensure future compliance the Capital Improvement Office has developed a comprehensive check list for all projects that includes the submission of land title certification requirement  Proposed Completion Date: Ongoing	\$ -	\$ -
2014-037	20.205	Procurement and Suspension and Debarment	\$ -			Name of Contact Persons: James A. Ada, Secretary of Public Works, Anthony Camacho, Acting Director of Technical Services Division and GERALYN C. DELA CRUZ, Highway Administrator Corrective Action: The project contract executed was in the old format which did not include this provision. DPW is currently routing a contract change order to include this provision in the said contract. Proposed Completion Dates: FY 2016	\$ -	\$ -
2014-038	66.600	Equipment and Real Property Management	\$ -	Open		Name of Contact Person: : Gloria S. Castro, Administrative Service Manager, BECQ  Corrective Action: Of the four items that could not be located by the auditor, BECQ found item MP-18547CM (a PH meter) in the chemistry lab. ITEM-38533 (a battery backup) was surveyed and received by P&S on 05/12/14. ITEM-41817 (a labeling machine and MP18060CM (a Printer/Deskjet 5750) were surveyed and received by P&S on 11/14/13.  Proposed Completion Date: Ongoing	\$ -	\$ -



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Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2014-039	66.600	Procurement and Suspension and Debarment	\$ 12,912	Open		<p>Name of Contact Person: Gloria S. Castro, Administrative Service Manager, BECQ</p> <p>Corrective Action: Condition 1: BECQ ordinarily tries to get multiple quotations for purchases of goods and services. BECQ followed the CNMI procurement regulations and policies in place, which do not require obtaining quotations for travel. Transportation is not specifically addressed in the CNMI Procurement Regulations and DOF uses established, written DOF policies when procuring government travel. Moreover, BECQ has complied with the grantor's requirements for offisland travel for all three expenditures listed with respect to document nos. 1169003, 1192021 and 1154604. In accordance with EPA's April 15, 2015 letter regarding BECQ's approved procurement practices and in accordance with programmatic condition P1 of the cooperative agreement, BECQ has satisfied this finding where EPA's PIO Program Manager has approved the travel expenses. Condition 2: All four BECQ contracts (contract nos. 556615 OC, 567038 OC, 538598 OC and 577142 OC) already contain the following terms and conditions: "Contractor will comply ... with Executive Order 11246 of September 24, 1965 entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967 and as supplemented in the Department of Labor regulations (41 CFR Chapter 60) (all contracts awarded in excess of \$10,000 by grantees and their contractors or subgrantees). Proposed Completion Date: Ongoing</p>	\$ -	\$ 12,912
2014-040	66.600	Reporting	\$ -	Open		<p>Name of Contact Person: Gloria S. Castro, Administrative Service Manager, BECQ</p> <p>Corrective Action: In accordance with programmatic condition P5 of the cooperative agreement, BECQ retained and made available all program income generated to support the activities associated with the consolidated environmental program. BECQ maintained records which account for program income. Accordingly, BECQ provided the EPA project officer an accounting of all program income received and a description of how those funds have or will be utilized to support the overall environmental program. The Office of Finance &amp; Accounting is the agency responsible for all SF-425 reporting requirements. The Office of Finance &amp; Accounting has provided BECQ a copy ensuring that the program income reporting requirement is in compliance to date. Proposed Completion Date: Ongoing</p>	\$ -	\$ -
2014-041	93.575	Allowable Costs/Cost Principles	\$ 36,634	Not corrected.		<p>Name of Contact Person: Maribel Lose, Child Care and Development Fund (CCDF) Administrator and Roselle Teregeyo, CCDF Accountant</p> <p>Corrective Action: The CCDF Program relies solely on DOF for guidance for the most appropriate and latest negotiated indirect cost rates. The approved indirect cost rate for FY2014 was received on 12/12/14. The general ledger was adjusted in December 2014 only for accounts under business unit H3575A-F and not H2575A-F as reports were finalized in September 2014.</p>	\$ -	\$ 36,634
2014-042	93.575	Eligibility	\$ 10,242	Open		<p>Name of Contact Person: Maribel Lose, CCDF Administrator and Vince Rabauliman, CCDF Administrative Manager</p> <p>Corrective Action: We agree with the finding. Current policies and procedures on timing of application and renewal will be reviewed and changed to ensure that applications and renewals are timely received. In addition to Eligibility Specialists (ESs) routinely conducting review of files, ESs will conduct peer reviews of files bi-annually to ensure that all necessary documents related to eligibility are available and updated. Proposed Completion Date: Ongoing</p>	\$ -	\$ 10,242



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2014-043	93.575	Equipment and Real Property Management	\$ -	Open		Name of Contact Person: Maribel Lose, CCDF Administrator and Vince Rabauliman, CCDF Administrative Manager  Corrective Action: The CCDF Office will review its current policies and procedures on property management and will amend them to include random visual "spot checks" throughout the year for all properties and equipment purchased under the Program. It will conduct a review annually of the complete listing of all properties to ensure that the listing is updated.	\$ -	\$ -
2014-044	93.575	Reporting	\$ -	Open		Name of Contact Person: Maribel Lose, CCDF Administrator and Roselle Teregeyo, CCDF Accountant  Corrective Action: There is no requirement by the Administration for Children and Families (ACF) to report program income on the ACF 696 for the CCDF Program. There is no category on this report to indicate the amount of program income earned. The 696 report is the only report required by ACF to report CCDF expenditures. The SF-425 report is primarily handled by DOF. The CCDF Office will work with DOF to ensure that this report is timely submitted.  Proposed Completion Date: Ongoing	\$ -	\$ -
2014-045	93.575	Special Tests and Provisions	\$ -	Open		Name of Contact Person: Maribel Lose, CCDF Administrator and Roselle Teregeyo, CCDF Accountant  Corrective Action: The CCDF Program will establish policies and procedures to ensure that requirements of the Transparency Act of 2006 are addresses.  Proposed Completion Date: Ongoing	\$ -	\$ -
2014-046	93.778	Activities Allowed or Unallowed	\$ 327,131	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 327,131	\$ -
2014-047	93.778	Allowable Costs/Cost Principles	\$ 15,757	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 15,757	\$ -
2014-048	93.778	Eligibility	\$ 105,299	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 105,299	\$ -
2014-049	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2014-050	93.778	Special Tests and Provisions	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2014-051	11.419	Allowable Costs/Cost Principles	\$ -	Corrective action taken.	Frances Castro, Director, DCRM Frank M. Rabauliman, Administrator, BECQ	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response:  Corrective Action: Now that the recipients of USDOC 11.419 are aware of this criteria, semi-annual certifications will be established starting June, 2015 and thereafter on a semi-annual basis to certify that time charged is for federal related activities only. Employees and supervisors will sign-off on the semi-annual certifications for work on a single Federal program. These signed documents will be kept in each employee's personnel file.	\$ -	\$ -



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2014-051	11.482	Allowable Costs/Cost Principles	\$ -	Corrective action taken.	Frances Castro, Director, DCRM Frank M. Rabauliman, Administrator, BECQ	Update to SA2019: Federal Agency in an email dated 9-26-2017 has determined that audit resolution process will not be conducted with awardee. Two years have passed since submission to FAC. Previous response: Corrective Action: Now that the recipients of USDOC 11.482 are aware of this criteria, semi-annual certifications will be established starting June, 2015 and thereafter on a semi-annual basis to certify that time charged is for federal related activities only. Employees and supervisors will sign-off on the semi-annual certifications for work on a single Federal program. These signed documents will be kept in each employee's personnel file.	\$ -	\$ -
2014-051	20.205	Allowable Costs/Cost Principles	\$ -	Open		Name of Contact Person: James A. Ada, Secretary of Public Works, Anthony Camacho, Acting Director of Technical Services Division and Geralyn C. Dela Cruz, Highway Administrator  Corrective Action: The CNMI Department of Public Works (DPW) began implementing the requirement to submit activity timesheets per pay period effective September 2014. These timesheets reflect hours worked solely for the federal aid program administered by the Federal Highway Administration. DPW will continue to implement this system and ensure that all employees performing work under the said program submit and certify the hours associated this program.	\$ -	\$ -
2014-051	66.600	Allowable Costs/Cost Principles	\$ -	Open		Name of Contact Person: Gloria S. Castro, Administrative Service Manager, BECQ  Corrective Action: As of 2014, all BECQ employees began signing bi-weekly timesheets to evidence hours worked on federal grant activities. This year, BECQ will comply with 2 CFR Part 225 and will certify employee time worked solely on federal programs on a semi-annual basis to satisfy the requirement of OMB A-87.  Proposed Completion Date: Ongoing	\$ -	\$ -
2014-051	93.778	Allowable Costs/Cost Principles	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2014-052	10.551	Equipment and Real Property Management	\$ -	Open		Name of Contact Person: Walter Macaranas, NAP Administrator  Corrective Action: The physical inventory for FY 2013 was completed on March 19, 2014. The reconciliation performed by P&S for FY 2013 was completed on October 3, 2014. The physical inventory for FY 2014 was completed on September 26, 2014. The reconciliation performed by P&S for FY 2014 was completed on May 7, 2015. NAP will complete the FY 2015 physical inventory by September 30, 2015. At such time, we will request P&S to perform reconciliation of the FY 2015 physical inventory. For each succeeding fiscal year, NAP will perform physical inventories by the closing of each fiscal year period  Proposed Completion Date: Ongoing	\$ -	\$ -
2014-052	11.419	Equipment and Real Property Management	0	Warranting no further action		Name of Contact Person: Janice Castro, Director, DCRM, BECQ and Herman Sablan, Director, P&S Repeated: 2016-16 Email from grantor stipulating findings for 2014 are closed. Grantor is responding to 2015 & 2016 findings	0	0
2014-052	15.875	Equipment and Real Property Management	\$ -	Open		The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records.	\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2014-052	20.205	Equipment and Real Property Management	\$ -	Open		<p>Name of Contact Person: James A. Ada, Secretary of Public Works, Anthony Camacho, Acting Director of Technical Services Division and Gerilyn C. Dela Cruz, Highway Administrator</p> <p>Corrective Action: DPW keeps its internal inventory of equipment and property. DPW will send a formal request to P&amp;S to perform a physical inventory of equipment and property. DPW will further ensure that its internal inventory contains the necessary required information (i.e. serial number, source of property, title, etc.)</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ -
2014-052	66.600	Equipment and Real Property Management	\$ -	Open		<p>Name of Contact Person: Gloria S. Castro, Administrative Service Manager, BECQ</p> <p>Corrective Action: In accordance with the CNMI Property Management Policies and Procedures, P&amp;S is required to 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. Further, P&amp;S shall perform random audits of property held by each accountable person to validate the integrity of the property control process. BECQ has completed the preliminary In-House Physical Inventory Report and it was submitted to P&amp;S on 05/12/15.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ -
2014-052	93.575	Equipment and Real Property Management	\$ -	Open		<p>Name of Contact Person: Maribel Lose, CCDF Administrator and Vince Rabauliman, CCDF Administrative Manager</p> <p>Corrective Action: The CCDF Office will review its current policies and procedures on property management and will amend them to include random visual "spot checks" throughout the year for all properties and equipment purchased under the Program. It will conduct a review annually of the complete listing of all properties to ensure that the listing is updated.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ -
2014-053	97.036	Reporting	\$ 1,386,970	Closed/Resolved	Virginia C. Villagomez, OMB, Authorized Representative	Per US Dept. of Homeland Security Letter dated June 21, 2018: CNMI should complete two separate drawdowns no later than July 15, 2018 (DR1541 and DR1611).	\$ 1,386,970	\$ -
<b>\$ 3,230,734</b>							<b>\$ 1,835,157</b>	<b>\$ 1,395,577</b>
<b>FY2013</b>								
2013-014	-	Schedule of Expenditures of Federal Awards	\$ -	Corrective Action Taken	Larrisa Larson, Secretary of Finance	Additional staff have been hired and are currently undergoing training to be in compliance with SEFA requirements. We expect this finding to be resolved by end of FY 2018.	\$ -	\$ -
2013-016	10.551	Reporting	\$ 18,524.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.</p> <p>Proposed Completion Date: Ongoing.</p>	\$ -	\$ 18,524



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS**

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2013-017	10.551	Special Tests and Provisions	\$ -	Corrective Action Taken		Name of Contact Person: Elizabeth P. Olouachel, NAP Retail & Redemption Officer  Corrective Action: NAP Retail & Redemption Unit complied FY 13 compliance visits on May 22, 2014. FY 2014 compliance visits were completed on December 5, 2014.  Proposed Completion Date: N/A	\$ -	\$ -
2013-018	10.551	Special Tests and Provisions	\$ 235,234.00	Corrective Action Taken - Awaiting determination letter	Merced C. Muna, Supervisor, NAP Benefit Issuance & Claims Accountability (BICA) Unit	Actions and steps for claim notices to be sent out to NAP clients had been lessened and decreased to be able to meet the length of time for the notice to be mailed out. Benefit Issuance and Claim Accountability (BICA) Unit is currently operating with four (4) staffs. These staffs are more than enough to encounter the procedure of sending notices out on time to clients without any delays.	\$ -	\$ 235,234
2013-024	15.875	Reporting	\$ -	Open		Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.  Proposed Completion Date: Ongoing.	\$ -	\$ -
2013-030	81.041	Allowable Costs/Cost Principles	\$ 58,450.00	Open		Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: We agree with this finding and will develop policies and procedures to address issues in the conditions. Proposed Completion Date: Ongoing.	\$ -	\$ 58,450
2013-033	81.128	Allowable Costs/Cost Principles	\$ 93,904.00	Open	Larrisa Larson, Secretary of Finance	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows: FY13- 2.86% and 15.26% respectively FY14- 2.86% and 15.26% respectively FY15 proposed rates- 4.61% and 13.47% respectively For FY16 the proposed rates are 5.90% and 10.65% respectively  ARRA Rates- Not provided  CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.  Proposed Completion Date: Ongoing	\$ -	\$ 93,904
2013-034	81.128	Procurement and Suspension and Debarment	\$ 109,270.00	Open		Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action, Condition 1 & 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.  Proposed Completion Date: Ongoing	\$ -	\$ 109,270





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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2013-036	93.778	Activities Allowed or Unallowed	\$ 4,299.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 4,299	\$ -
2013-037	93.778	Allowable Costs/Cost Principles	\$ 4,692.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 4,692	\$ -
2013-038	93.778	Eligibility	\$ 12,825.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 12,825	\$ -
2013-040	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2013-041	15.875	Allowable Costs/Cost Principles	\$ -	Partial corrective action taken.		<p>Name of Contact Person: Virginia Villagomez, Office of Management &amp; Budget</p> <p>Corrective Action: A standard Personnel Activity Reporting (PAR) Guidance is being developed in collaboration with the Office of Grants Management to be used government-wide as a internal control on personnel compensation.</p> <p>Proposed Completion Date:            USDOI 15.875: Ongoing.            USDOE 93.778: Ongoing.            USEPA 66.600: No further action required per US E.P.A determination letter.            USDOE 81.041: No further action required per USDOE determination letter.            USDOE 81.128: No further action required per USDOE determination letter.</p>	\$ -	\$ -
2013-042	10.557, 15.875, 66.600	Equipment and Real Property Management	\$ -	Partial corrective action taken.		<p>Corrective Action:            US DOI 15.875: The CNMI Office of Management &amp; Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement &amp; Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement &amp; Supply.</p> <p>Proposed Completion Dates:            USDOI 15.875: Ongoing.            USEPA 66.600: No action required.            USDA 10.557: N/A</p>	\$ -	\$ -
2013-043	15.615	Procurement and Suspension and Debarment	\$ 236,402.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action, Condition 1 &amp; 2:            The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 236,402



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2013-043	15.875	Procurement and Suspension and Debarment	\$ 197,190.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action,Condition 1 &amp; 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 197,190
2013-043	93.217	Procurement and Suspension and Debarment	\$ 28,344.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action,Condition 1 &amp; 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 28,344
2013-043	93.243	Procurement and Suspension and Debarment	\$ 30,219.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action,Condition 1 &amp; 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 30,219
2013-043	93.889	Procurement and Suspension and Debarment	\$ 10,077.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action,Condition 1 &amp; 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 10,077



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2013-043	97.073	Procurement and Suspension and Debarment	\$ 17,947.00	Open		Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action, Condition 1 & 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.  Proposed Completion Date: Ongoing	\$ -	\$ 17,947
			\$ 1,057,377				\$ 21,816	\$ 1,035,561
<b>FY2012</b>								
2012-23	10.557	Eligibility	\$ -	Corrective Action Taken		Name of Contact Person: Ruth Sablan, WIC Clinic Manager Corrective Action: Since this finding we have implemented our new MIS system HANDS (Health and Nutrition Delivery System), October 1, 2015. Part of the implementation process included training on doing Certification and Eligibility in this new system. All Clinic staff were trained, attached is our training log. The certifier and income verifier now document this by having the participant/Authorized Representative sign the signature type "Rights and Obligations" on the signature pad in HANDS. We have updated Chapter 2 Certification since approval due to a better understanding of HANDS since its implementation. We will be turning in the draft for approval shortly. We will also have a series of refresher trainings on Certification and Eligibility (in our policies and procedures and HANDS) during our monthly afternoon Clinic Professional Development or Scoops Sessions this fiscal year, starting on March 20, 2015. Proposed Completion Date: Ongoing.	\$ -	\$ -
2012-24	10.557	Procurement and Suspension and Debarment	\$ 15,742.00	Partial Corrective Action Taken		OIA Determination Letter	\$ -	\$ 15,742
2012-33	20.205	Procurement and Suspension and Debarment	\$ 106,050.00	Corrective Action Taken		Based on USDOT determination letter dated September 9, 2013, the USDOT required that DPW issue amendments/change orders to all active projects to add provision regarding federal access to records. DPW has initiated no cost change orders of active projects to include Article 7 in the contract agreement for all open contracts. Therefore, finding was not repeated in FY 2013. Resolution of question cost is ongoing and grantor determination will be provided to the auditor.	\$ -	\$ 106,050
2012-36	84.394/84.397	Period of Availability of Federal Funds	\$ 1,344,754.00	Open		Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: The process has been streamlined and training has occurred for all new and existing personnel. Significant steps have been taken to reduce the turnaround time from receipt of request for payment, drawdown and resulting payment of vendor(s). DOF will ensure that all obligations for the grant period are liquidated within the ninety day period after the fiscal year ends. Policies and procedures are being developed to address obligation and liquidation within the grant period. Proposed Completion Date: Ongoing	\$ -	\$ 1,344,754
2012-37	84.394/84.397	Reporting	\$ -	Open		Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.  Proposed Completion Date: Ongoing.	\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-38	84.394/84.397	Subrecipient Monitoring	\$ -	Corrective Action Taken. See corrective action plan to Finding No. 2013-025.		Name of Contact Person: Virginia Villagomez, CIP Administrator & James R Stump, CIP Contracting Officer  Corrective Action: We agree with this finding and the Office of Capital Improvement will comply with the recommendations made by the auditor. To comply with the subrecipient monitoring requirements, the Office of Capital Improvement has developed draft subrecipient monitoring procedures including a checklist and an agreement to be implemented for all program pass-through grants that are affected by this requirement. The subrecipient agreement was sent to NMC, CPA, CUC, CHCC through the Office of the Governor. The Office of the Capital Improvement will conduct monitoring pursuant to the established policies and procedures upon receipt of the signed agreement.  Proposed Completion Date: Immediately	\$ -	\$ -
2012-39	93.778	Allowable Costs/Cost Principles	\$ 13,837.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 13,837	\$ -
2012-40	93.778	Eligibility	\$ 51.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 51	\$ -
2012-41	93.778	Matching, Level of Effort, Earmarking	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2012-42	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2012-44	15.875	Equipment and Real Property Management	\$ -	Open		The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records.	\$ -	\$ -
2012-44	20.205	Equipment and Real Property Management	\$ -	Open		Corrective Action: US DOI 20.205: The CNMI Office of Management & Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement & Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.  Proposed Completion Dates: Ongoing.	\$ -	\$ -
2012-44	10.551	Equipment and Real Property Management	\$ -	Corrective Action Taken: Completed 04/11/18 Awaiting determination letter		CNMI NAP currently have a full-time employee who foresee the Physical Inventory of all Equipment, which includes Federal and Local requirements of the physical inventory equipment from serial or federal award identification number, source of the property, who holds the title, percentage of federal participation in the cost of the property and use and condition of the property. Furthermore, a FY2016 NAP Inventory Listing was reconciled against Procurement and Supply Inventory Listing. NAP has made a requirement and recommended by the Auditor to do Inventory on all equipment twice a year to ensure that properties are accounted for and in compliance with state laws and procedures.  Proposed Completion Dates: USDA 10.551: Ongoing	\$ -	\$ -
2012-44	10.557	Equipment and Real Property Management	\$ -	Open		Corrective Action: USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement & Supply. T  Proposed Completion Dates: USDA 10.557: N/A	\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-45	15.605	Allowable Costs/Cost Principles	\$ 21,873.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 21,873
2012-45	15.611	Allowable Costs/Cost Principles	\$ 13,674.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 13,674
2012-45	17.235	Allowable Costs/Cost Principles	\$ 10,970.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 10,970



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Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-45	17.258	Allowable Costs/Cost Principles	\$ 42,805.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 42,805
2012-45	17.259	Allowable Costs/Cost Principles	\$ 17,057.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 17,057
2012-45	17.260	Allowable Costs/Cost Principles	\$ 10,626.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 10,626



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2012-45	66.600	Allowable Costs/Cost Principles	\$ 136,784.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 136,784
2012-45	93.217	Allowable Costs/Cost Principles	\$ 14,635.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 14,635
2012-45	93.243	Allowable Costs/Cost Principles	\$ 33,964.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 33,964



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-45	93.283	Allowable Costs/Cost Principles	\$ 21,206.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 21,206
2012-45	93.507	Allowable Costs/Cost Principles	\$ 11,280.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 11,280
2012-45	93.569	Allowable Costs/Cost Principles	\$ 26,592.00	Corrective Action Taken	Larrisa Larson, Secretary of Finance	USDHHS ACT letter dated 08/02/17 reinstating funds.	\$ 26,592	\$ -
2012-45	93.575	Allowable Costs/Cost Principles	\$ 66,163.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 66,163





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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS**

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-45	93.889	Allowable Costs/Cost Principles	\$ 31,648.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 31,648
2012-45	93.940	Allowable Costs/Cost Principles	\$ 15,526.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 15,526
2012-45	93.959	Allowable Costs/Cost Principles	\$ 10,775.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 10,775



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-45	97.073	Allowable Costs/Cost Principles	\$ 120,437.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 120,437
2012-45	97.074	Allowable Costs/Cost Principles	\$ 36,994.00	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The CNMI Department of Finance has taken steps to ensure the indirect cost proposals and agreements are submitted and filed on a timely basis. The CNMI negotiates two rates; for programs with utilities direct charged and for programs with utilities charged in the indirect rate. The respective approved rates are as follows:  FY13- 2.86% and 15.26% respectively  FY14- 2.86% and 15.26% respectively  FY15 proposed rates- 4.61% and 13.47% respectively  For FY16 the proposed rates are 5.90% and 10.65% respectively</p> <p>ARRA Rates- Not provided</p> <p>CNMI is awaiting grantor determination letters on the resolution of associated questioned costs.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 36,994
2012-47	93.912	Allowable Costs/Cost Principles	\$ -	Open	Larrisa Larson, Secretary of Finance	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: Policies and procedures will be developed to ensure that disbursements are supported with proper and relevant documentation.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ -
2012-48	97.074	Procurement and Suspension and Debarment	\$ 289,143.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action:  The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 289,143



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-48	97.044	Procurement and Suspension and Debarment	\$ 328,524.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 328,524
2012-48	93.912	Procurement and Suspension and Debarment	\$ 32,259.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 32,259
2012-48	81.128	Procurement and Suspension and Debarment	\$ 764,024.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 764,024
2012-48	20.600	Procurement and Suspension and Debarment	\$ 25,921.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 25,921



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2012-48	15.875	Procurement and Suspension and Debarment	\$ 285,788.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 285,788
			\$ 3,849,102				\$ 40,480	\$ 3,808,622
FY2011								
2011-23	10.551	Allowable Costs/Cost Principles	\$ 20,894.00	Corrective Action Taken	Larrisa Larson, Secretary of Finance	<p>Name of Contact Persons: Larrisa Larson, Secretary of Finance and Bernadita Palacios, Director of Finance &amp; Accounting</p> <p>Corrective Action: DOF will comply with all grant or contract terms and conditions. Management will review all submissions closely and ensure compliance.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 20,894
2011-24	10.551	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The Department of Finance's general policy on Federal grant payments is to drawdown funds on a reimbursement basis or as close to the actual disbursement as possible. DOF has established specific procedures for processing all invoices/transactions of the Central Government. When invoices are submitted to the Division of Finance and Accounting, all invoices are entered into the system by staff of the Accounts Payable Section. Every two weeks, staff of the Federal Section prepare a fund status report and all invoices that have been vouchered for payment will appear on that report. Upon completion of that report, the report is provided to the Supervisor of that section and she reviews the report for accuracy and compliance with federal grants. The Federal Grants Supervisor, the Treasurer and the Secretary of Finance share the responsibility of doing drawdowns. Each of these individuals holds a supervisory/managerial position and the supervisory review and approval are performed by these individuals. Additionally, DOF is developing a Cash Management Plan to document these procedures and to ensure that internal controls are strengthened and policies and procedures are adhered to.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ -
2011-25	10.551	Period of Availability of Federal Funds	\$ 12,621.00	Corrective Action Taken	Larrisa Larson, DOF Secretary	<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: The process has been streamlined and training has occurred for all new and existing personnel. Significant steps have been taken to reduce the turnaround time from receipt of request for payment, drawdown and resulting payment of vendor(s). DOF will ensure that all obligations for the grant period are liquidated within the ninety day period after the fiscal year ends. Policies and procedures are being developed to address obligation and liquidation within the grant period.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 12,621



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2011-26	10.551	Procurement and Suspension and Debarment	\$ 2,405.00	Corrective Action Taken - Awaiting determination letter		<p>An unintended delay in the announcement of Invitation to Bid (ITB) caused the delay in obtaining a successor for NAP's fiscal year 2012 printing agent. During such process, the fiscal year 2011, contractor services' contract expired on 09/30/11. Extending the fiscal year 2011 printing agent's contract for an additional two months was in the best interest of NAP. The printing of NAP coupons could not be disrupted or no benefits could be issued to eligible households. A change order was requested and approved. No bidding was required during the change order process: therefore, the condition of a fiscal year 2012 printing agent was executed in December 2012.</p> <p>With the unintended delay in the announcement of the ITB, NAP declares to adequately plan and implement future ITB's so that incidents in extending contracts due to NAP delays are not repeated.</p>	\$ -	\$ 2,405
2011-27	10.551	Special Tests and Provisions	\$ -	Corrective Action Taken		<p>Name of Contact Person: Elizabeth P. Oluochel, NAP Retail &amp; Redemption Officer</p> <p>Corrective Action: NAP Retail &amp; Redemption Unit complied FY 13 compliance visits on May 22, 2014. FY 2014 compliance visits were completed on December 5, 2014.</p> <p>Proposed Completion Date: N/A</p>	\$ -	\$ -
2011-28	10.557	Eligibility	\$ 687.00	Corrective Action Taken		<p>Name of Contact Person: Ruth Sablan, WIC Clinic Manager</p> <p>Corrective Action: Since this finding we have implemented our new MIS system HANDS (Health and Nutrition Delivery System), October 1, 2015. Part of the implementation process included training on doing Certification and Eligibility in this new system. All Clinic staff were trained, attached is our training log. The certifier and income verifier now document this by having the participant/Authorized Representative sign the signature type "Rights and Obligations" on the signature pad in HANDS. We have updated Chapter 2 Certification since approval due to a better understanding of HANDS since its implementation. We will be turning in the draft for approval shortly. We will also have a series of refresher trainings on Certification and Eligibility (in our policies and procedures and HANDS) during our monthly afternoon Clinic Professional Development or Scoops Sessions this fiscal year, starting on March 20, 2015. Proposed Completion Date: Ongoing.</p>	\$ -	\$ 687
2011-29	15.875	Allowable Costs/Cost Principles	\$ -	Partial corrective action taken.		<p>Name of Contact Person: Virginia Villagomez, Office of Management &amp; Budget</p> <p>Corrective Action: A standard Personnel Activity Reporting (PAR) Guidance is being developed in collaboration with the Office of Grants Management to be used government-wide as a internal control on personnel compensation.</p> <p>Proposed Completion Date:            USDOI 15.875: Ongoing.            USDOE 93.778: Ongoing.            USEPA 66.600: No further action required per US E.P.A determination letter.            USDOE 81.041: No further action required per USDOE determination letter.            USDOE 81.128: No further action required per USDOE determination letter.</p>	\$ -	\$ -
2011-31	15.875	Subrecipient Monitoring	\$ -	Open		<p>1. A subrecipient agreement has been drafted for all component units receiving sub-awards. Upon execution of the agreement, monitoring requirements will be implemented.</p>	\$ -	\$ -
2011-32	20.205	Procurement and Suspension and Debarment	\$ -	Corrective Action Taken		USDOT Determination Letter	\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2011-34	81.041	Activities Allowed or Unallowed	\$ 13,005.00	Corrective Action Taken: Awaiting determination letter	Larrisa Larson, Secretary of Finance	CNMI-DOF has updated policies and procedures to be in compliance with federal grants: When invoices are submitted to the Division of Finance and Accounting, all invoices are entered into the system by staff of the Accounts Payable Section. Every two weeks, staff of the Federal Section prepare a fund status report and all invoices that have been vouchered for payment will appear on that report. Upon completion of that report, the report is provided to the Supervisor of that section and she reviews the report for accuracy and compliance with federal grants. The Federal Grants Supervisor, the Treasurer and the Secretary of Finance share the responsibility of doing drawdowns. Each of these individuals holds a supervisory/managerial position and the supervisory review and approval are performed by these individuals.  Additionally, DOF has provided grants management courses to refresh program managers on the duties and responsibilities related to cost principles and other Uniform Guidance policies.	\$ -	\$ 13,005
2011-35	84.394/84.397	Matching, Level of Effort, Earmarking	\$ -	Corrective Action Taken		Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: Negotiations are ongoing to address the questions related to the required level of effort. A request for waiver has been submitted and the CNMI is awaiting results. We will continue to work with the grantor on this matter.  Proposed Completion Date: Ongoing.	\$ -	\$ -
2011-36	84.394/84.397	Reporting	\$ -	Open		Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.  Proposed Completion Date: Ongoing.	\$ -	\$ -
2011-37	84.394/84.398	Subrecipient Monitoring	\$ -	Open		Name of Contact Persons: Larrisa Larson, Secretary of Finance and Bernadita Palacios, Director of Finance & Accounting  Corrective Action: We agree with this finding and will develop policies and procedures to address the issue of noncompliance. Proposed Completion Date: Ongoing.	\$ -	\$ -
2011-38	84.410	Subrecipient Monitoring	\$ -	Open		Name of Contact Persons: Larrisa Larson, Secretary of Finance and Bernadita Palacios, Director of Finance & Accounting  Corrective Action: We agree with this finding and will develop policies and procedures to address the issue of noncompliance. Proposed Completion Date: Ongoing.	\$ -	\$ -
2011-39	93.778	Activities Allowed or Unallowed	\$ 304,554.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 304,554	\$ -
2011-40	93.778	Eligibility	\$ 2,756.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 2,756	\$ -
2011-41	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2011-43	10.551	Equipment and Real Property Management	\$ -	Partial corrective action taken.		<p>Corrective Action: US DOI 15.875: The CNMI Office of Management &amp; Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement &amp; Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement &amp; Supply.</p> <p>Proposed Completion Dates: USDOI 15.875: Ongoing. USEPA 66.600: No action required. USDA 10.557: N/A</p>	\$ -	\$ -
2011-43	10.557	Equipment and Real Property Management	\$ -	Partial corrective action taken.		<p>Corrective Action: US DOI 15.875: The CNMI Office of Management &amp; Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement &amp; Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement &amp; Supply.</p> <p>Proposed Completion Dates: USDOI 15.875: Ongoing. USEPA 66.600: No action required. USDA 10.557: N/A</p>	\$ -	\$ -
2011-43	15.875	Equipment and Real Property Management	\$ -	Open		The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records.	\$ -	\$ -
2011-43	20.205	Equipment and Real Property Management	\$ -	Partial corrective action taken.		<p>Corrective Action: US DOI 15.875: The CNMI Office of Management &amp; Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement &amp; Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement &amp; Supply.</p> <p>Proposed Completion Dates: USDOI 15.875: Ongoing. USEPA 66.600: No action required. USDA 10.557: N/A</p>	\$ -	\$ -



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2011-43	81.041	Equipment and Real Property Management	\$ -	Partial corrective action taken.		<p>Corrective Action:</p> <p>US DOI 15.875: The CNMI Office of Management &amp; Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement &amp; Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.J.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement &amp; Supply.</p>	\$ -	\$ -
2011-44	All Major Prgms	Procurement and Suspension and Debarment	\$ -	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action:</p> <p>The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ -
2011-47	97.074	Procurement and Suspension and Debarment	\$ 282,567.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action:</p> <p>The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 282,567
2011-47		Procurement and Suspension and Debarment	\$ 78,418.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action:</p> <p>The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 78,418





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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2011-47	45.310	Procurement and Suspension and Debarment	\$ 8,327.00	Open		Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.  Proposed Completion Date: Ongoing	\$ -	\$ 8,327
2011-47	97.073	Procurement and Suspension and Debarment	\$ 500,065.00	Open		Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.  Proposed Completion Date: Ongoing	\$ -	\$ 500,065
2011-47		Procurement and Suspension and Debarment	\$ 254,459.00	Open		Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.  Proposed Completion Date: Ongoing	\$ -	\$ 254,459
2011-47	15.875	Procurement and Suspension and Debarment	\$ 796,865.00	Open		Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.  Proposed Completion Date: Ongoing	\$ -	\$ 796,865
			\$ 2,277,623				\$ 307,310	\$ 1,970,313
<b>FY2010</b>								
2010-21	11.YA132309CN0062	Allowable Costs/Cost Principles	\$ -	Corrective Action Taken			\$ -	\$ -
2010-22	11.YA132309CN0062	Cash Management	\$ -	Corrective Action Taken			\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2010-23	11.YA132309CN0062	Procurement and Suspension and Debarment	\$ -	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ -
2010-24	11.YA132309CN0062	Reporting	\$ -	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.</p> <p>Proposed Completion Date: Ongoing.</p>	\$ -	\$ -
2010-25	15.875	Cash Management	\$ -	Corrective Action Taken		<p>The Office of the Attorney General has assisted the CIP office in creating the CNMI CMIAA policy, which includes 1) programs covered by the agreement, 2) the method of funding to be used 3) the method used to calculate interest, and 4) procedures for determining check clearing patterns. The CNMIAA policy will now be included in the annual CIP staff training as well as contractual agreements with contractors/vendors.</p>	\$ -	\$ -
2010-26	15.875	Equipment and Real Property Management	\$ -	Open		<p>The agencies cited in this finding will coordinate with P&amp;S to conduct a physical inventory and reconcile property records.</p>	\$ -	\$ -
2010-28	15.875	Period of Availability of Federal Funds	\$ -	Corrective Action Taken.		<p>The CIP Office has implemented policies and procedures to track expenses and reports to ensure expenditure within grant period.</p>	\$ -	\$ -
2010-30	15.875	Procurement and Suspension and Debarment	\$ -	Corrective Action Taken		<p>Name of Contact Person: Helen C. Sablan, Medicaid Administrator</p> <p>Corrective Action: We agree with this finding and will develop policies and procedures to address issues in the conditions.</p> <p>Proposed Completion Date: On-going.</p>	\$ -	\$ -
2010-32	15.875	Subrecipient Monitoring	\$ -	Open		<p>1. A subrecipient agreement has been drafted for all component units receiving sub-awards. Upon execution of the agreement, monitoring requirements will be implemented.</p>	\$ -	\$ -
2010-34	20.205	Equipment and Real Property Management	\$ -	Partial corrective action taken.		<p>Corrective Action: The CNMI Office of Management &amp; Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement &amp; Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.</p> <p>Proposed Completion Dates: Ongoing.</p>	\$ -	\$ -



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS**

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2010-35	20.205	Procurement and Suspension and Debarment	\$ -	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ -
2010-38	81.041	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	CNMI-DOF has hired staff to ensure timely filings of Treasury-State Agreements (TSA). Additionally, CNMI-DOF has developed and implemented a cash management handbook to effectuate policies and procedures that are in compliance with TSA.	\$ -	\$ -
2010-39	81.041	Equipment and Real Property Management	\$ -	Partial corrective action taken.		<p>Corrective Action: The CNMI Office of Management &amp; Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement &amp; Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.</p> <p>Proposed Completion Dates: Ongoing.</p>	\$ -	\$ -
2010-40	81.041	Procurement and Suspension and Debarment	\$ 712,076.00	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ 712,076
2010-41	81.041	Reporting	\$ -	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.</p> <p>Proposed Completion Date: Ongoing.</p>	\$ -	\$ -
2010-42	84.394/84.397	Activities Allowed or Unallowed	\$ 655,988.00	Corrective Action Taken: Awaiting determination letter	Larrisa Larson, Secretary of Finance	<p>CNMI-DOF has updated policies and procedures to be in compliance with federal grants: When invoices are submitted to the Division of Finance and Accounting, all invoices are entered into the system by staff of the Accounts Payable Section. Every two weeks, staff of the Federal Section prepare a fund status report and all invoices that have been vouchered for payment will appear on that report. Upon completion of that report, the report is provided to the Supervisor of that section and she reviews the report for accuracy and compliance with federal grants. The Federal Grants Supervisor, the Treasurer and the Secretary of Finance share the responsibility of doing drawdowns. Each of these individuals holds a supervisory/managerial position and the supervisory review and approval are performed by these individuals.</p> <p>Additionally, DOF has provided grants management courses to refresh program managers on the duties and responsibilities related to cost principles and other Uniform Guidance policies.</p>	\$ -	\$ 655,988



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2010-43	84.394/84.397	Eligibility	\$ 564,558.00	Corrective Action Taken		Name of Contact Person: Ronald Sablan, Medical Referral Services Manager  Corrective Action: We disagree with the auditor's findings. Our office was not aware of the requested eligibility folders at the time of the FY 2010 Single Audit. Since the inception of our program, the CNMI Medical Algorithm was established to enable employees to comply with the Medical Referral Services Rules and Regulations. The Algorithm details specific procedures that must be taken in order for a patient to receive program benefits. Procedures include the receipt of a referral package and letter from the Referring Physician, information processing, Medical Referral Committee (MRC) review and approval, Medical Treatment Authorization requirement, and monitoring of patient care and treatment. A copy of the Algorithm is provided to the auditor. Furthermore, a patient's referral package and all related medical documents are stored both at our office and at the Commonwealth Health Center - Records Department, and will be provided to the auditor upon request. Proposed Completion Date: N/A	\$ -	\$ 564,558
2010-44	84.394/84.398	Subrecipient Monitoring	\$ -	Open		Name of Contact Persons: Larrisa Larson, Secretary of Finance and Bernadita Palacios, Director of Finance & Accounting  Corrective Action: We agree with this finding and will develop policies and procedures to address the issue of noncompliance. Proposed Completion Date: Ongoing.	\$ -	\$ -
2010-45	93.778	Allowable Costs/Cost Principles	\$ 2,750.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 2,750	\$ -
2010-46	93.778	Cash Management	\$ 16,960.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 16,960	\$ -
2010-47	93.778	Eligibility	\$ 14,952.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 14,952	\$ -
2010-48	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2010-50	All Major Programs	Procurement and Suspension and Debarment	\$ -	Open		Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement & Supply  Corrective Action, Condition 1 & 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.  Proposed Completion Date: Ongoing	\$ -	\$ -
2010-52	93.767	Period of Availability of Federal Funds	\$ 221,679.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	OIA MGT Determination Letter; see letter from Linda Gee (CMS/CMCS)	\$ 221,679	\$ -
			\$ 2,188,963				\$ 256,341	\$ 1,932,622
<b>FY2009</b>								
2009-20	10.551	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	CNMI-DOF has hired staff to ensure timely filings of Treasury-State Agreements (TSA). Additionally, CNMI-DOF has developed and implemented a cash management handbook to effectuate policies and procedures that are in compliance with TSA.	\$ -	\$ -



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Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2009-21	10.551	Equipment and Real Property Management	\$ -	Corrective Action Taken: Completed 04/11/18 Awaiting determination letter		<p>CNMI NAP currently have a full-time employee who foresee the Physical Inventory of all Equipment. Attached Exhibit B indicated all Federal and Local requirements of the physical inventory equipment from serial or federal award identification number, source of the property, who holds the title, percentage of federal participation in the cost of the property and use and condition of the property. Furthermore, a FY2016 NAP Inventory Listing was reconciled against Procurement and Supply Inventory Listing. NAP has made a requirement and recommended by the Auditor to do Inventory on all equipment twice a year to ensure that properties are accounted for and in compliance with state laws and procedures.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement &amp; Supply.</p> <p>Proposed Completion Dates: USDOI 15.875: Ongoing. USEPA 66.600: No action required. USDA 10.557: N/A</p>	\$ -	\$ -
2009-22	10.551	Procurement and Suspension and Debarment	\$ -	Corrective Action Taken: Completed 04/11/18 Awaiting determination letter		<p>CNMI NAP currently have a full-time employee who foresee the Physical Inventory of all Equipment. Attached Exhibit B indicated all Federal and Local requirements of the physical inventory equipment from serial or federal award identification number, source of the property, who holds the title, percentage of federal participation in the cost of the property and use and condition of the property. Furthermore, a FY2016 NAP Inventory Listing was reconciled against Procurement and Supply Inventory Listing. NAP has made a requirement and recommended by the Auditor to do Inventory on all equipment twice a year to ensure that properties are accounted for and in compliance with state laws and procedures.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement &amp; Supply.</p> <p>Proposed Completion Dates: USDOI 15.875: Ongoing. USEPA 66.600: No action required. USDA 10.557: N/A</p>	\$ -	\$ -
2009-23	10.551	Special Tests and Provisions	\$ -	Corrective Action Taken		<p>Name of Contact Person: Elizabeth P. Olouachel, NAP Retail &amp; Redemption Officer</p> <p>Corrective Action: NAP Retail &amp; Redemption Unit complied FY 13 compliance visits on May 22, 2014. FY 2014 compliance visits were completed on December 5, 2014.</p> <p>Proposed Completion Date: N/A</p>	\$ -	\$ -
2009-31	15.875	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	The Office of the Attorney General has assisted the CIP office in creating the CNMI CMIAA policy, which includes 1) programs covered by the agreement, 2) the method of funding to be used 3) the method used to calculate interest, and 4) procedures for determining check clearing patterns. The CNMIAA policy will now be included in the annual CIP staff training as well as contractual agreements with contractors/vendors.	\$ -	\$ -
2009-32	15.875	Equipment and Real Property Management	\$ -	Open		The agencies cited in this finding will coordinate with P&S to conduct a physical inventory and reconcile property records.	\$ -	\$ -



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Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2009-34	15.875	Period of Availability of Federal Funds	\$ -	Corrective action taken.		The CIP Office has implemented policies and procedures to track expenses and reports to ensure expenditure within grant period.	\$ -	\$ -
2009-40	15.875	Procurement and Suspension and Debarment	\$ -	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action, Condition 1 &amp; 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ -
2009-42	15.875	Subrecipient Monitoring	\$ -	Open		<p>1. A subrecipient agreement has been drafted for all component units receiving sub-awards. Upon execution of the agreement, monitoring requirements will be implemented.</p> <p>2. In collaboration with Graduate School USA, our office has developed standard tools to be used for monitoring activities.</p>	\$ -	\$ -
2009-44	66.600	Equipment and Real Property Management	\$ -	Open		<p>Name of Contact Person: Gloria S. Castro, Bureau of Environmental and Coastal Quality (BECQ) Administrative Service Manager</p> <p>Corrective Action: Of the four items that could not be located by the auditor, BECQ found two of the items: a swivel chair (MP 18036 CM) and an LCD monitor (ITEM 46607).</p> <p>In accordance with applicable equipment and real property management requirements, BECQ has developed a control system to adequately safeguard property to prevent loss, damage or theft through the implementation of the inventory bar coding database system. This system allows for tracking of inventory by its location, serial number or bar code number.</p> <p>Only two items were not located by the auditor: a two and a half year old hand-held radio (MP24152CM) with an original value of \$124 and a nine-year old battery backup (ITEM-33492). As we have stated in the past, USEPA has indicated that 40 CFR § 31.32(d) is inapplicable to BECQ, which is considered to be "the State", as defined in 40 CFR § 31.3. Pursuant to 40 CFR § 31.32(b), 40 CFR § 31.32(d) clearly applies only to non-State grantees.</p> <p>EPA guidelines for procurement developed for the CNMI confirm that "when procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds". The applicable CNMI standards are found in the Property Management Policies and Procedures Manual dated January 8, 2003 and distributed by the CNMI Department of Finance.</p> <p>In accordance with the manual, P&amp;S does not control items with a value of less than \$1,000, except for specially designated items like firearms, digital cameras, handheld radios and cell phones. Moreover, P&amp;S does not have room to store worthless government property such as nine-year old backup batteries.</p> <p>Accordingly, BECQ has, with the exception of MP-24152CM, adhered to established policies and procedures regarding physical inventory counts of property.</p>	\$ -	\$ -
2009-46	66.600	Reporting	\$ -	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.</p> <p>Proposed Completion Date: Ongoing.</p>	\$ -	\$ -
2009-47	93.778	Allowable Costs/Cost Principles	\$ 2,043.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 2,043	\$ -
2009-48	93.778	Eligibility	\$ 9,433.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 9,433	\$ -
2009-50	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2009-51	93.778	Special Tests and Provisions	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -



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CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2009-52	All Major Programs	Allowable Costs/Cost Principles	\$ -	Partial corrective action taken.		Name of Contact Person: Virginia Villagomez, Office of Management & Budget  Corrective Action: A standard Personnel Activity Reporting (PAR) Guidance is being developed in collaboration with the Office of Grants Management to be used government-wide as a internal control on personnel compensation.  Proposed Completion Date: USDOI 15.875: Ongoing. USDOE 93.778: Ongoing. USEPA 66.600: No further action required per US E.P.A determination letter. USDOE 81.041: No further action required per USDOE determination letter. USDOE 81.128: No further action required per USDOE determination letter.	\$ -	\$ -
2009-55	93.767	Period of Availability of Federal Funds	\$ 560,880.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See letter from Linda Gee (CMS/CMCS)	\$ 560,880	\$ -
			\$ 572,356.00				\$ 572,356	\$ -
<b>FY2008</b>								
2008-18	10.557	Allowable Costs/Cost Principles	\$ 49,997.00	Corrective Action Taken		Corrective Action: In a letter from USDA-FNS dated May 21, 2010, FNS had made a determination on this audit finding and had required CNMI WIC to provide FNS written procedures and actions that CNMI has taken in order to be in compliance with the notification requirement. In response, a copy of the CNMI WIC Program State Plan Policy & Procedure for notification requirement was submitted to FNS on 06/21/2010. The CNMI WIC office is awaiting final determination from the grantor to resolve of this audit finding and questioned cost.  Proposed Completion Date: FY 2015	\$ -	\$ 49,997
2008-22	66.600	Allowable Costs/Cost Principles	\$ 19,501.00	Open	Larrisa Larson, Secretary of Finance	Name of Contact Person: Larrisa Larson, Secretary of Finance  Corrective Action: The Department of Finance's general policy on Federal grant payments is to drawdown funds on a reimbursement basis or as close to the actual disbursement as possible. DOF has established specific procedures for processing all invoices/transactions of the Central Government. When invoices are submitted to the Division of Finance and Accounting, all invoices are entered into the system by staff of the Accounts Payable Section. Every two weeks, staff of the Federal Section prepare a fund status report and all invoices that have been vouchered for payment will appear on that report. Upon completion of that report, the report is provided to the Supervisor of that section and she reviews the report for accuracy and compliance with federal grants. The Federal Grants Supervisor, the Treasurer and the Secretary of Finance share the responsibility of doing drawdowns. Each of these individuals holds a supervisory/managerial position and the supervisory review and approval are performed by these individuals. Additionally, DOF is developing a Cash Management Plan to document these procedures and to ensure that internal controls are strengthened and policies and procedures are adhered to. Proposed Completion Date: FY 2015	\$ -	\$ 19,501
2008-24	93.778	Allowable Costs/Cost Principles	\$ 31,089.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 31,089	\$ -
2008-25	93.778	Activities Allowed or Unallowed	\$ 106,541.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 106,541	\$ -
2008-27	10.557	Eligibility	\$ 3,667.00	Open		Name of Contact Person: Ruth Sablan, WIC Clinic Manager Corrective Action: Since this finding we have implemented our new MIS system HANDS (Health and Nutrition Delivery System), October 1, 2015. Part of the implementation process included training on doing Certification and Eligibility in this new system. All Clinic staff were trained, attached is our training log. The certifier and income verifier now document this by having the participant/Authorized Representative sign the signature type "Rights and Obligations" on the signature pad in HANDS. We have updated Chapter 2 Certification since approval due to a better understanding of HANDS since its implementation. We will be turning in the draft for approval shortly. We will also have a series of refresher trainings on Certification and Eligibility (in our policies and procedures and HANDS) during our monthly afternoon Clinic Professional Development or Scoops Sessions this fiscal year, starting on March 20, 2015. Proposed Completion Date: Ongoing.	\$ -	\$ 3,667



Office of the Secretary  
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2008-28	93.778	Eligibility	\$ 61,307.00	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ 61,307	\$ -
2008-40	10.551	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	CNMI-DOF has hired staff to ensure timely filings of Treasury-State Agreements (TSA). Additionally, CNMI-DOF has developed and implemented a cash management handbook to effectuate policies and procedures that are in compliance with TSA.	\$ -	\$ -
2008-41	10.557	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	CNMI-DOF has hired staff to ensure timely filings of Treasury-State Agreements (TSA). Additionally, CNMI-DOF has developed and implemented a cash management handbook to effectuate policies and procedures that are in compliance with TSA.	\$ -	\$ -
2008-42	66.600	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	CNMI-DOF has hired staff to ensure timely filings of Treasury-State Agreements (TSA). Additionally, CNMI-DOF has developed and implemented a cash management handbook to effectuate policies and procedures that are in compliance with TSA.	\$ -	\$ -
2008-43	93.778	Cash Management	\$ -	Corrective Action Taken	Larrisa Larson, DOF Secretary	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2008-44	10.551	Equipment and Real Property Management	\$ -	Open		<p>Corrective Action:</p> <p>US DOI 15.875: The CNMI Office of Management &amp; Budget (OMB) has required all government agencies to submit an updated inventory record by February 27, 2015, to be used in the reconciliation process with the Division of Procurement &amp; Supply. A schedule for reconciling inventory records of all government agencies is currently being developed.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement &amp; Supply.</p> <p>Proposed Completion Dates: USDOI 15.875: Ongoing. USEPA 66.600: No action required. USDA 10.557: N/A</p>	\$ -	\$ -
2008-49	10.551	Procurement and Suspension and Debarment	\$ -	Corrective Action Taken: Completed 04/11/18 Awaiting determination letter		<p>CNMI NAP currently have a full-time employee who foresee the Physical Inventory of all Equipment. Attached Exhibit B indicated all Federal and Local requirements of the physical inventory equipment from serial or federal award identification number, source of the property, who holds the title, percentage of federal participation in the cost of the property and use and condition of the property. Furthermore, a FY2016 NAP Inventory Listing was reconciled against Procurement and Supply Inventory Listing. NAP has made a requirement and recommended by the Auditor to do Inventory on all equipment twice a year to ensure that properties are accounted for and in compliance with state laws and procedures.</p> <p>USEPA 66.600: No further action required per U.S. EPA determination letter and O.I.A. determination.</p> <p>USDA 10.557: The WIC office is in constant communication with its grantor agency regarding sufficiency of inventory records and is awaiting official grantor determination of FY 2012 and FY 2013 findings. WIC, as a division of the Commonwealth Healthcare Corporation (CHCC), is currently a component unit to the CNMI government and conducts its inventory through the CHCC MSO and no longer with the Division of Procurement &amp; Supply.</p> <p>Proposed Completion Dates: USDOI 15.875: Ongoing. USEPA 66.600: No action required. USDA 10.557: N/A</p>	\$ -	\$ -





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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS: QUESTIONED COSTS**

CNMI - Prepared Schedule								
Ref. Number	CFDA Number	Findings	Questioned Costs	Status/Completion Date	Contact Person	Remarks	QC Resolved	\$Amt Bal Carry Forward
2008-50	15.875	Procurement and Suspension and Debarment	\$ -	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance/ Herman Sablan, Director, Division of Procurement &amp; Supply</p> <p>Corrective Action, Condition 1 &amp; 2: The Department of Finance is collaborating with the Attorney General's Office to develop a standard contract template that will include required federal contract provisions and will implemented government-wide. A procurement manual is also being developed which will enable procurement employees to be in compliance with procurement regulations. Additionally, policies and procedures will be reviewed and followed to ensure that all relevant documents are submitted with requests and maintained in files to document the procurement of all government purchases.</p> <p>Proposed Completion Date: Ongoing</p>	\$ -	\$ -
2008-51	10.557	Reporting	\$ -	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.</p> <p>Proposed Completion Date: Ongoing.</p>	\$ -	\$ -
2008-52	15.875	Reporting	\$ -	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.</p> <p>Proposed Completion Date: Ongoing.</p>	\$ -	\$ -
2008-53	66.600	Reporting	\$ -	Open		<p>Name of Contact Person: Larrisa Larson, Secretary of Finance</p> <p>Corrective Action: We agree with this finding and will develop policies and procedures to address the lack of reconciliation.</p> <p>Proposed Completion Date: Ongoing.</p>	\$ -	\$ -
2008-54	93.778	Reporting	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
2008-57	93.778	Special Tests and Provisions	\$ -	Closed/Resolved	Helen C. Sablan, Medicaid Director	See email dated September 4, 2020 from Linda Gee (CMC/CMCS).	\$ -	\$ -
			<b>\$ 272,102</b>				<b>\$ 198,937</b>	<b>\$ 73,165</b>