

TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

_____, 2025

SESSION, 2025

H. B. 24- 14

A BILL FOR AN ACT

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

BE IT ENACTED BY THE 24TH NORTHERN MARIANAS
COMMONWEALTH LEGISLATURE:

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

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

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

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

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

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

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

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

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

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

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

3 **Section 3. Amendment.** The Legislature finds that 1 CMC § 7849 could
4 potentially be interpreted as criminalizing the sharing of information between OPA
5 and OFIC. Because such interpretation would defeat the purpose of authorizing
6 collaboration between OPA and OFIC, 1 CMC § 7849 is hereby amended to read
7 as follows:

8 **“1 CMC § 7849. Secrecy of Records; Penalty for Violation.**

9 All records of the Public Auditor shall be confidential unless it is deemed
10 necessary for the Public Auditor to make the records public in the performance of
11 his or her duties. Notwithstanding the foregoing, the Public Auditor may share
12 records with the Office of Financial Integrity and Compliance; provided, the
13 sharing of records does not directly affect an ongoing investigation being conducted
14 by the Public Auditor. Violations relative to the secrecy of proceedings by the
15 Public Auditor or any member of the Public Auditor's staff shall be punished by
16 imprisonment for not more than six months or by a fine for not more than \$1,000.”

17 **Section 4. Enactment.** The Act shall read as follows:

18 **“ ___ CMC § 100: Definitions**

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

1 (a) "Act" shall mean the CNMI Financial Integrity and Compliance
2 Act.

3 (b) "Audit report" shall mean a formal opinion or disclaimer, issued
4 by an auditor as a result of an internal audit, detailing the findings,
5 discrepancies, inefficiencies, and areas of non-compliance, along with
6 recommended corrective actions.

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

16 (d) "Compliance" shall mean adherence to laws, regulations,
17 guidelines, and specifications relevant to financial management and
18 accounting practices.

19 (e) "Financial management software" shall mean the modern
20 technological tools and systems used to automate and improve the accuracy
21 of financial reporting, budgeting, and compliance processes implemented

1 as of the effective date of this Act or as determined by the Office of
2 Financial Integrity and Compliance (OFIC) and the OFIC Oversight
3 Committee.

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

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

10 (h) "Internal audit" shall mean an independent and objective
11 evaluation and advisory service aimed at assessing and improving an
12 organization's internal controls, risk management, and governance
13 processes.

14 (i) "Internal controls" shall mean the processes designed to ensure
15 the accuracy and reliability of financial reporting; compliance with
16 applicable laws, standards, and regulations; and the efficiency and
17 effectiveness of operations.

18 (j) "Legislature" shall mean the legislative body of the Government
19 of the Commonwealth of the Northern Mariana Islands, which is composed
20 of the Senate and the House of Representatives and is vested with the
21 legislative power of the CNMI Government.

1 (k) "OFIC Oversight Committee (OOC)" shall mean the
2 independent body responsible for providing oversight, guidance, and
3 strategic direction to the Office of Financial Integrity and Compliance.

4 (l) "Office of Financial Integrity and Compliance (OFIC)" shall
5 mean the independent office within the Department of Finance responsible
6 for implementing, monitoring, and enforcing internal controls, as well as
7 ensuring compliance with applicable laws, standards, and regulations across
8 all CNMI Government departments and component units.

9 (m) "Semi-annual" shall mean occurring twice within one Fiscal
10 Year.

11 (n) "Whistleblower" shall mean an employee or individual who
12 reports financial mismanagement, irregularities, or non-compliance with
13 financial and accounting standards within the CNMI Government or its
14 component units.

15 **___ CMC § 101: Establishment of the Office of Financial**
16 **Integrity and Compliance**

17 (a) There is hereby established the Office of Financial Integrity and
18 Compliance (OFIC), which shall operate as an independent office within
19 the Department of Finance. The OFIC is the operational body responsible
20 for implementing, monitoring, and enforcing internal controls and
21 compliance with accounting standards across all CNMI Government

1 departments and component units. The OFIC operates under the strategic
2 direction and oversight of the OFIC Oversight Committee (OOC).

3 **___ CMC § 102: Powers and Duties of the Office of Financial**
4 **Integrity and Compliance**

5 The OFIC shall have the power and duty to:

- 6 (a) Oversee the implementation of robust internal controls.
- 7 (1) Develop and implement robust internal control systems to
8 ensure the accuracy and reliability of financial reporting.
- 9 (2) Regularly review and update internal control procedures to
10 address any emerging risks or issues.
- 11 (3) Provide day-to-day management of internal controls and
12 compliance.
- 13 (b) Ensure compliance with Governmental Accounting Standards
14 Board (GASB) standards.
- 15 (1) Ensure all government departments and component units
16 comply with GASB standards.
- 17 (2) Provide guidance and support to ensure proper accounting
18 practices are followed.
- 19 (c) Conduct regular internal audits and reviews of financial
20 activities.

1 (1) Perform semi-annual internal audits of all financial
2 transactions and activities.

3 (2) Identify discrepancies, inefficiencies, and areas of non-
4 compliance, and recommend corrective actions.

5 (3) Investigate whistleblower complaints and take appropriate
6 action.

7 (d) Provide training and support to accounting and financial
8 management personnel.

9 (1) Coordinate training programs for accounting and financial
10 management personnel to ensure they are knowledgeable
11 about current accounting standards and best practices.

12 (2) Oversee certification processes to maintain high standards
13 of financial integrity.

14 (e) Report its findings to the OFIC Oversight Committee (OOC), the
15 Legislature, and the public.

16 (1) Prepare and publish reports and findings to the OOC, the
17 Legislature, and the public to maintain transparency.

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

20 CMC § 103: Director and Staff of the Office of Financial
21 Integrity and Compliance

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

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

6 **___ CMC § 104: Training and Certification of Accounting and**
7 **Financial Management Personnel**

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

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

20 **___ CMC § 105: Mandatory Compliance with Accounting**
21 **Standards**

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

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

7 (c) The OFIC shall submit periodic progress reports to the
8 Legislature detailing the status of compliance efforts. The Legislature may
9 request the submission of these reports, and the OFIC shall fulfill that
10 request within 60 days.

11 **___ CMC § 106: Regular Internal Audits and Public Reporting**

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

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

16 (c) The OFIC shall develop a standardized audit procedure and
17 reporting template.

18 **___ CMC § 107. Performance Metrics**

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

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

- 3 (1) Timeliness and accuracy of financial reporting.
4 (2) Compliance with Governmental Accounting Standards
5 Board (GASB) standards and other relevant financial and
6 accounting laws, regulations, and standards.
7 (3) Reduction in audit findings and material weaknesses
8 identified in external audits.
9 (4) Efficiency gains in financial management processes, such
10 as cost savings achieved through improved controls or
11 streamlined procedures.

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

15 (d) Based on the results of performance metrics, the OFIC shall
16 develop action plans to address areas of improvement and enhance the
17 overall effectiveness of financial accountability efforts.

18 **___ CMC § 108: Financial Management Software**

19 (a) The Department of Finance shall invest in and implement
20 modern financial management software to automate and improve the
21 accuracy of financial reporting.

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

3 **CMC § 109: Establishment of the OFIC Oversight**
4 **Committee**

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

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

16 (c) The OOC shall be comprised of financial experts, government
17 officials, and independent auditors. The Governor shall appoint five
18 members, with the advice and consent of the Senate, and all members shall
19 be appointed based on their expertise in financial management, auditing,
20 and public administration. The Chair of the Committee shall have
21 significant experience in financial oversight.

1 (d) The OOC shall be compensated in accordance with 1 CMC §
2 8247.

3 **___ CMC § 110: Powers and Duties of the OFIC Oversight**
4 **Committee**

5 The OOC shall have the power and duty to:

6 (a) Oversee OFIC activities.

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

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

12 (b) Provide guidance and strategic direction.

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

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

18 (c) Review and approve plans.

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

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

3 (d) Report to the Legislature.

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

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

8 (e) Investigate financial discrepancies.

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

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

14 **___ CMC § 111: OFIC Whistleblower Protection Plan**

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

20 (b) Reporting System

1 (1) The OFIC shall set up a secure and anonymous reporting
2 system, such as a hotline or online portal, to facilitate the
3 reporting of financial misconduct or irregularities.

4 (2) The OFIC Whistleblower Protection Plan shall include
5 provisions to ensure confidentiality and anonymity for
6 individuals reporting concerns.

7 (c) Investigation and Reporting

8 (1) Upon receiving a whistleblower complaint, the OFIC shall
9 promptly investigate the allegations and take appropriate
10 action to address any substantiated concerns.

11 (2) All reported issues shall be investigated within 30 days.

12 (3) The OFIC shall submit reports on the number and nature of
13 whistleblower complaints received, investigations
14 conducted, and actions taken to the OOC on a semi-annual
15 basis.

16 (4) The OFIC shall make information about whistleblower
17 complaints and investigations available to the public to the
18 extent permitted by law, while maintaining confidentiality
19 and privacy protections for individuals involved.

20 (d) Protection Against Retaliation

1 (1) Retaliation against employees who report financial
2 misconduct or irregularities is strictly prohibited. Any
3 instances of retaliation shall be subject to disciplinary
4 action, up to and including termination of employment.

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

11 (e) Confidentiality

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

16 (f) Training and Awareness

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

20 (2) Information about the OFIC Whistleblower Protection Plan,
21 including reporting procedures and employee rights, shall

1 be readily available to all CNMI Government employees
2 through employee handbooks, training materials, or other
3 appropriate channels.

4 (g) Compliance

5 (1) The OFIC shall ensure that OFIC Whistleblower Protection
6 Plan complies with all relevant laws and regulations
7 governing whistleblower protections.

8 **___ CMC § 112: Funding and Resources**

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

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

13 **___ CMC § 113: Collaboration Between the Office of Financial**
14 **Integrity and Compliance (OFIC) and the Office of the Public Auditor**
15 **(OPA)**

16 (a) The Office of Financial Integrity and Compliance (OFIC) and
17 the Office of the Public Auditor (OPA) shall collaborate to the extent
18 authorized by law to avoid duplication of efforts and ensure efficient use of
19 public resources.

20 (b) The OFIC and the OPA may share information, including
21 otherwise confidential information, exclusively between each other

1 regarding ongoing and upcoming audits, investigations, and other relevant
2 activities. Joint audit planning sessions may be conducted to identify
3 potential areas for collaboration and to prevent the duplication of efforts.

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

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

8 (e) The OFIC and OPA are authorized to enter into written
9 agreements to establish and set the requirements for their collaboration
10 efforts, including provisions related to the safeguarding and protection of
11 confidential information, the roles and responsibilities of each office in
12 collaborative efforts, the protocols for communication and coordination, the
13 sharing and management of data and information, and any other
14 requirements deemed necessary to facilitate effective collaboration.”

15 **Section 5. Severability.** If any provisions of this Act or the application of
16 any such provision to any person or circumstance should be held invalid by a court
17 of competent jurisdiction, the remainder of this Act or the application of its
18 provisions to persons or circumstances other than those to which it is held invalid
19 shall not be affected thereby.

20 **Section 6. Savings Clause.** This Act and any repealer contained herein
21 shall not be construed as affecting any existing right acquired under contract or

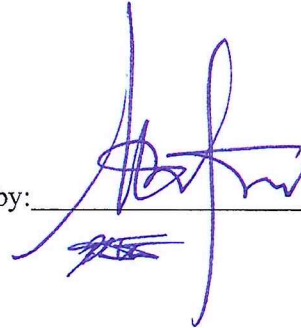
1 acquired under statutes repealed or under any rule, regulation, or order adopted
2 under the statutes. Repealers contained in this Act shall not affect any proceeding
3 instituted under or pursuant to prior law. The enactment of the Act shall not have
4 the effect of terminating, or in any way modifying, any liability, civil or criminal,
5 which shall already be in existence on the date this Act becomes effective.

6 **Section 7. Effective Date.** This Act shall take effect upon its approval by
7 the Governor, or it becoming law without such approval.


Prefiled: 3/17/2025

Date: _____

Introduced by: _____



Reviewed for Legal Sufficiency by:

 3/13/25
House Legal Counsel

