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U.S. Government Accountability Office

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS: Greater Transparency Could Improve Worker Ratio Reports

GAO-24-106698
Q&A Report to Congressional Committees

February 13, 2024   Accessible Version

Why This Matters

The Commonwealth of the Northern Mariana Islands (CNMI) is a U.S. territory that consists of 14 islands in the western Pacific Ocean, just north of Guam and about 3,200 miles west of Hawaii. In 2020, CNMI's population was just over 47,000, according to the U.S. census. CNMI's economy has historically relied on foreign workers, who made up more than 50 percent of workers for the decade before the passage of the Consolidated Natural Resources Act of 2008 (CNRA).[1] Under the CNRA, the Department of Homeland Security established a temporary foreign worker permit program for CNMI in 2011 called the CNMI-Only Transitional Worker (CW-1) program. The CW-1 program was to provide for an orderly transition from CNMI's immigration system to the U.S. system.

The Northern Mariana Islands U.S. Workforce Act of 2018 (the Act) extended the CW-1 program through December 31, 2029.[2] The Act sought, in part, to increase the percentage of U.S. workers in the total CNMI workforce while maintaining the minimum number of foreign workers to meet the changing demands of CNMI's economy.[3] The Act calls for various reports on CNMI's progress toward this goal, including reports by the U.S. Departments of the Interior and Labor, CNMI, and GAO. The Act also requires the Governor of CNMI to send an annual worker ratio report to the Secretary of Homeland Security by November 1 of each year. The report must identify the ratio between U.S. workers and foreign workers in the Commonwealth's workforce based on income tax filings with the CNMI for the tax year.

The Act also includes a provision for GAO to report every 2 years on the ratio between U.S. workers and foreign workers in the CNMI workforce in each of the previous 5 calendar years. This is our third report in response to the provision.[4] We provide information in this report on U.S. and foreign workers in CNMI in calendar years 2018 through 2022 and assess the transparency of the analytical approach CNMI uses to create its annual ratio reports.

Key Takeaways

- U.S. workers made up at least half of CNMI's employed workers between calendar years 2018 and 2022, according to our analysis of CNMI's data. When comparing 2018 to 2022, we found that the U.S. portion of the ratio increased.

- During this period, the total number of workers in CNMI declined by over 5,000, and the number of CW-1 permits issued per year dropped significantly. At the same time, the CNMI economy declined due to a typhoon, the COVID-19 pandemic, and the shuttering of one of the largest local employers.

- CNMI improved its 2022 worker data, but opportunities exist to improve the transparency of the analytical approach used to create the annual worker

ratio report. Doing so will help to determine if CNMI is making sufficient progress toward the Act's goal of increasing the percentage of U.S. workers in the CNMI workforce. For example, CNMI's reports do not indicate how the group of workers who cannot be categorized as either U.S. or foreign affects CNMI's estimate of the ratio.

- We recommend that Interior work with the CNMI government and, as appropriate, other U.S. agencies to determine what steps can be taken to improve transparency of the analytical approach CNMI uses to create its annual worker ratio report.

What was the ratio between U.S. workers and foreign workers in calendar years 2018 to 2022?

We found that U.S. workers made up at least half of CNMI's employed workers[5] between calendar years 2018 and 2022, based on our analysis of CNMI's tax data.[6] The precise ratio of U.S. to foreign workers for each year is uncertain, due to the presence of workers whom we could not categorize (see text box) as either U.S. or foreign.[7] For example, in 2018 we found 53 percent of the workers were U.S. workers and another 13 percent of the workers had missing visa information or invalid data entries. Depending on how these unknown visa types should be categorized, the U.S. worker share of the ratio could be anywhere between 53 percent and 66 percent. In 2022, when unknown workers represented 3 percent of workers, the U.S. worker share of the ratio could be anywhere between 71 percent and 74 percent.

How did we categorize workers in CNMI?

U.S. workers. All U.S. citizens and nationals; foreign workers that were lawfully admitted to the U.S. for permanent residence (also known as "green card" holders); and citizens of the Freely Associated States—the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

Foreign workers. All workers who were not U.S. workers and for whom there was sufficient data to categorize them as foreign citizens or nationals.

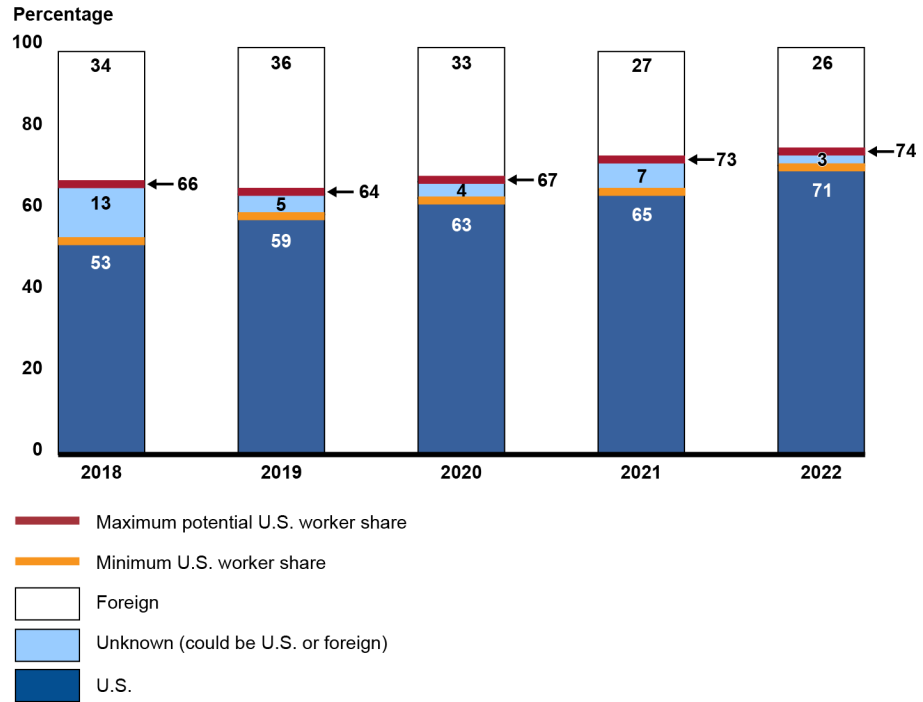**Unknown.** Insufficient data to categorize them as U.S. workers or foreign workers.

What data did we use?

CNMI visa and citizenship data entered in W-2 forms by employers for wage-earning workers in CNMI. These are the data the Act requires CNMI to use in its worker ratio reports.

Source: GAO analysis of public laws and Commonwealth of the Northern Mariana Islands (CNMI) tax data. | GAO-24-106698

When comparing CNMI data for calendar year 2018 to 2022, we found that the U.S. worker share of the ratio increased somewhere between 4 and 21 percentage points and the foreign worker share correspondingly decreased between 4 and 21 percentage points.[8] Figure 1 below illustrates the minimum share that U.S. workers represented each year, as well as the degree to which that share might increase depending on whether the unknown workers shown were U.S. or foreign.

Figure 1: U.S. and Foreign Workers in the Commonwealth of the Northern Mariana Islands (CNMI), Calendar Years 2018–2022

Percentage

- Maximum potential U.S. worker share
- Minimum U.S. worker share
- Foreign
- Unknown (could be U.S. or foreign)
- U.S.

Source: GAO analysis of CNMI tax data. | GAO-24-106698

Accessible Data Table for Figure 1: U.S. and Foreign Workers in the Commonwealth of the Northern Mariana Islands (CNMI), Calendar Years 2018–2022

|	2018	2019	2020	2021	2022
US	53	59	63	65	71
Unknown	13	5	4	7	3
Foreign	34	36	33	27	26

Source: GAO analysis of CNMI tax data. | GAO-24-106698

Note: Our categorization of these workers is based solely on CNMI's tax data and is not a determination based on records underlying the data of whether any individual meets the definition of United States worker under the Northern Mariana Islands U.S. Workforce Act of 2018. Percentages shown for 2021 do not sum to 73 and 100 due to rounding.

How has the number of workers in CNMI changed over calendar years 2018 to 2022 and what accounts for any changes?

While the U.S. portion of workers in CNMI increased in 2022 compared with 2018, our analysis of CNMI's tax data indicates that the total number of workers decreased by about 5,000 workers, representing a 17 percent decrease over that same period. As shown in figure 2 below, the total number of workers in CNMI decreased each year from 2018 to 2021 before increasing between 2021 and 2022.[9]

Figure 2: Number of Workers in the Commonwealth of the Northern Mariana Islands (CNMI), Calendar Years 2018-2022
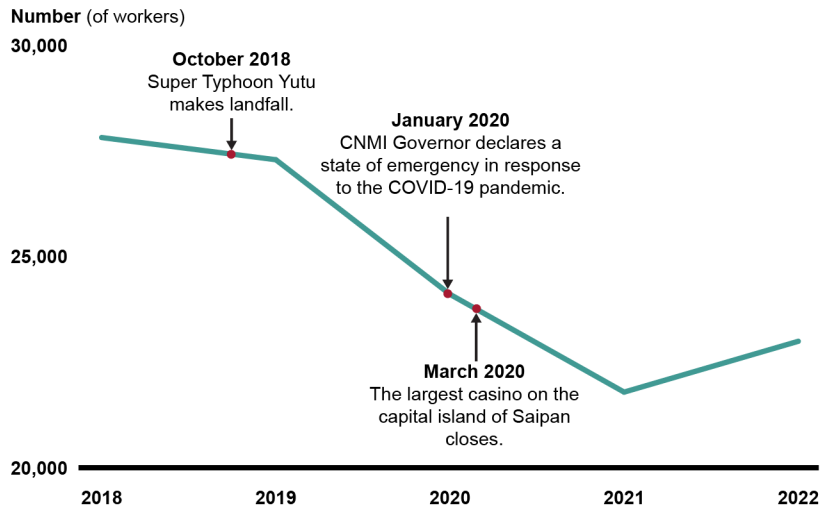
Source: GAO analysis of CNMI tax data. | GAO-24-106698

The initial decrease from 2018 to 2019 represented 525 fewer employed workers following the October 2018 landfall of Super Typhoon Yutu in CNMI. The number of workers then shrank at a faster rate from 2019 to 2021, with CNMI losing 5,501 workers overall. Between 2021 and 2022, CNMI gained 1,203 workers.

We previously reported on several external factors that led to the large decrease in the number of employed workers in CNMI from 2018 through the end of 2020.[10] Specifically, we noted that the events shown in the figure above, such as the typhoon and the COVID-19 pandemic, caused the economy and the number of workers to shrink.

While the number of workers in CNMI increased between 2021 and 2022, CNMI is still at risk of a severe economic crisis and has limited prospects for recovery due to various factors.[11] For example, its tourism industry is struggling, and its largest casino remains closed and unlikely to reopen soon. Tourism, the main driver of the economy, experienced a small increase in 2022 compared with 2020 but has not returned to pre-2017 levels, prior to the typhoon and the pandemic. The number of annual visitors remained below 100,000 in 2022 compared with nearly 700,000 in 2017.

What factors have affected CNMI's efforts to increase U.S. worker participation?

According to Interior, Labor, and CNMI officials with whom we spoke, various factors make it difficult for CNMI to attract and retain U.S. workers. Specifically, they said the types of workers CNMI needs for its economy are generally in low supply in CNMI and in high demand in the rest of the U.S. For example, CNMI has a high demand for healthcare personnel and skilled construction workers. These types of workers are also in high demand in many other places, according to agency officials. Furthermore, officials said CNMI is generally not in a competitive position to attract these workers given its remote location, relatively low wages, and high cost of living. In addition, other U.S. locations tend to have greater access to healthcare and higher education for workers and their families. These factors, along with costly airfare to and among the islands, may contribute to challenges in recruiting and retaining U.S. workers in CNMI.

In 2023, CNMI's Department of Labor reported on its efforts to place U.S. workers into jobs held by foreign workers.[12] The reports noted that CNMI had expended between $1.8 and $2.4 million annually since fiscal year 2021 on vocational education, apprenticeship, or other training programs for U.S. workers.[13] According to the reports, CNMI did not have complete data about
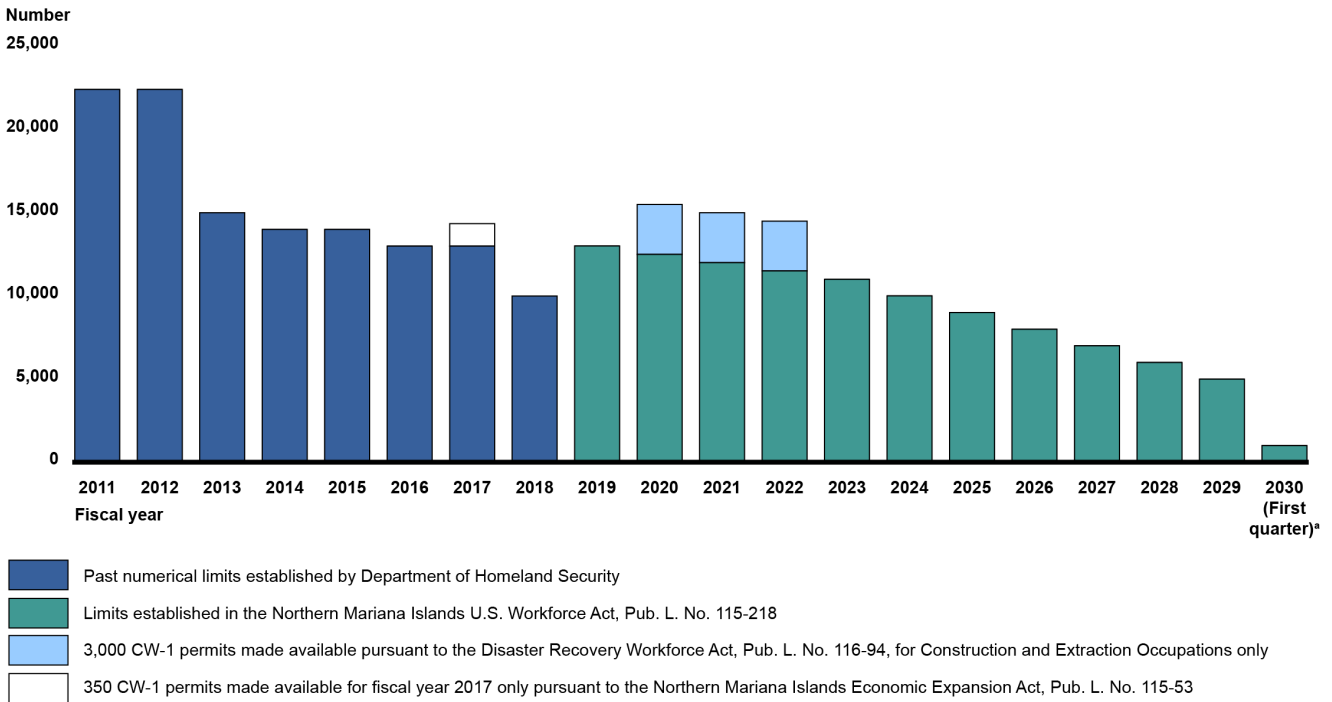
outcomes to date but had established grantee-reporting requirements to assist with reporting going forward. The reports also outlined a plan for continuing these employment efforts in 2024—with a focus on fields such as nursing, construction, business, hospitality, and tourism—while noting that CNMI's economy is still recovering from the pandemic.

How have the annual numerical limits on CW-1 permits changed?

The numerical limits on CW-1 permits available each fiscal year have generally decreased over time, from 22,417 at the start of the program in 2011 to 14,500 in 2022.[14] The CNRA—the act under which the Department of Homeland Security established the CW-1 program—called for a reduction in the allocation of permits on an annual basis to reach zero by the end of the program.

U.S. Citizenship and Immigration Services (USCIS) established numerical limits on the CW-1 permits available each year for the first 8 fiscal years of the program. The Northern Mariana Islands U.S. Workforce Act of 2018 extended the program and established the limits through the first quarter of 2030. Under the Act, as shown in figure 3 below, the number of CW-1 permits available will gradually decrease until the number reaches zero in the second quarter of fiscal year 2030. After that period, CNMI employers will have to request other types of permits for any foreign workers they seek to employ in CNMI.[15]

Figure 3: Annual Numerical Limits on Commonwealth of the Northern Mariana Islands (CNMI)-Only Transitional Worker Program (CW-1) Permits, Fiscal Years 2011–2030

Past numerical limits established by Department of Homeland Security

Limits established in the Northern Mariana Islands U.S. Workforce Act, Pub. L. No. 115-218

3,000 CW-1 permits made available pursuant to the Disaster Recovery Workforce Act, Pub. L. No. 116-94, for Construction and Extraction Occupations only

350 CW-1 permits made available for fiscal year 2017 only pursuant to the Northern Mariana Islands Economic Expansion Act, Pub. L. No. 115-53

Source: GAO analysis of numerical limits specified by U.S. Citizenship and Immigration Services and Public Laws No.115-218, No. 116-94, and No. 115-53. | GAO-24-106698

Accessible Data Tables for Figure 3: Annual Numerical Limits on Commonwealth of the Northern Mariana Islands (CNMI)-Only Transitional Worker Program (CW-1) Permits, Fiscal Years 2011–2030

Year	Past Numerical Limits by Department of Homeland Security	350 CW-1 Permits made available
2011	22,417	0
2012	22,416	0
2013	15,000	0
2014	14,000	0
2015	13,999	0
2016	12,999	0
2017	12,998	350
2018	9,998	0

Year	Limits Established in Northern Mariana Islands	3,000 CW-1 Permits made available
2019	13,000	0
2020	12,500	3000
2021	12,000	3000
2022	11,500	3000
2023	11,000	0
2024	10,000	0
2025	9,000	0
2026	8,000	0
2027	7,000	0
2028	6,000	0
2029	5,000	0
2030 (First quarter)[a]	1,000	0

Source: GAO Analysis of numerical limits specified by U.S. Citizenship and immigration Services and Public Laws No. 115-218, No. 116-94, and No. 115-53. | GAO-24-106698

Note: While the CNMI data we used to calculate the ratio of U.S. to foreign workers and the total number of workers in CNMI are collected by calendar year, the annual limits on CW-1 permits are set by fiscal year.

[a]The transition period during which CNMI-only transitional workers may be admitted to perform work is set to end on December 31, 2029, or 3 months into fiscal year 2030. After this date, no CW-1 permits are authorized to be issued by the Department of Homeland Security.

How do the numbers of approved CW-1 permits compare to the annual numerical limits?

The number of CW-1 permits USCIS approved in the 5-year period from fiscal years 2018 through 2022 remained below the established numerical limits in those years and declined significantly starting in 2020. See figure 4 below for the number of approved CW-1 permits and the remaining available CW-1 permits based on the limits.

Figure 4: Number of Approved Commonwealth of the Northern Mariana Islands (CNMI)-Only Transitional Worker (CW-1) Permits and Remaining Available CW-1 Permits, Fiscal Years 2018-2022

Number
20,000

Remaining available permits

Approved CW-1 permits
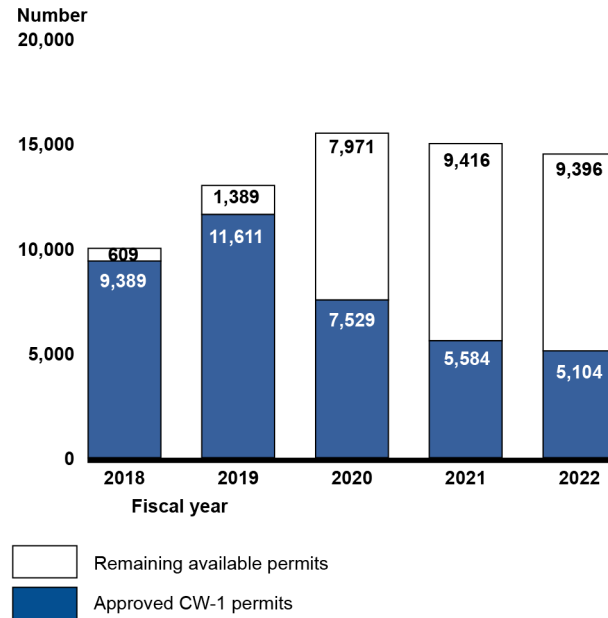
Source: GAO analysis of U.S. Citizenship and Immigration Services data as of June 1, 2023. | GAO-24-106698

Accessible Data Table for Figure 4: Number of Approved Commonwealth of the Northern Mariana Islands (CNMI)-Only Transitional Worker (CW-1) Permits and Remaining Available CW-1 Permits, Fiscal Years 2018-2022

	2018	2019	2020	2021	2022
Numerical limits	9,998	13,000	15,500	15,000	14,500
Approval	9,389	11,611	7,529	5,584	5,104

Source: GAO analysis of U.S. Citizenship and immigration Services data as of June 1, 2023. | GAO-24-106698

While CNMI employers obtained 94 percent of available permits in fiscal year 2018, this rate dropped to 49 percent in 2020. Further, CNMI employers' use of the CW-1 permits continued to drop to 37 percent of available permits in fiscal year 2021, and 35 percent in fiscal year 2022. In each year between 2018 and 2022, USCIS approved between 82 and 84 percent of CW-1 applications.

USCIS and CNMI officials said the factors that caused the total CNMI workforce to shrink during calendar years 2018 to 2022 also likely caused a decline in applications for CW-1 permits, leading to the decline in approved permits shown above. For example, the pandemic significantly restricted travel, reducing the number of tourists who could boost the economy and of employers who might have otherwise applied for CW-1 permits, according to USCIS and CNMI officials. In addition, the closure of the largest casino in Saipan before the completion of all its buildings meant fewer jobs in CNMI, contributing to a lower number of CW-1 applications.

Other factors related to the CW-1 permit process may have further decreased CW-1 permit applications. For example, USCIS officials noted that some employers may have been deterred from applying for CW-1 permits when new requirements and higher fees for the CW-1 permit took effect in 2020.[16]

What is the quality of the CNMI data that the CNMI government uses for its annual worker ratio report?

The CNMI government has reported that its employer-submitted tax data include a relatively high number of workers with unknown visa types, making it difficult to identify a precise ratio of U.S. to foreign workers.

As noted earlier, part of the stated purpose of the Act is to increase the U.S. worker portion of the workforce while maintaining the minimum number of non-U.S. workers to meet the changing demands of CNMI's economy. The Act also requires CNMI's Governor to report on this ratio annually. To meet this requirement, CNMI government officials use tax data submitted by CNMI employers to calculate the ratio of U.S. to foreign workers. However, these data have had known limitations. In its annual reports on tax years 2018 through 2021, the CNMI government identified a relatively high number of workers for whom it lacked sufficient data to categorize as either U.S. or foreign workers. The CNMI government excluded these workers from the calculation of the ratio of U.S. to foreign workers in its worker ratio reports. These ratios differ from those we report in figure 1 based on our own analysis. We discuss our analysis in more detail later.

Following the passage of the Act in July 2018, the CNMI government started collecting information from employers on workers' visa type as listed in W-2 forms. However, the CNMI government found that about one-third of the 2018 CNMI tax forms collected did not include information on workers' visa type, according to CNMI's report about the 2018 worker ratio. As explained in that report, the missing data may have resulted from the government's limited opportunity to explain the new reporting procedure to employers. The report indicated that after Super Typhoon Yutu devastated the islands of Saipan and Tinian in October 2018, the government had little time to inform and prepare employers of this new procedure for the tax form by that year's tax deadline.

To facilitate employers' awareness about the new reporting procedure, CNMI officials said the CNMI government conducted a training about tax reporting procedures in December 2018. However, some employers did not attend and thus were unaware of the new procedure, according to CNMI officials. Officials also said the pandemic further hindered the CNMI government's ability to provide additional training. The CNMI government conducted a second training session in October 2023 for CNMI employers that refers to guidance documents showing the correct citizenship country and visa codes to enter on tax forms. Officials said they also plan to schedule additional trainings twice a year in the coming years. CNMI officials told us they hope the training will help employers improve the accuracy of the tax data they submit to the CNMI government.

In our review of the CNMI worker ratio reports for calendar years 2018 to 2022, we noted that the number of workers whom the CNMI government could not categorize as U.S. or foreign workers has decreased in some years. However, the issue of workers with unknown visa types in the employer-submitted data has generally persisted. Specifically, CNMI's worker ratio reports indicated between 13 and 33 percent missing such information each year for 2018 through 2021.

To what extent has the CNMI government ensured the quality of the information in its annual worker ratio report?

The CNMI government has recently improved the quality of its reported worker ratios. In its reports on the worker ratio for tax years 2018 through 2021, CNMI took some steps to improve the quality of the tax data submitted by CNMI employers, such as removing duplicate entries and correcting typos. In conducting our analysis of the data, we found additional steps that could be taken to improve the quality of its reported worker ratios, and CNMI used some similar steps to improve the quality of its reported ratio for tax year 2022.[17]

The CNMI government applies some procedures to improve the quality of the tax data when generating its annual worker ratio reports. For example, after GAO

previously noted some workers were counted twice, the government removed duplicate entries for workers with multiple tax forms when it prepared the annual worker ratio reports, starting with its revised report on 2018 data. The CNMI government also improves data quality by correcting typos in employer-submitted data in order to categorize workers as U.S. or foreign when they would have otherwise been categorized as unknown.

In our analysis of CNMI's tax data, we took additional steps (see text box) that allowed us to improve the precision of the ratio calculations. Using these steps, we reduced the unknown entries across calendar years 2018 through 2022 by 18,825 workers. We re-categorized all these entries as U.S. workers using citizenship data.[18]

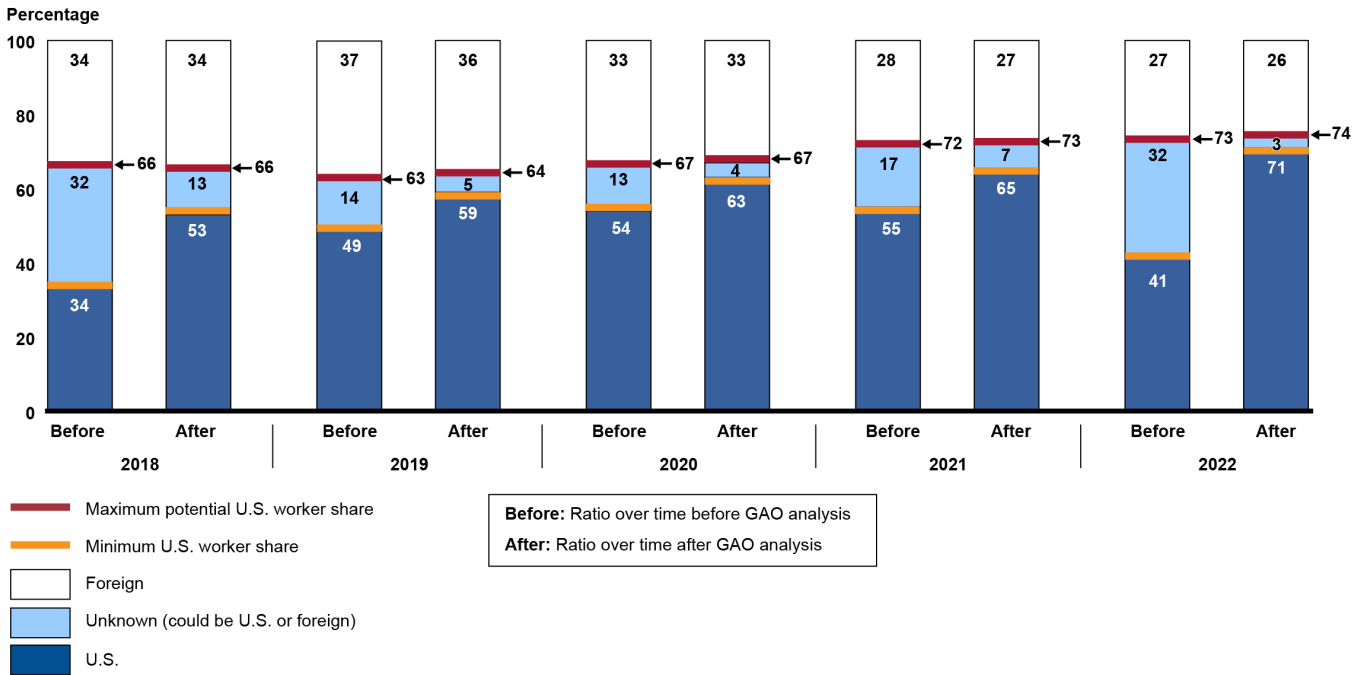**What steps did we take to improve the precision of the ratio calculations?**

In addition to information on visa types, we examined citizenship information in CNMI's tax data and used a consistent approach to check it against the visa types. **In entries where:**

- visa status was missing, but citizenship was listed as one that the Act included in the definition of a United States worker, we re-categorized those from unknown to United States workers.

- visa status indicated a foreign worker, but citizenship was listed as one that the Act included in the definition of a United States worker, we re-categorized those from foreign to United States workers.

- both visa status and citizenship were missing or unknown, we were unable to re-categorize the workers and they remained in the unknown category.

Source: GAO analysis of public laws and Commonwealth of the Northern Mariana Islands (CNMI) tax data. | GAO 24-106698

For example, our approach reduced the unknown worker portion for calendar year 2018 from 32 percent to 13 percent. By improving the precision of the ratio calculations through our analysis of CNMI's data, we were able to conclude that the proportion of U.S. workers increased in 2022 when compared to 2018. Had we not done so, we would have been unable to determine if the proportion of U.S. workers increased or decreased in 2022 when compared to 2018. The figure below provides a comparison of CNMI's worker ratios in calendar years 2018 through 2022 as calculated before and after we took additional data analysis steps.

Figure 5: Comparison of CNMI's Worker Ratios for 2018 through 2022 before and after GAO's Data Analysis Steps

Percentage

Legend:
- Maximum potential U.S. worker share
- Minimum U.S. worker share
- Foreign
- Unknown (could be U.S. or foreign)
- U.S.

Before: Ratio over time before GAO analysis
After: Ratio over time after GAO analysis

Source: GAO analysis of Commonwealth of the Northern Mariana Islands (CNMI) tax data. | GAO-24-106698

Note: Our categorization of these workers is based solely on CNMI's tax data and is not a determination based on records underlying the data of whether any individual meets the definition of United States worker under the Act. Percentages shown for 2021 after GAO analysis do not sum to 73 and 100 due to rounding.

Accessible Data Tables for Figure 5: Comparison of CNMI's Worker Ratios for 2018 through 2022 before and after GAO's Data Analysis Steps

Ratio over time before GAO analysis

	2018	2019	2020	2021	2022
US	34	49	54	55	41
Unknown	32	14	13	17	32
Foreign	34	37	33	28	27

Ratio over time after GAO analysis

	2018	2019	2020	2021	2022
	2018	2019	2020	2021	2022
US	53	59	63	65	71
Unknown	13	5	4	7	3
Foreign	34	36	33	27	26

Source: GAO analysis of Commonwealth of the Northern Mariana Islands (CNMI) tax data. | GAO-24-106698

In its report on the worker ratio for tax year 2022, CNMI used citizenship data in combination with visa data for the first time, thereby reducing the unknown portion of workers to 4 percent. In contrast, the portion of unknown workers in the prior four CNMI worker ratio reports ranged between 13 and 33 percent. CNMI said it took this step to improve its data analysis process in response to discussions with GAO.

To what extent has the CNMI government communicated the analytical approach it uses to create its annual ratio report?

The CNMI government has taken some steps to communicate the analytical approach it uses to create its annual worker ratio report. However, we identified additional steps CNMI could take to improve transparency of its analytical approach. Federal standards for internal control state that management should communicate quality information internally and externally to achieve its objectives.[19] In addition, key elements of economic analysis call for transparency regarding an analytical approach to allow the public to assess the structure of an analysis and, in particular, how much of an analytical result hinges on the specific choices made by the authors.[20]

In July 2023, CNMI began using a Standard Operating Procedure document to communicate internally about its analytical approach for its worker ratio report. According to CNMI officials, the document was created to ensure that future CNMI officials have the information they need to create the annual worker ratio report. CNMI also externally communicates its analytical approach to stakeholders, including U.S. agencies, through its annual worker ratio report. However, the Standard Operating Procedure document and annual worker ratio report do not provide the degree of transparency called for in such economic analysis.

Specifically, these documents describe some but not all analytical choices, assumptions, and data used. For example, in its report on the 2022 worker ratio, CNMI outlined its analytical approach for categorizing workers as unknown based on their visa and citizenship information. However, the report did not explain all the steps CNMI took to categorize workers as U.S. or foreign when sufficient visa and citizenship information were available. In addition, while CNMI's worker ratio reports describe key data limitations, they do not lay out the implications of those limitations. Specifically, CNMI reports the percentage of workers it categorized as unknown and notes that it excludes those workers from its ratio. However, it does not describe how this limitation results in uncertainty about the true ratio of U.S. to foreign workers for each year. Further, while CNMI describes some analytical choices in its Standard Operating Procedure document, the document does not specify how CNMI uses citizenship data to re-categorize some unknown workers as U.S. or foreign.

Improving the transparency of its internal and external communication about its analytical approach could benefit CNMI and other stakeholders. With more transparency, internally communicated information in CNMI's Standard Operating Procedure document could improve CNMI officials' ability to consistently replicate recent improvements to the annual worker ratio reports in the future and possibly help identify ways to expand on these improvements. Similar transparency in externally communicated information could help stakeholders and the public better interpret the annual worker ratio report and understand how CNMI's analytical approach affects the conclusions about the ratio. Such transparency could also help CNMI and stakeholders determine worker trends over time and assess whether CNMI's efforts to achieve one of the Act's goals—increasing the percentage of U.S. workers in the workforce—have been successful.

The Office of Insular Affairs within Interior promotes the coordination of federal policy for CNMI and provides discretionary financial and technical assistance to CNMI.[21] For example, Interior's technical assistance grants have included funding and help for such efforts as CNMI's economic analysis regarding the prevailing wage, according to Interior. Interior officials also said they work with CNMI to identify the needs for future grants and do so in coordination with other agencies as appropriate.

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Conclusions

Congress passed the Northern Mariana Islands U.S. Workforce Act of 2018 with the stated purpose of increasing the percentage of U.S. workers in the total CNMI workforce, while maintaining the minimum number of non-U.S. workers to meet the changing demands of the CNMI's economy. The Act also requires CNMI's Governor to report on the ratio of U.S. to foreign workers annually.

CNMI has made recent improvements to the precision of the ratio it reports annually. It has also taken some steps to communicate, internally and externally, the analytical approach it uses to prepare the annual worker ratio reports. However, additional steps could improve transparency of the analytical approach underpinning CNMI's reporting and help enable CNMI to consistently determine precise worker trends over time.

By working with the CNMI government to determine what steps can be taken to improve transparency of its analytical approach, Interior can help ensure Congress and other stakeholders have accurate, reliable information to inform future policy decisions and assess progress toward the purpose of the Act.

Recommendation for Executive Action

The Secretary of the Interior should ensure that the Assistant Secretary for Insular and International Affairs works with the CNMI government and, as appropriate, other U.S. agencies to determine what steps can be taken to improve transparency of the analytical approach CNMI uses to create its annual worker ratio report. Such steps could include communicating in greater detail, through CNMI's Standard Operating Procedure document and worker ratio report, the analytical approach CNMI took to categorize unknown workers as either U.S. or foreign, as well as the implications of the unknown portion for the ratio.

Agency Comments and Third Party Views

We provided a draft of this report to the Departments of Homeland Security, Commerce, the Interior, and Labor, and to CNMI for review and comment. In written comments on the report, reproduced in appendix I, Interior concurred with our recommendation. Interior also described plans to meet with the CNMI government and other U.S. agencies to discuss what assistance might be provided to improve the transparency of CNMI's annual worker ratio reports. In written comments reproduced in appendix II, CNMI noted its commitment to improving the transparency of its approach to creating its worker ratio report, as well as its commitment to providing more frequent training for employers to improve the accuracy of the tax data they submit to the CNMI government for use in the ratio reports.

The Departments of Homeland Security and Commerce also provided technical comments, which we incorporated as appropriate. The Department of Labor did not have any comments on the report.

How GAO Did This Study

To identify the ratio of U.S. to foreign workers for calendar years 2018 through 2022, we analyzed CNMI tax data on the citizenship and visa type of workers as reported by employers on employee W-2 forms. As CNMI does for its worker ratio reports, we used tax data on individuals who claimed wages, tips, or compensation as part of the formal economy. These data exclude tax filers who claimed passive income, such as rental or dividend income, and exclude unemployed workers seeking employment or individuals working in any informal economy. We took two steps to categorize workers as U.S., foreign, or unknown. First, we examined the CNMI government's categorization of visa types that it used in its prior ratio reports. We generally adopted the same categorization unless our professional judgment suggested a different one (such as correction for a likely typo). Second, we used citizenship data to categorize additional

workers as U.S. workers in cases where the visa status was unknown (missing or invalid data entries) or suggested a foreign worker classification. Specifically, regardless of what visa data indicated, we categorized a worker as a U.S. worker if the citizenship data indicated the worker was a citizen or national of the U.S. (including the five U.S. territories) or one of the Freely Associated States.[22] Our categorization of these workers is based solely on CNMI's tax data and is not a determination based on records underlying the data of whether any individual meets the definition of United States worker under the Act.

For workers who held more than one job and had multiple W-2 tax filings, the CNMI government removed duplicate entries to include one entry per worker. The method it used to do so for the data provided to GAO may not have factored in all available information regarding citizenship and visa types and may have differed compared to the method the CNMI government has used for its annual worker ratio reports. We did not assess the accuracy of the government's efforts to consolidate multiple W-2s into one data entry for individuals with multiple jobs. Furthermore, we did not independently verify the completeness, consistency, and accuracy of the tax forms CNMI received from employers. While we identified quality issues with the CNMI tax data, we determined that with the use of the citizenship data to further categorize workers, the data were sufficiently reliable for our analyses. As part of our efforts to assess the reliability of the CNMI tax data reliability, we also reviewed data-related documentation and interviewed CNMI government officials knowledgeable about the data.

To assess the extent to which CNMI has taken steps to ensure the quality of information in its annual ratio reports, we compared CNMI's data quality improvement steps to federal internal control standards. These standards call for management to use quality information to achieve objectives, which includes processing data into information and then evaluating the processed information to ensure its quality and reliability.[23] To assess the extent to which the CNMI government has communicated the analytical approach it uses to create its annual ratio report, we examined CNMI's internal and external communication about how it creates the report. We compared these documents to federal internal control standards and the transparency element of analytical approaches in economic analysis.[24] Specifically, we compared CNMI's worker ratio reports and the related Standard Operating Procedure document to these criteria. We also reviewed documents regarding Interior's role coordinating federal policy for CNMI. Beyond these steps and the ones described above, we analyzed U.S. agency data, reviewed prior GAO and CNMI government reports, and interviewed officials from the Departments of Homeland Security, the Interior, and Labor, and the CNMI government. We also corresponded with U.S. Department of Commerce officials regarding economic data.

We conducted this performance audit from March 2023 to February 2024 in accordance with generally accepted government auditing standards. Those standards require that GAO plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for its findings and conclusions based on its audit objectives.

List of Committees

The Honorable Joe Manchin III
Chairman
The Honorable John Barrasso
Ranking Member
Committee on Energy and Natural Resources
United States Senate

The Honorable Bernard Sanders
Chair
The Honorable Bill Cassidy
Ranking Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable Virginia Foxx
Chairwoman
The Honorable Robert C. "Bobby" Scott
Ranking Member
Committee on Education and the Workforce
House of Representatives

The Honorable Bruce Westerman
Chairman
The Honorable Raúl M. Grijalva
Ranking Member
Committee on Natural Resources
House of Representatives

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Appendix I: Comments from the Department of the Interior

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

January 9, 2024

Joyee Dasgupta
Assistant Director
International Affairs and Trade
U.S. Government Accountability Office
Washington, DC 20548

Dear Assistant Director Dasgupta:

Thank you for providing the Department of the Interior (Department or the Interior) the opportunity to review and comment on the draft Government Accountability Office (GAO) report titled, *COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS: Greater Transparency Could Improve Worker Ratio Reports* (GAO-24-106698). We appreciate GAO's review of the Commonwealth of the Northern Mariana Islands (CNMI Government) processes implemented for collecting data on the composition of its workforce, U.S and foreign workers, and the identification of actions undertaken by the CNMI Government based upon GAO's suggestions for improvements.

The following identifies the draft report's Recommendation for Executive Action and the Department's response.

Draft Report Recommendation: *The Secretary of the Interior should ensure that the Assistant Secretary for Insular and International Affairs works with the CNMI government and, as appropriate, other U.S. agencies to determine what steps can be taken to improve transparency of the analytical approach CNMI uses to create its annual worker ratio report. Such steps could include communicating in greater detail through CNMI's Standard Operating Procedure document and worker ratio report, the analytical approach CNMI took to categorize unknown workers as either U.S. or foreign, as well as the implications of the unknown portion for the ratio.*

Management Response: Concur. The Department's Office of Insular Affairs (OIA) will meet with the CNMI Government and other Federal agencies, including the Department of Labor and the Department of Homeland Security, to discuss the CNMI's annual worker ratio report and what assistance may be offered to improve the CNMI's processes for data collection and the transparency of the annual worker ratio reports.

Responsible Official: Audit Liaison Officer for OIA
Target Date: To be determined upon review of the GAO's final report recommendation.

If you have any questions, please communicate with John Brewer, Director of the Office of Insular Affairs (john_brewer@ios.doi.gov ; (202) 208-4736). Alternatively, you or your staff may wish to

communicate with Basil Ottley, Director of the Policy Division, (basil_ottley@ios.doi.gov: (202) 208-5655), or Marina Tinitali, Audit Liaison Officer, (marina_tinitali@ios.doi.gov ; (202) 208-5920).

Sincerely,

Carmen G. Cantor
Assistant Secretary for
Insular and International Affairs

Accessible Text for Appendix I: Comments from the Department of the Interior

January 9, 2024

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Assistant Director
International Affairs and Trade
U.S. Government Accountability Office
Washington, DC 20548

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Responsible Official: Audit Liaison Officer for OIA

Target Date: To be determined upon review of the GAO's final report recommendation.

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Sincerely,

Carmen G. Cantor
Assistant Secretary for Insular and International Affairs

Arnold I. Palacios
Governor

David M. Apatang
Lieutenant Governor

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
OFFICE OF THE GOVERNOR

January 17, 2024   GOV 2024-197R

Nagla'a El-Hodiri
Acting Director
International Affairs and Trade
Government Accountability Office
Delivery via Email

Dear Dr. El-Hodiri,

We appreciate the thorough analysis and recommendations presented in the Government Accountability Office (GAO) report on U.S. and foreign workers in the Commonwealth of the Northern Mariana Islands (CNMI) for the calendar years 2018 through 2022. Your acknowledgment of the efforts made by the CNMI government in improving the transparency of our annual worker ratio reports is encouraging.

The establishment of Standard Operating Procedures (SOP) by the Department of Labor (DOL) staff, aimed at enhancing transparency in the report creation process, is a significant milestone of this administration. We are committed to building on this foundation to ensure continued improvement in the quality of our reports to the GAO. We agree with the recommendation for the U.S. Department of the Interior to collaborate with the CNMI government and other relevant U.S. agencies to further improve the transparency of our analytical approach. We are eager to engage in this collaborative effort and explore opportunities for refinement.

In line with our commitment to transparency and continuous improvement, the CNMI government will take additional steps to enhance awareness among employers regarding these reporting procedures. The Department of Revenue and Taxation (DRT) in collaboration with the DOL, plans to conduct more frequent training sessions on tax reporting procedures and compliance to ensure that all stakeholders are well-informed and can contribute to the accuracy of the data.

This report further highlights the economic challenges that the CNMI is still facing post-pandemic recovery. Despite the increase in the number of workers between 2021 and 2022, our region remains at risk of a severe economic crisis with limited prospects for recovery. Challenges such as the struggling tourism industry and the decision to shift away from the Chinese market, pose significant hurdles to economic revival. The statistics shared in this report regarding the CW permit applications and approvals reflect the economic realities we are navigating. We are committed to addressing these challenges and appreciate the understanding demonstrated in the report regarding the broader economic context within which these issues arise.

Juan A. Sablan Memorial Building ▪ 12306 Rota Pl. ▪ Capitol Hill, Saipan
Caller Box 10007 ▪ Saipan, MP 96950 ▪ (670) 237-2200 ▪ governor.gov.mp

I assure you that the CNMI government is dedicated to addressing the concerns raised in the GAO report and working collaboratively with relevant agencies to implement improvements ensuring the best outcomes for our workforce and economy.

Thank you for your attention to these matters, and we look forward to continued cooperation.

Sincerely,

Arnold I. Palacios
Governor
Commonwealth of the Northern Mariana Islands

2

Accessible Text for Appendix II: Comments from the Commonwealth of the Northern Mariana Islands

Commonwealth of the Northern Mariana Islands
Office Of The Governor

January 17, 2024

GOV 2024-197R

Nagla'a El-Hodiri
Acting Director
International Affairs and Trade
Government Accountability Office
Delivery via Email

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I assure you that the CNMI government is dedicated to addressing the concerns raised in the GAO report and working collaboratively with relevant agencies to implement improvements ensuring the best outcomes for our workforce and economy.

Thank you for your attention to these matters, and we look forward to continued cooperation. Sincerely,

Arnold I. Palacios
Governor
Commonwealth of the Northern Mariana Islands

Endnotes

[1]Pub. L. No. 110-229, Title VII, 122 Stat. 853-69 (May 8, 2008).

[2]Pub. L. No. 115-218, § 3, 132 Stat. 1547-55 (July 24, 2018).

[3]The Act defines United States workers as "any worker who is: a U.S. citizen or national; a citizen of the Freely Associated States—the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau—who has been lawfully admitted to the United States." In this report, we refer to United States workers as defined under the Act as U.S. workers and to all other workers as foreign workers. We also refer to "alien[s] who ha[ve] been admitted for lawful permanent residence" under the Act as Lawful Permanent Residents (LPR), whom the Department of Homeland Security notes are also known as "green card" holders.

[4]For the two previous reviews, please see GAO, *Commonwealth of the Northern Mariana Islands: Recent Workforce Trends and Wage Distribution,* GAO-22-105271 (Washington, D.C.: Feb. 8, 2022) and *Commonwealth of the Northern Mariana Islands: Recent Workforce Trends,* GAO-20-305 (Washington, D.C.: Feb. 13, 2020). Prior to the passage of the Act, GAO had reported similar information in GAO, *Commonwealth of the Northern Mariana Islands: Implementation of Federal Minimum Wage and Immigration Laws*, GAO-17-437 (Washington, D.C.: May 18, 2017).

[5]In this report, we use the terms workforce and workers to refer to employed workers only. We do not include unemployed workers seeking employment or individuals working in any informal economy.

[6]In this report, we used CNMI tax data for calendars years 2018 through 2022 including corrections and amendments as of July 2023. The methodology we used for this report differed from that used for the past GAO reports on the topic and from that used for CNMI's worker ratio reports. As a result, the ratios in this report may vary from those found in previous GAO and CNMI government reports. In our past reports, we relied primarily on CNMI tax data showing workers' countries of citizenship and supplemented it with visa-type data if we found the data to be sufficiently reliable. However, in this report we relied on both types of data (citizenship and visa-type) because 2022 marked the first time that CNMI had 5 full years of collected data on visa information. The previous 5 calendar years is the span the Act provides for GAO to report on the ratio between U.S. workers and non-U.S. workers in the CNMI workforce. The visa information allowed us to consistently categorize the workers across the 5 years using the definition of United States worker in the Act. In addition, the ratios for calendars years 2018 through 2022 that we are reporting in this report may vary from the ratios the CNMI government has reported. Among other reasons, when providing data to us, the method the CNMI government used to remove duplicate tax filers who held more than one job and had multiple W-2 forms may have differed compared to the method the government has used for its ratio reports.

[7]We categorized these individuals based on data from the CNMI government, which included employer-provided data on workers' visa type and citizenship as listed in W-2 forms. We used this information and various data analysis methods to group the workers into one of three worker categories: U.S., foreign, or unknown, based on the Act's definition of United States worker. We did not independently verify the accuracy of the visa and citizenship types listed on the tax forms CNMI received from employers. Our categorization of these workers is based solely on CNMI's tax data and is not a determination based on records underlying the data of whether any individual meets the definition of United States worker under the Act.

[8]While we can say there was an increase when comparing 2018 and 2022, we cannot determine whether there was an annual increase between any 2 consecutive years because of the uncertainty about the precise ratio of U.S. to foreign workers for each year.

[9]While the total number of workers fluctuated across the 5 years, when comparing 2018 to 2022 we found a decrease in foreign and unknown workers and an increase in U.S. workers. Specifically, foreign workers decreased from 9,332 in 2018 to 6,063 in 2022. Unknown workers decreased from 3,710 to 650, and U.S. workers increased from 14,774 to 16,280. In comparison, in 2001 CNMI had more than 36,000 foreign workers and about 15,500 U.S. workers. For more information about fluctuations in the total number of employed workers since 2001, and economic factors that affected that fluctuation, see GAO-17-437, GAO-20-305, and GAO-22-105271.

[10]GAO-20-305 and GAO-22-105271.

[11]For more information about CNMI's economic condition in recent years, see GAO*, U.S. Territories: Public Debt Outlook-2023 Update,* GAO-23-106045 (Washington, D.C.: June 29, 2023).

[12]CNMI Department of Labor, *Commonwealth of the Northern Mariana Islands' Fiscal Year 2024 Commonwealth Worker Fund Plan* (Saipan, MP: May 31, 2023) and Letter to Department of Labor's Employment and Training Administration regarding *CNMI Compliance Plan for the U.S. Northern Mariana Islands Workforce Act of 2018* (Saipan, MP: Mar. 8, 2023).

[13]The Act requires the U.S. Department of Homeland Security to collect a $200 annual supplemental fee from employers for each CW-1 worker to be deposited into CNMI's Treasury to fund vocational education, apprenticeships, or other training programs for United States workers. CNMI refers to these funds as the Commonwealth Worker Fund. The CNRA had previously required a $150 fee to be deposited into CNMI's Treasury for similar purposes (vocational educational curricula and program development by Commonwealth educational entities).

[14]For fiscal year 2022, the total of 14,500 permits includes 11,500 CW-1 permits available under the Act and 3,000 additional CW-1 permits available under the Disaster Recovery Workforce Act. Pub. L. No. 116-94, Div. P, Title IX, § 902, 133 Stat. 3197-8 (Dec. 20, 2019). The Disaster Recovery Workforce Act made 3,000 additional permits available for fiscal years 2020, 2021, and 2022, which were only to be made available for eligible workers performing service or labor pursuant to a contract or subcontract for construction, repairs, renovations, or facility services directly connected to, or associated with recovery from a presidentially declared major disaster or emergency, or for preparation for a future disaster or emergency.

[15]The Department of Homeland Security's USCIS administers parts of the CW-1 process. Specifically, employers petition USCIS for nonimmigrant CW-1 permits on behalf of foreign workers. USCIS adjudicates those petitions and grants permits, after which the Department of State adjudicates and grants CW-1 visas to the foreign workers.

[16]For example, under the Act employers had to obtain a Temporary Labor Certification from the U.S. Department of Labor and to pay a new Fraud Prevention and Detection Fee, as well as an increased CNMI education funding fee.

[17]Federal internal control standards state that management should use quality information to achieve objectives, which includes processing data into information and then evaluating the processed information to ensure its quality and reliability. GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).

[18]In addition to using citizenship data, we edited some typos that affected less than 1 percent of the workers over the 5 years of data. For example, in 2020 CNMI categorized one visa code entry, "0USA," as unknown but we categorized it as a U.S. worker. While some individuals had blank visa entries but a foreign citizenship entry, we could not re-categorize these unknown entries as foreign because visa information could change how they are classified under the Act, whereas a U.S. citizen or national would always be a U.S. worker regardless of visa status. For example, if an individual from a foreign country had LPR status, we would categorize them as a U.S. worker.

[19]GAO-14-704G.

[20]GAO, *Assessment Methodology for Economic Analysis*, GAO-18-151SP (Washington, D.C.: April 2018).

[21]In 1986, the President signed Executive Order 12572 establishing that all matters relating to the relations of the United States with the Commonwealth of the Northern Mariana Islands not the program responsibility of another federal department or agency shall be under the general administrative supervision of the Secretary of the Interior. Exec. Order No. 12572, Relations with the Northern Mariana Islands, 51 Fed. Reg. 40401 (Nov. 7, 1986). Interior's Office of Insular Affairs carries out the Secretary of Interior's responsibilities for the U.S. territories, including the Commonwealth of the Northern Mariana Islands, according to Interior's website.

[22]As noted above, the methodology we used for this report differed from that used for the past GAO reports on the topic. As a result, the numbers and ratios reported for 2018 through 2020 may be different from what we previously reported. The CNMI government started collecting information from employers on workers' visa type following the passage of the Act in July 2018. The new information helped identify LPR workers, which is a subset of U.S. workers, according to the definition of United States worker in the Act. In our 2022 report, we identified the LPR subset of U.S. workers for tax years 2019 and 2020. We noted that the ratio of U.S. to foreign workers in CNMI increased beginning in 2019 in part because CNMI tax data for the years following the Act enabled the identification and inclusion of LPRs in the total of U.S. workers. For this report, we have continued to include the LPRs in the total of U.S. workers in accordance with the definition of United States worker in the Act.

[23]GAO-14-704G.

[24]GAO's *Assessment Methodology for Economic Analysis* provides criteria for evaluating economic analyses like CNMI's worker ratio reports and outlines key elements of an economic analysis, one of which is the transparency of the analysis of economic effects. GAO-18-151SP.