



Office of the Public Auditor
Commonwealth of the Northern Mariana Islands

Audit of the Land Survey Contract
for the Tinian Road Resurfacing Project
Fiscal Year 1997



Audit Report
AR-00-01

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Our audit showed that (1) Castro & Associates, Inc. (C&A) was awarded an unnecessary land survey contract for **\$229,438** for the Tinian Road Resurfacing Project (TRRP) although Hawaiian Rock Products Corp., the road paving contractor for the TRRP, had already included in its proposal the needed survey work at a cost of only **\$8,336.59**. Because C&A did more work than was needed, the additional maps prepared (which were the required output of its contract) were never used and are languishing in the Department of Public Works (DPW) files. Furthermore, (2) C&A's contract price was not fair and reasonable as it was based on a grossly inflated fee proposal submitted by C&A which contains: (a) \$40,825 of mobilization costs which were improperly charged to the government, (b) a severance survey costing \$62,130 which C&A did not perform at all, and (c) inflated work hours which overstated other land surveying services by an estimated \$61,579. As a result, C&A received excessive payments from the government estimated at \$164,534. In addition, (3) the land survey contract for the TRRP was not announced to other prospective proposers and C&A was awarded the contract without the benefit of competition from other qualified land surveyors, in violation of the CNMI Procurement Regulations (CNMI-PR). As a result, the failure to comply with the CNMI-PR could render C&A's contract invalid, and recovery from C&A for payments totaling \$229,438 is warranted.

Background

The Office of the Public Auditor (OPA) has a special duty, under the Commonwealth Auditing Act, to detect and prevent fraud, waste, and abuse of public funds. To enhance performance of this duty, OPA established a 24-hour telephone Hotline which encourages the public to anonymously report instances of government fraud, theft, waste, and abuse. Information obtained from the Hotline is screened and investigated by OPA.

A concern about land survey work for the TRRP that was awarded to Castro & Associates, Inc. was brought to OPA's attention through the Hotline. The Hotline report was made in September

1997 by a concerned government employee who stated that the survey work may have been overpriced. After a preliminary investigation, OPA determined that a more comprehensive audit of this matter should be conducted.

The land survey contract for the TRRP was funded under Public Law (P.L.) 9-24 which appropriated the Covenant funds made available by the U.S. Congress for FY 1994. This land survey contract was part of a long procurement process involving the TRRP. The TRRP is the successor of an earlier road project known as the Tinian Village Road Improvement Project (TVRIP). The TVRIP had a much larger scope as it involved the reconstruction of roads in Tinian. The procurement process for the

TVRIP started in 1995 and ended in 1997 when TVRIP evolved into a road paving project under the TRRP. Appendix A provides a history of the source of funding for the TRRP.

The Tinian Road Resurfacing Project (TRRP)

Because of the absence of available funds for the TVRIP, the road project was changed from a road reconstruction to a road resurfacing project covering eight miles of existing roadways in San Jose Village. Since funding for the TRRP was taken from Covenant funds administered by the Office of Insular Affairs (OIA), DPW submitted to OIA the required documentation for the TRRP. On June 20, 1997, OIA concurred in the plans submitted for the TRRP.

The Land Survey Work for the TRRP

When DPW certified that land survey work and architect-engineer (A&E) design were not needed for the TRRP, the former Tinian Mayor informed the DPW Acting Secretary on June 20, 1997 that he disagreed with DPW's findings that the road project did not need any survey work. After the former Tinian Mayor's objection, Castro & Associates, Inc. (C&A) submitted a fee proposal for land survey work under the TRRP which was accepted by DPW. The fee proposal was \$229,438 and covered eight miles of existing roadways under the TRRP. Thereafter, a contract was executed on July 23, 1997 between the CNMI Government and C&A. The contract (no. 300775) was signed by the Acting Secretary of Public Works, the designated official with expenditure authority and contracting officer. To date, C&A has purportedly completed its survey work as shown by a full

payment to C&A in September 1997.

The Resurfacing Contractor

On June 2, 1997, DPW issued RFP No. DPW97-RFP-013 for an asphalt overlay project under the TRRP. Hawaiian Rock Products Corp. (HRPC) was among the companies that responded to this RFP. On August 5, 1997, the CNMI Government awarded the TRRP's resurfacing work to HRPC. HRPC has completed paving the eight miles of road covered under the TRRP.

Objectives and Scope

The objectives of our audit were to determine whether (1) the land surveying services covered in C&A's contract were needed for the Tinian Road Resurfacing Project, (2) C&A's contract price was fair and reasonable and corresponds with the actual work done under this contract, and (3) the selection of C&A as land surveying contractor for the TRRP was conducted in accordance with the CNMI Procurement Regulations.

As part of our procedures, we reviewed available documents at DPW pertaining to the surveying services for the TRRP. We also interviewed C&A's staff members and reviewed the company's records on this project that were provided to OPA. Additionally, we conducted interviews of various government employees as well as other government contractors who were involved in or had knowledge of the TRRP.

Waste of Public Funds on Unnecessary Land Survey Contract

Government agencies should only award

contracts for goods and services that are actually needed by the government. Our audit showed, however, that (1) Castro & Associates, Inc. (C&A) was awarded an unnecessary land survey contract for **\$229,438** for the TRRP although Hawaiian Rock Products Corp. (HRPC), the road paving contractor for the TRRP, had already included in its proposal the needed survey work at a cost of only **\$8,336.59**, and (2) because C&A did more work than was needed, the additional maps prepared (which were the required output of its contract) were never used and are languishing in DPW files. This occurred because C&A's contract was approved by government officials despite the apparent determination that only limited survey services (centerline lay-out) were needed for the TRRP. As a result, public funds totaling \$229,438 were wasted for an unnecessary land survey contract and survey maps which were never used for the intended project.

Accordingly, we recommend that the Secretary of Finance:

1. Take adverse action against P&S officials and employees who allowed the approval of C&A's contract despite its obvious impropriety.

We also recommend that the DPW Secretary:

2. Take adverse action against the DPW officials and employees who allowed the approval of C&A's contract and subsequent billings despite the impropriety of the contract and billing process.

We also recommend that the Attorney General:

3. Consider filing legal action against government officials who approved the award of C&A's contract, particularly the former Director of P&S and the then-Acting DPW Secretary who certified that C&A's contract did not waste or abuse public funds.

Grossly Inflated Fees on C&A's Land Survey Contract

Fees paid on government contracts should be fair and reasonable and should not be inflated with fictitious charges. In attaining this objective, it is important that contractors and suppliers (involved in the bidding or performance of government contracts) act in good faith. Our audit showed, however, that C&A's contract price was not fair and reasonable as it was based on a grossly inflated fee proposal submitted by C&A which contains: (a) \$40,825 of mobilization costs which were improperly charged to the government, (b) a severance survey costing \$62,130 which C&A did not perform at all, and (c) inflated work hours which overstated other land surveying services by an estimated \$61,579. This occurred because C&A's contract was approved by government officials despite non-compliance with key provisions of the CNMI Procurement Regulations, and payments were made to C&A without ensuring that only those items of work actually performed were approved for payment. As a result, C&A received excessive payments from the government estimated at \$164,534.

Accordingly, we recommend that the Secretary of Finance:

4. Take adverse action against C&A for misrepresenting to the govern-

ment that it had performed all the work required under its contract and for receiving payment for work which it failed to do, including the debarment of C&A from participating in future government solicitations.

5. Continue to take necessary steps to recover the \$164,534 improper payments made to C&A. Recovery efforts should be coordinated with the Attorney General's Office. In implementing this recommendation, recovery of the whole contract price of \$229,438 on the basis that C&A's contract was invalid as discussed in the next finding may be undertaken in lieu of the approach taken above where recovery would be based on the overpayments made to C&A.

C&A's Land Survey Contract Failed to Comply with the CNMI Procurement Regulations

The CNMI Procurement Regulations (CNMI-PR) state the policy of publicly announcing all requirements for architect-engineer services. Our audit showed, however, that the land survey contract for the TRRP was not announced to other prospective proposers, and C&A was awarded the contract without the benefit of competition from other qualified land surveyors. This occurred because the P&S Director failed to ensure that the land survey contract awarded to C&A complied with the public announcement requirement of the CNMI-PR. As a result, the failure to comply with the CNMI-PR could render C&A's contract invalid, and recovery from C&A for payments totaling \$229,438 is warranted.

Accordingly, we recommend that the Secretary of Finance:

6. Issue a memorandum to the P&S Director requiring him to enforce compliance with procurement regulations for the publication of all government requirements for goods and services, and for the promotion of competition as a basis for selecting contractors.

Request for Investigation

During our audit, we requested OPA's Investigations Unit to assist the auditors in getting information needed to complete the audit. Since C&A's land survey contract was funded by Federal money administered by OIA, the matter was subsequently referred to Federal investigators who then pursued further investigation of the contract.

Result of the Investigation

The investigation of C&A's land survey contract led to the filing of criminal case no. 99-00052 in the U.S. District Court against Candido Castro, C&A's Principal Surveyor, for violation of Title 18 United States Code Sections 2 and 1341 (mail fraud). On November 19, 1999, Castro entered into a plea agreement with the U.S. Attorney, agreeing to waive indictment by a Grand Jury and plead guilty to the charge of mail fraud. In the same plea agreement, Castro admitted the following allegations:

1. Beginning about May 1997 and continuing through Sept. 1997, Candido Castro (Castro) knowingly, intentionally, and unlawfully devised a scheme and plan to defraud the citizens of the CNMI government and to obtain

money from the latter by means of false and fraudulent pretenses, representations, and promises.

2. On or about July 7, 1997, Castro knowingly caused the CNMI government to send through the U.S. Postal Service a letter to the U.S. Department of Interior, Office of Insular Affairs, which enclosed a copy of an inflated fee proposal, described in the “Information” filed in this case as follows: “It was part of the scheme that on or about June 30, 1997, CANDIDO CASTRO submitted a \$229,438 fee proposal to the CNMI government in relation to a Tinian road survey project. CANDIDO CASTRO knew that he had obtained the government road survey project illegally, he knew that the \$229,438 fee proposal was grossly inflated, and he knew that the fee proposal misinterpreted the true nature of the work that CANDIDO CASTRO intended to perform, which was significantly less than that represented by the proposal.”

The plea agreement showed that C&A indeed submitted a grossly inflated fee proposal for the survey work on the TRRP. The overpriced fee proposal was not a mere oversight because C&A’s Principal Surveyor knew that the \$229,438 fee proposal was grossly inflated, and knew that the fee proposal misinterpreted the true nature of the work that C&A intended to perform.

Bribes Paid to the Former Tinian Mayor

Interviews conducted by investigators with the former Tinian Mayor showed that a total of \$14,000 was paid by Castro to the former Mayor in connection with Castro getting the Tinian road survey

contract.

Later in 1997, Castro agreed to pay the former Tinian Mayor another \$7,000 (or more) if he could obtain a change order increasing the value of Castro’s land survey contract. However, a change order was never approved and the promised bribe was never paid.

Department of Finance Response

The Secretary of Finance generally concurred with all the recommendation addressed to her (Recommendations 1, 4, 5, and 6) and has taken corrective measures in areas under her control. She provided OPA copies of the memoranda issued to address the recommendations. In one memorandum, the Secretary requested the opinion of the Attorney General’s Office (AGO) on two recommendations. The Secretary stated that the Department of Finance (DOF) will act accordingly once a response is received from AGO.

Department of Public Works Response

The Secretary of Public Works concurred with Recommendation 2. He stated that the former Secretary and Deputy Secretary of Public Works who were primarily responsible for the approval and execution of C&A’s contract are not presently working for the CNMI government in any capacity. Thus, DPW will, within 30 days of the final audit report on C&A’s contract, prepare a negative report on these two former employees as it relates to this matter and place the report in their permanent personnel files.

Attorney General's Office Response

The Temporary Attorney General stated that Recommendation 3 warrants further investigation, including a review of the criminal plea in this matter as well as interviews with certain individuals involved in the contract.

OPA Comments

Based on the response we received from DOF, we consider two recommendations closed, one recommendation resolved, and one recommendation open. We consider the recommendation addressed to DPW resolved, and the one addressed to AGO open. The additional information or action required to consider the other recommendations closed is presented in Appendix N.

Introduction

Background

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The land survey contract for the TRRP was funded under Public Law (P.L.) 9-24 which appropriated the Covenant funds made available by the U.S. Congress for FY 1994. This land survey contract was part of a long procurement process involving the TRRP. The TRRP is the successor of an earlier road project known as the Tinian Village Road Improvement Project (TVRIP). The TVRIP had a much larger scope which involved the reconstruction of roads in Tinian. The procurement process for the TVRIP started in 1995 and ended in 1997 when TVRIP evolved into a road paving project under the TRRP. Appendix A provides a history of the source of funding for the TRRP.

The Tinian Road Resurfacing Project (TRRP)

Because of the absence of available funds for the TVRIP, the road project was changed from a road reconstruction to a road resurfacing project covering eight miles of existing roadways in San Jose Village, including the main road from San Jose to Marpo Heights. Since funding for the TRRP was taken from Covenant funds administered by the Office of Insular Affairs (OIA), the Department of Public Works (DPW) submitted to OIA the required documentation for the TRRP. On June 20, 1997, OIA concurred in the plans submitted for the TRRP. Among the documents submitted to OIA was a certification from DPW that the TRRP would not require any architect-engineer (A&E) design nor any land survey work.

The Land Survey Work for the TRRP

After DPW certified that land survey work and A&E design were not needed for the TRRP, the former Tinian Mayor informed the DPW Acting Secretary on June 20, 1997 that the cancellation of the survey work was contrary to the provisions of an earlier resolution passed by the Tinian Joint Legislative Delegation (TJLD), and he disagreed with DPW's findings that the road project did not need any survey work.

After the former Tinian Mayor took issue with the cancellation, Castro & Associates, Inc. (C&A) submitted a fee proposal for land survey work under the TRRP which was accepted by DPW. The fee proposal was \$229,438 and covered eight miles of existing roadways under the TRRP. Thereafter, a contract was executed on July 23, 1997 between the CNMI Government and C&A. The contract (no. 300775) was signed by the Acting Secretary of Public Works, the designated official with expenditure authority and contracting officer. To date, C&A has purportedly completed its survey work as shown by a full payment to C&A in September 1997.

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Objectives, Scope, and Methodology

The objectives of our audit were to determine whether (1) the land surveying services covered in C&A's contract were needed for the Tinian Road Resurfacing Project, (2) C&A's contract price was fair and reasonable and corresponds with the actual work done for this contract, and (3) the selection of C&A as land surveying contractor for the TRRP was conducted in accordance with the CNMI Procurement Regulations.

As part of our procedures, we reviewed available documents at DPW pertaining to the surveying services for the TRRP. Based on these documents, we reconstructed the events that took place from the time the original Tinian road project was conceptualized in 1995. We interviewed C&A's staff members and reviewed records on this project provided to OPA. We also conducted interviews of various government employees as well as other government contractors who were involved in or had knowledge of the TRRP.

We performed our audit at the DPW Office on Saipan beginning in October 1997 and the office of Castro & Associates from January 1998 on. The audit was made, where applicable, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures as we considered necessary under the circumstances.

Prior Audit Coverage

OPA has conducted audits of various government contracts, including the procurement procedures used by government agencies. Similar to the coverage of this audit, these prior audits were conducted to determine whether the awarding of contracts was made in compliance with applicable procurement regulations, among other audit objectives.

Findings and Recommendations

A. Waste of Public Funds on Unnecessary Land Survey Contract

DPW wasted \$229,438 of public funds for an unnecessary land survey contract awarded to Castro & Associates, Inc..

Government agencies should only award contracts for goods and services that are actually needed by the government. Our audit showed, however, that (1) Castro & Associates, Inc. (C&A) was awarded an unnecessary land survey contract of **\$229,438** for the Tinian Road Resurfacing Project (TRRP) although Hawaiian Rock Products Corp., the road paving contractor for the TRRP, had already included in its proposal the needed survey work at a cost of only **\$8,336.59**, and (2) because C&A did more work than was needed, the additional maps prepared (which were the required output of its contract) were never used and are languishing in DPW files. This occurred because C&A's contract was approved by government officials despite the apparent determination that only limited survey services (centerline lay-out) were needed for the TRRP. As a result, public funds totaling \$229,438 were wasted for an unnecessary land survey contract and survey maps which were never used for the intended project.

The Need for Land Survey Work for the TRRP

Prudent management of government resources require that contracts be awarded only for goods and services that are actually needed by the government. In the case of the TRRP, the paving contractor needed only a centerline lay-out to complete the paving of the eight miles of roads in the TRRP. A centerline lay-out guides the paving contractor in ensuring that the paved roads remain within the government's right-of-way. A road centerline lay-out determines the midpoint of the road's width based on the property lines. The midpoint is identified by visible markings along the roads, and survey maps are not needed.

Centerline Lay-Out Proposed by the Paving Contractor

The Request for Proposals (RFP) on the road paving work for the TRRP required that "road alignments shall be at the center of existing right of way and all survey works shall be performed by a CNMI-registered surveyor." This requirement, according to the Director of the Technical Services Division (TSD) of DPW, meant that the road paving contractor would be responsible for securing the needed survey work, which would be included in the proposed overall cost of the road paving work. In response to this requirement, Hawaiian Rock Products Corp. (HRPC) included a centerline lay-out of \$8,336.59 in its proposed cost.

According to HRPC, the \$8,336.59 centerline lay-out in its proposal was only to identify the centerline of the roads and did not include preparation of survey maps. HRPC added that such centerline marking was the only survey work that was needed

to pave the roads. Therefore, the CNMI Government should have spent only \$8,336.59 for survey work on this road project.

DPW Opted for a Much More Expensive And Unnecessary Land Survey

Our audit showed, however, that DPW awarded a \$229,438 land survey contract to C&A even though HRPC, the road paving contractor for the TRRP, had already proposed to have the needed survey work done for only \$8,336.59. The contract (no. C300775) that was awarded to C&A also provided for the delivery of additional land survey services which were not necessary for a road paving project.

Attachments to the contract called “Exhibit A” (see Appendix D) showed the details of all services to be provided by C&A. Among those services were providing a topographic survey and as-built survey, as well as a severance survey for the acquisition of land for the road project. C&A’s contract also showed six items of survey work, as follows: research, horizontal/vertical control, centerline stakeout, as-built/spot elevation, severance, and review/supervision.

Work Elements	Base Rate	Amount	Total
Research: Surveyor	56 hours @ \$60/hr		\$3,360
Controls: Survey Crew Computation	25 days @ \$350/day 220 hours @ \$15/hr	8,750 3,300	12,050
Centerline Stakeout: Survey Crew Computation	48 days @ \$350/day 330 hours @ \$15/hr	16,800 4,950	21,750
As-Built/Spot Elevation: Survey Crew Computation	32 days @ \$350/day 350 hours @ \$15/hr	11,200 5,250	16,450
Severance: Survey Crew Computation Mapping	60 days @ \$350/day 360 hours @ \$15/hr 420 hours @ \$15/hr	21,000 5,400 6,300	32,700
Review & Supervision: Surveyor	216 hours @ \$60/hr		12,960
TOTAL DIRECT COST			\$99,270
Mobilization Fee			40,825
Profit, Tax & Overhead	90% of Direct Cost		89,343
TOTAL FEE PROPOSAL			\$229,438

Table 1 - C&A’s Fee Proposal Attached to the Contract

Table 1 shows the six items of work that C&A was supposed to perform for the TRRP. DPW justified that these land survey services were needed to resolve existing right-of-way problems for the roads covered by the TRRP. The former Tinian Mayor pushed for the contracting of these surveying services by generally stating that some of the roads encumber private boundaries, and some private property improvements encumber public access. With these justifications, DPW awarded a \$229,438 contract to C&A despite the presence of the \$8,336.59 centerline lay-out proposal from HRPC.

According to HRPC, since most of the roads were on or near the centerline, it merely followed the existing roadway in its paving work. HRPC also explained that the existing width of the roads based on the current

property boundaries provided sufficient right-of-way. HRPC stated that there were very few instances when they needed to shift the paving because the roads went outside the right-of-way. Our review of the survey maps on the TRRP showed that there were areas where the actual road encroached on a small portion of several corner lots (Appendix I). HRPC explained that in paving some turning points, it had to make the turns wider to avoid encroaching on those private corner lots. As it turned out, HRPC was able to pave the roads covered by the TRRP with just the centerline lay-out that was done by C&A. This was the same kind of lay-out work

proposed by HRPC for only \$8,336.59. Had DPW accepted HRPC's survey proposal, it could have totally avoided spending \$229,438 for the unnecessary contract with C&A.

HRPC acknowledged that it did not do a centerline lay-out. However, we found that DPW still awarded HRPC a road paving contract whose total price included the portion of work for the \$8,336.59 centerline lay-out. HRPC clarified that it was DPW's responsibility to take out the proposed centerline lay-out cost when its contract was being processed. However, DPW did not make any adjustment and HRPC got a contract for the exact amount it had originally proposed, which included both the road paving and survey work. Therefore, DPW could have asked HRPC to do the needed centerline lay-out since the cost was eventually included in its contract price anyway, and could have avoided spending \$229,438 for a new survey contract with C&A.

C&A's Land Survey Maps were Never Used for the TRRP

Our audit showed that the survey maps prepared by C&A, which constituted the required product under its contract, were never used in the TRRP. C&A's contract states that the surveying services covered in its contract were to be used for the TRRP, but in an interview, HRPC stated that it never used any maps prepared by C&A in its paving contract for the TRRP. HRPC did acknowledge, however, that it was able to perform its paving work because C&A marked the centerline of the right-of-way by putting nails with ribbons on the roads.

HRPC's claim that it did not use C&A maps in paving the TRRP roads is consistent with the records. C&A submitted its survey maps to TSD on Sept. 8, 1997 for San Jose Village and on October 27, 1997 for Marpo Heights. HRPC's road paving contract was awarded at a much earlier date, August 5, 1997. Furthermore, even the August 28, 1997 starting date for the actual paving was before C&A provided its survey maps to DPW, showing that HRPC was able to do its work without these maps.

Also, C&A's survey maps are currently kept in DPW files merely for reference purposes, without indication of any future use. In an interview, the TSD Director said that these maps were to be used merely for future road construction, such as drainage/sewerage projects, and for file purposes. He admitted, however, that these maps will just sit on the shelves since there are no plans for further construction work on the roads covered by the survey maps.

Severance Survey Work Not Applicable to a Road Paving Project

Among the various survey services covered in C&A's unnecessary contract, the severance survey was the costliest and the most objectionable. Our audit showed that a severance survey was not applicable to the TRRP which merely involved paving existing roadways. Following is an itemized summary of the total severance survey cost included in C&A's contract:

Severance Survey Direct Cost:	
Survey crew	\$21,000.00
Computation	5,400.00
Mapping	<u>6,300.00</u>
Total Direct Cost	\$32,700.00
Add: Profit, Tax, and Overhead Applicable to	
Severance Survey (90% of \$32,700.00)	<u>29,430.00</u>
Total Cost of Severance Survey	<u><u>\$62,130.00</u></u>

A severance survey is needed for a public project only when it involves land acquisition. As explained to us by various surveyors and engineers, a severance survey involves the partition of a parcel of land into components, such as when a portion of private land is being acquired for a government project. We could understand the need for a severance survey if private land needed to be acquired for a new public road access or the widening/extension of existing roads. For this project, however, the TRRP did not require any new road or widening/extension of the existing public road access.

History of the Government’s Procurement for the TRRP

The land survey contract awarded to C&A was part of a long procurement process involving the TRRP that began in 1995. The TRRP was originally conceived as a road construction project until it evolved into a road paving project in 1997. In order to clearly understand the findings in this audit report, it is necessary that we present the events that led to the award of the unnecessary land survey contract.

Original Plan under the Tinian Village Road Improvement Project (TVRIP)

In April 1995, DPW prepared RFP No. DPW95-RFP-00322¹ which solicited proposals from qualified survey firms to perform land survey services for a road construction project in Tinian, originally called the TVRIP. This RFP also solicited separate proposals from Architect-Engineer (A-E) firms for engineering and design services. The scope of the original project covered the reconstruction of twelve miles of village roads in Tinian complete with drainage system, and the 1995 RFP was to obtain a design for the required road improvements.

The RFP required the following survey work: topographic and as-built surveys, cadastral surveys, and preparation of severance maps. It appeared that the severance survey was intended for any land acquisition that would be needed for the planned improvements under the TVRIP. Specifically, for the severance survey, the scope of work (Appendix F) for this RFP required a complete preparation of severance survey and mapping, as necessary for the acquisition of land needed for the construction of improvements under the TVRIP. The A&E design work for the

¹ After the announcements of this RFP in local newspapers from April 10 to 21, 1995, five survey firms, including C&A, submitted proposals on this project. On August 28, 1995, the proposal evaluation committee, determined C&A to be the highest ranked survey firm. Accordingly, C&A was selected for contract award for the TVRIP’s survey services.

TVRIP required soil investigation, road structural section design recommendations, asphalt concrete overlay or road reconstruction design, drainage system and other engineering and design services as required for a complete and usable facility.

Disapproval of the TVRIP

Since the TVRIP was funded by Covenant funds, DPW sent to the Office of Insular Affairs (OIA) the required information on the survey work and A&E design for the TVRIP. On December 11, 1996, however, OIA informed the former DPW Secretary that the submitted information did not meet the grant terms because of the absence of a full project scope. OIA explained that the budget specified for this project appeared to be sufficient only for the A&E design and survey. OIA added that considering the scope of this project, the stated construction budget (set at \$1,375,076) was clearly inadequate to construct twelve miles of paved road.

On February 3, 1997, DPW sent additional documents to OIA, including the result of the solicitation of proposals under RFP No. DPW95-RFP-00322. These documents showed that C&A proposed \$386,700 for the survey work and SSFM Engineers, Inc. (the selected A&E firm) proposed \$358,438 for the design of the road. The documents submitted to OIA also showed that the total estimated construction cost for the TVRIP had increased to \$7,062,000. In its response, OIA again informed DPW's 702 Coordinator on February 19, 1997 that the TVRIP could not be approved because insufficient funds were appropriated for the entire project.

Change in the Scope of Work to a Mere Resurfacing Project

Upon OIA's assessment that the TVRIP could not be approved due to inadequate appropriated funds, the Tinian Joint Legislative Delegation (TJLD) passed Resolution 10-12 (see Appendix G) on April 3, 1997 authorizing the DPW Secretary, in consultation with the Mayor of Tinian, to reprogram all unobligated CIP funds and all remaining funds from completed CIP projects in Tinian. These funds were then authorized to be used for a new project called the Tinian Road Resurfacing Project (TRRP). Accordingly, DPW informed OIA on June 2, 1997 that the TJLD, together with the Mayor of Tinian, had decided to change the road reconstruction project under the TVRIP to a road resurfacing project under the TRRP. Under the TRRP, eight miles of existing roadways in San Jose, Tinian, including the main road from San Jose to Marpo Heights, were to be paved with asphalt concrete.

Cancellation of the RFP

With the significant reduction in the scope of the original road project, DPW stated that the A&E design and survey work earlier solicited under RFP No. DPW95-RFP-00322 were no longer required. Accordingly, on June 2, 1997, the DPW Special Assistant for Programs informed the DPW Technical Services Division (TSD) Director of this determination and instructed him to cancel the earlier RFP. On June 4, 1997, the former DPW Secretary informed the Director of Procurement

and Supply (P&S), as well as C&A and SSFM Engineers, Inc., of the RFP's cancellation (see Appendix E).

As for the scope of the TRRP, DPW stated that the resurfacing would no longer require any A&E design or any land surveying, and it certified that the existing roadways to be resurfaced lay within the rights-of-way and easements owned by the CNMI Government (see Appendix H). DPW also submitted to OIA the required documentation for the TRRP, including the project budget (set at \$3,175,000). This amount was allocated mainly for the cost of paving the roads without provision for either A&E design or land survey costs. OIA concurred in this project plan on June 9, 1997.

Disagreement from the Former Tinian Mayor

On June 20, 1997, however, the former Tinian Mayor informed the DPW Acting Secretary that the cancellation of the survey work was contrary to the provisions of TJLD Resolution 10-12, quoting the following language: "the Secretary of the DPW, in consultation with the Mayor of Tinian, is hereby authorized to reprogram all unobligated CIP funds...These funds are to be used for the implementation of the Tinian Road Resurfacing Project, to include but not limited to general survey and other requirements." Apparently, the former Mayor believed that DPW could not unilaterally cancel the survey work without his consent. Additionally, the former Mayor disagreed with DPW's findings that the road project did not need any survey work. The former Mayor stated that several roads on Tinian are sand-sealed and some of these roads encumber private boundaries.

Reinstatement of the Procurement for Land Survey Services

After the former Tinian Mayor raised his objection to the cancellation of the RFP, DPW reinstated the procurement of the land survey services. Although the survey requirements for the TRRP had significantly changed from those of the TVRIP, no new solicitation was issued and instead the previous RFP for the TVRIP was used as the reference solicitation. Since C&A was the top-ranked proposer in the previous RFP, C&A was again allowed to submit a fee proposal to DPW for a land survey under the TRRP. In a letter to the former DPW Secretary, C&A expressed its understanding that the scope of the land survey work had been revised based on discussions with the Tinian Mayor's Office and DPW.

On June 30, 1997, C&A submitted to TSD a fee proposal of \$229,438 for land survey services covering eight miles of existing roadways under the TRRP. TSD accepted the proposal although no new request for proposals for survey services under the TRRP had been publicly announced. Because proposals were not publicly solicited, the land survey contract was awarded to C&A without the benefit of competition from other surveyors.

The contract for land survey services amounting to \$229,438 and covering eight miles of road under the TRRP was executed by the CNMI Government and C&A on

July 23, 1997. The contract (no. 300775) was signed by the then-Acting Secretary of Public Works as the official with expenditure authority and contracting officer. C&A's proposal (see Table 1 on page 4) was included among the documents attached under Exhibit A - the part of the contract that describes the work required from the contractor.

On July 7, 1997, the former DPW Secretary informed OIA that although A&E design was no longer necessary for the TRRP, some survey work would still be required to resolve existing right-of-way problems, particularly in the San Jose Village area. However, this general statement was not supported by any records showing specific cases of right-of-way problems on the eight miles of roadways under the TRRP.

Improper Approval by Responsible Government Officials

The above situation occurred because C&A's contract was approved by government officials despite the apparent determination that only limited survey services (centerline lay-out) were needed for the TRRP. The unnecessary severance survey was awarded to C&A because the DPW and P&S officials who signed the contract failed to ensure that the contract did not waste public funds. CNMI Procurement Regulations (CNMI-PR) Section 2-104(1) states that "All contracts must first be prepared by Official with the expenditure authority who shall certify that he has complied with Procurement Regulations and that the proposed contract is for a public purpose, and *does not constitute a waste or abuse of Public funds...*" [Emphasis added]. The then-Acting DPW Secretary who signed the contract as the official with expenditure authority certified that C&A's contract did not waste or abuse public funds, as did the former P&S Director. The certifications by these officials were unwarranted because they failed to question a seemingly obvious case of waste of public funds. Based on our interview with the TSD Director, C&A's fee proposal was merely accepted by DPW without a proper review.

Additionally, the award of the land survey contract to C&A was made possible because the former Tinian Mayor raised an objection to the cancellation of the RFP. The former Tinian Mayor's action paved the way for the reinstatement of the already cancelled RFP. Also, in our discussion with the TSD Director, he stated that the former Mayor insisted that the contract be awarded to C&A, which resulted in the approval of the contract without the required solicitation and negotiation procedures.

Another indication of improper approval by government officials was the fact that C&A was allowed to work on the project long before a contract had been approved by the required government signatories. Although the processing of C&A's contract was completed on August 5, 1997, its surveyors had already started work in Tinian as early as 1996 when they established horizontal and vertical controls on the roads. In an interview, C&A surveyors stated that they began the survey, particularly the centerline survey, in May 1997, three months before the contract was processed. In an interview, a C&A employee told us that they had done the earlier property controls because they received notification that they had been selected for this job.

On January 3, 1997, seven months before the contract was processed, the former DPW Secretary issued to C&A an “unofficial” notice to proceed with the survey work for the TVRIP, the predecessor of the TRRP. When the TVRIP was revised to become the TRRP on June 2, 1997, this notice to proceed was also canceled. However, one month later on July 3, 1997, DPW issued another notice, this time labeled “official,” to C&A to proceed on the survey work under the TRRP. Again, this notice to proceed was issued one month before C&A’s contract was processed. CNMI-PR Section 2-104 provides that it is the responsibility of the official with expenditure authority to ensure that the contractor does not sign the contract or incur any expenses under it until all necessary government signatures have been obtained.

Waste of Public Funds

As a result, public funds totaling \$229,438 were wasted for an unnecessary land survey contract, and survey maps which were never used for the intended project. The public funds inappropriately spent on C&A’s contract could have been used on much-needed public projects. Producing land survey maps for \$229,438 which are just sitting in DPW files certainly does not qualify as a much-needed public project.

Conclusion and Recommendations

DPW wasted public funds totaling **\$229,438** by awarding a local surveying company an unnecessary contract for land surveying services purportedly needed for a road project in Tinian called the Tinian Road Resurfacing Project (TRRP). We found this contract unnecessary because the needed land survey work had already been proposed by the road paving contractor for the TRRP for only **\$8,336.59**. Also, the survey maps prepared by C&A, which were the required output of its contract, were never used in the TRRP and are gathering dust in DPW files without indication of any future use. This occurred because C&A’s contract was approved by government officials despite the obviously unnecessary surveying services covered by the contract. Accordingly, we recommend that the Secretary of Finance:

1. Take adverse action against P&S officials and employees who allowed the approval of C&A’s contract despite its obvious impropriety. Such adverse action may include, but is not limited to, reprimand and suspension without pay. For former P&S employees, such adverse action may take the form of a negative report placed in an employee’s permanent personnel file.

We also recommend that the DPW Secretary:

2. Take adverse action against the DPW officials and employees who allowed the approval of C&A’s contract and subsequent billings despite the impropriety of the contract and billing process. Such adverse action may include, but is not limited to, reprimand and suspension without pay. For former DPW employees,

such adverse action may take the form of a negative report placed in an employee's permanent personnel file.

We also recommend that the Attorney General:

3. Consider filing legal action against government officials who approved the award of C&A's contract, particularly the former Director of P&S and the then-Acting DPW Secretary who certified that C&A's contract did not waste or abuse public funds.

Department of Finance Response

The Secretary of Finance stated that the P&S Director in question no longer works for the CNMI government, so an adverse action is not possible. To address Recommendation 1, the Secretary issued a memorandum to the Director of Personnel summarizing the audit findings, with emphasis on the improper action taken by the former P&S Director. The Secretary requested that this memorandum be placed in the permanent personnel records of the former P&S Director.

Department of Public Works Response

The Secretary of Public Works concurred with Recommendation 2. He stated that the former Secretary and Deputy Secretary of Public Works who were primarily responsible for the approval and execution of C&A's contract are not presently working for the CNMI government in any capacity. Thus, DPW will, within 30 days of the final audit report on C&A's contract, prepare a negative report on these two former employees as it relates to this matter and place the report in their permanent personnel files.

Attorney General's Office Response

The Temporary Attorney General stated that Recommendation 3 warrants further investigation, including a review of the criminal plea in this matter as well as interviews with certain individuals involved in the contract.

OPA Comments

Based on the response we received from the Secretary of Finance, Secretary of Public Works, and Temporary Attorney General, we consider Recommendation 1 closed, Recommendation 2 resolved, and Recommendation 3 open. The additional information or action required to consider Recommendations 2 and 3 closed is presented in Appendix N.

B. Grossly Inflated Fees on C&A's Land Survey Contract

C&A submitted a grossly inflated fee proposal through which it received excessive payments estimated at around \$164,534.

Fees paid on government contracts should be fair and reasonable and should not be inflated with fictitious charges. In attaining this objective, it is important that contractors and suppliers (involved in the bidding or performance of government contracts) act in good faith. Our audit showed, however, that C&A's contract price was not fair and reasonable as it was based on a grossly inflated fee proposal submitted by C&A which contains: (a) \$40,825 of mobilization costs which were improperly charged to the government, (b) a severance survey costing \$62,130 which C&A did not perform at all, and (c) inflated work hours which overstated other land surveying services by an estimated \$61,579. This occurred because C&A's contract was approved by government officials despite non-compliance with key provisions of the CNMI Procurement Regulations, and payments were made to C&A without ensuring that only those items of work actually performed were approved for payment. As a result, C&A received excessive payments from the government estimated at \$164,534.

Requirement of a Fair and Reasonable Price

CNMI-PR Section 4-102 (2) provides, in pertinent part, that "it is the CNMI's policy to ...negotiate contracts on the basis of demonstrated competence and qualifications at a *fair and reasonable price*." [Emphasis added]. CNMI-PR Section 4-102(4) also requires the Director of the Division of Procurement and Supply to negotiate a contract with the highest qualified architect-engineer firm at a price determined to be fair and reasonable to the government.

To ensure the fairness of fees on government contracts, it is important that government employees, contractors and suppliers act in good faith. CNMI-PR Section 1-104 requires all parties, including government employees, contractors and suppliers involved in the negotiation, bidding, performance or administration of government contracts, to act in good faith.

Our audit showed, however, that C&A's contract price was based on its fee proposal of \$229,438 which was grossly inflated by (a) improperly charged mobilization costs of \$40,825, (b) a severance survey costing \$62,130 which C&A did not perform at all, and (c) inflated work hours which overstated other land surveying services under the contract by an estimated \$61,579.

Mobilization Costs Improperly Charged to the Contract

Our audit showed that C&A's contract fee of \$229,438 improperly included an off-island mobilization charge of \$40,825, broken down in C&A's fee proposal as follows:

Inter-island transportation	\$ 1,000
Ground transportation	10,125
Lodging	16,200
Meals	<u>13,500</u>
Total Mobilization Fee	<u>\$ 40,825</u>

Charging a mobilization fee under this contract was not fair and reasonable because C&A had already included overhead charges in its total fee. Costs other than direct materials and direct labor are generally categorized as overhead items, and these would normally include expenses in mobilizing needed supplies and equipment, and other start-up costs (commonly referred to as mobilization costs). Aside from overhead, additional charges such as profit and tax are normally added to the contract price. In the case of land survey services, fee proposals normally consist of direct labor costs, computed at varying rates, and charges for profit, tax and overhead, computed as a certain percentage of the direct labor cost. In this contract, the charges for profit, tax and overhead were computed at 90% of the total direct cost, or a total of \$89,343.

Past land survey contracts with the CNMI government, particularly those at the Division of Public Lands, showed no separate charges for off-island mobilization, while profit, tax and overhead were charged at percentages close to the rate used by C&A for this contract. Even C&A’s proposal on the original survey work for the TVRIP contained no charges for mobilization fee, and only profit, tax and overhead charges were added to the direct labor cost. We also verified an earlier fee proposal from C&A for another government project in Tinian, and again found that no off-island mobilization costs were charged. C&A’s fee proposal for that survey work in Tinian (called Sabanetan/Abbas Pinia project) included only the normal charges for profit, tax and overhead, similar to the survey contracts at DPL. We have encountered mobilization costs in some government construction contracts, but these were only advance payments (a percentage of the contract price) made to the contractor to allow it to start up the project and did not constitute an additional cost for the project.

Further, we asked C&A to produce documents to support the actual expenditure of mobilization costs on this contract. Documents submitted to us amounted to only \$2,488.65² (out of the \$40,825 mobilization fee paid to C&A), and do not even show that the corresponding charges were incurred specifically for this contract. Also, since the off-island mobilization fee included meals for the survey crew amounting to \$13,500, we interviewed C&A’s survey crew to determine if they were given food allowances while assigned in Tinian. The survey crew reported that they were not given any food allowance in Tinian.

² Subsequently, by letter dated January 29, 1998, a consultant hired by C&A to represent it on matters relating to our audit again stated that C&A’s actual mobilization costs on this contract were only \$2,488.65.

Regarding the payment terms for the mobilization costs, it appears that the terms of C&A's contract failed to provide adequate protection for the government. If the intention was to pay C&A for extra costs validly incurred under this contract, we believe that these charges should have been appropriately categorized as reimbursable costs. This arrangement should have given better protection to the government since payment would have been based on the presentation of actual documents.

Since C&A was not entitled to additional compensation for mobilization costs, as discussed above, it should pay back all of the payments it received for off-island mobilization totaling \$40,825.

Payments Made to C&A for a Fictitious Severance Survey

Although a severance survey was not necessary for the TRRP, C&A's proposal still included one. A severance survey later became part of the contract which was based exactly on C&A's total fee proposal. Our audit showed that C&A did not do any work on the severance survey, which was a required deliverable under its contract. Subsequently, C&A received full payment for the undelivered severance survey because it was included in the billing C&A submitted to the government for the entire contract price. Payment for this fictitious claim was approved by government officials despite the absence of evidence to show that C&A had actually performed a severance survey.

Severance Survey Work Not Performed

C&A submitted to TSD, on September 8, 1997, the field survey work for the TRRP covering San Jose Village. On October 27, 1997, it submitted the field survey work for the Marpo Heights Subdivision. Both transmittals included only the "as-built" survey maps with back-up copies in 3.5 floppy diskettes. The transmittals did not show either the submission of severance survey maps or the performance of a severance survey by C&A.

In an interview with C&A staff members on February 12, 1999, we were told that C&A did not conduct a severance survey for the TRRP. C&A's field surveyors assigned to this project confirmed that they did not do any severance survey in San Jose Village and Marpo Heights Subdivision, the area covered under the TRRP. In a separate interview, C&A's draftsman explained that a severance survey was not necessary in this instance because the roads covered by the TRRP had already been severed and the right-of-way already existed. The TSD Director also confirmed on March 12, 1999 that C&A did not perform a severance survey for the TRRP, and added that C&A's letter of February 11, 1999 had not mentioned any severance survey among the items it had submitted to TSD.

Payments Made to C&A

As of September 17, 1997 C&A had been fully paid the total contract price of \$229,438. The full payment of \$229,438, which cleared the bank as shown on the face of the cancelled checks, included the \$62,130 charge for the fictitious severance survey. Following is the summary of invoices by C&A and the corresponding check payments made by DOF for contract no. 300775:

Invoice Date	C&A's Invoice No.	Check Date	DOF Check Number	Check Amount
08/06/97	0479	08/08/97	508458	\$57,359.50
		08/15/97	508490	57,359.50
09/08/97	0481	09/12/97	5373	57,359.50
		09/17/97	5831	57,359.50
TOTAL PAYMENTS BY DOF				\$229,438.00

Additionally, these payments were made to C&A without deducting the 10 percent retainage required in the contract. Agencies normally retain a portion of the payment until full completion of the contract as a form of protection against work deficiencies. In this case, the government did not have such protection because it paid C&A the entire contract price without retaining 10 percent, which should have totaled \$22,944. Had this amount been retained, the improper payment to C&A could have been offset by the retainage, thereby reducing the government's loss exposure.

Failure or Want of Consideration

It is clear from our discussion above that C&A should pay back the \$62,130 it received from the government for the undelivered severance survey. 66 Am Jur 2d *Restitution*, § 147 (1973) states that "It is firmly established that money paid on a contract the consideration of which has failed may be recovered back..." 66 Am Jur 2d *Restitution*, § 148 (1973) likewise states that "The failure of consideration, which will warrant the recovery of payments made, may result from the fact that the other party refuses to perform the contract or cannot perform it. An action may be maintained to recover back money paid as the price ... of work done, when ... the work [is] not done,"

C&A's Subsequent Claim for the Cost of Digital Mapping

During the audit, C&A confirmed by letter dated January 29, 1998 that it did not produce any severance map because the existing roads did not infringe on private lands, and no private land acquisition was necessary for the road project. Although it acknowledged its failure to deliver the severance survey, C&A claimed that this overpayment offset a purported underpayment on the contract. C&A contends that its fee proposal inadvertently failed to provide for the cost of producing the digital map. It claimed to have spent \$86,880 for the hours spent by an independent contractor in producing the digital maps. This contractor purportedly spent a total of 1,448 hours at a rate of \$60 per hour.

We would like to point out that there was no requirement in the contract for the production of digital maps. Accordingly, the Government is not obliged to pay this additional cost. Since this is a land survey contract, it was understood that survey maps would be delivered based on the scope of work, but not necessarily in the digital format used by C&A. Any additional work under the contract, such as digital mapping, would have to be approved by the government. The changes clause of the contract states that “Any claim of the Contractor for adjustment under this clause must be asserted in writing within thirty (30) days...it shall be understood that all changes hereunder must be approved by the Contracting Officer...No services for which additional cost or fee will be charged by the Contractor shall be furnished without the prior written authorization...” Records show that a claim for the cost of digital mapping was never raised until after this audit was conducted, at which time C&A had been fully paid.

C&A cannot claim that it failed to consider the cost of producing the maps in its proposal. C&A agreed in its contract to deliver each survey work based on the amounts shown in the fee proposal (included in the contract as part of the scope of work). Besides, the claim is highly suspect inasmuch as it was only recently that C&A alleged an oversight on its fee proposal. If the oversight was a valid claim, C&A should have asked to correct its fee proposal prior to the execution of the contract, or it should have requested that its contract be either voided or amended if the alleged oversight was discovered only after the contract was executed.

Even if the claim had any basis, the \$86,880 cost of digital mapping for this survey work is unreasonably high, according to TSD. We asked the Highway Branch of TSD to analyze this claim and come up with an estimate of the number of hours that reasonably should have been incurred for the production of the digital maps. Based on TSD’s estimate, out of the 1,448 hours claimed by C&A, only about 136 hours reasonably would have been required to produce the digital maps. Also, we noted that the \$60 per hour rate being claimed by C&A is four times higher than the \$15 per hour cost stated in C&A’s proposal for mapping work. Besides, C&A’s claim for these digital maps was not supported by any documents to show actual payment of the cost to its purported contractor.

Accordingly, a reasonable estimate of the cost of the digital maps should have been around \$2,040, or 136 hours at the \$15 hourly rate stated in the proposal. Adding C&A’s charge for profit, tax, and overhead at 90 percent, the total cost for these digital maps should have been \$3,876, or \$2,040 plus \$1,836 (90 percent of \$2,040). Considering C&A’s actual submission of digital survey maps, the cost of these digital maps to the government should have been only about \$3,876, not \$86,880 as claimed by C&A.

Inflated Work Hours on the Other Land Survey Services

We also requested TSD’s Highway Branch to review C&A’s fee for the other land survey services covered in the contract, namely: horizontal/vertical control, centerline

stakeout, and as-built/spot elevation. Accordingly, the Highway Branch estimated the number of hours that C&A reasonably should have incurred on each of these land survey services. The Highway Branch estimated that the actual cost for these land survey services, based on the rates proposed by C&A, should have been only \$30,020. C&A’s proposal of \$95,475 for the three surveying services exceeded the Highway Branch’s estimate by \$65,455. Following is a comparison of the fees shown in C&A’s proposal with the Highway Branch estimate:

Particulars	C&A’s Proposal	TSD’s Estimate	Difference	Unit Rate	Amount
1.Horizontal/vertical control-crew -computation	25 days 220 hrs.	10 days 40 hrs.	15 days 180 hrs.	\$350 15	\$ 5,250 2,700
2.Centerline Stakeout- crew -computation	48 days 330 hrs.	15 days 40 hrs.	33 days 290 hrs.	350 15	11,550 4,350
3.As-Built/Spot Elevation-crew -computation	32 days 350 hrs.	15 days 40 hrs.	17 days 310 hrs.	350 15	5,950 4,650
Subtotal					34,450
Add: Profit, Tax, and Overhead (90 % of \$34,450)					31,005
Total					\$65,455

As shown in the table above, the number of hours or days proposed by C&A to do the horizontal/vertical control, centerline stakeout, and as-built/spot elevation was substantially higher than TSD’s estimate of the reasonable fee for these surveying services. This significant disparity shows that the fee proposal submitted by C&A was inflated to increase the fee beyond what reasonably should have been incurred for these types of surveying services.

As a matter of fairness, the \$65,455 overpayment could be reduced by the cost of digital maps delivered by C&A to the government. As stated in the immediately preceding section, the Highway Branch of TSD determined that the reasonable cost of these digital maps was around \$3,876. Therefore, the net overpayment from the inflated land survey services above would amount to \$61,579.

Improper Approval by Responsible Government Officials

This occurred because government officials approved C&A’s contract despite non-compliance with key provisions of the CNMI Procurement Regulations. Despite the CNMI-PR requirement for contract negotiations, responsible officials from DPW and P&S did not properly review C&A’s fee proposal prior to accepting and processing the land survey contract. These officials approved C&A’s contract although they failed to ensure that the contract price was fair and reasonable to the government.

According to the TSD Director, the fee proposal from C&A was merely accepted without proper review and without negotiation. As stewards of public funds, government agencies should ensure that public funds are not wasted on inflated contract prices. In that regard, government officials must ensure that the fees agreed to in government contracts are fair, reasonable, and correspond to the expected actual work.

Improper Payment Approvals by DPW

Also, the overpayment on the land survey contract was made possible because payments were made to C&A without ensuring that only those items of work actually completed were approved for payment. For instance, the payment of \$62,130 to C&A for undelivered work occurred because DPW failed to properly review the billings and approve payment for only the work actually performed by C&A. DPW officials approved the payment of C&A's invoices even when it was obvious that they appeared improper. Although the processing of C&A's contract was completed on August 5, 1997, the first billing was submitted by C&A only two days later for \$114,719 representing 50% of the contract price. Article 4(B)(1) of the contract provided that C&A would invoice the Government during the course of the work for all payments due at the end of each four-week accounting period, based upon the physical completion of the work. Unless C&A started the work considerably before the execution of its contract, the billing could not possibly correspond to any completed work.

Need to Recover Overpayment on C&A's Contract

As a result, C&A received excessive payments from the government estimated at around \$164,534, consisting of:

- a. \$40,825 of mobilization costs which were improperly charged to C&A's land survey contract.
- b. \$62,130 for a severance survey which C&A did not perform at all.
- c. \$61,579 of net overstatement from inflated work hours for three other land surveying services covered in C&A's contract.

These overpayments should be recovered by the CNMI Government since they represent an excess over what C&A actually delivered under its contract. The CNMI government may initiate legal action in the Superior Court for the recovery of these improper payments to C&A, unless restitution to the CNMI government is made through the Federal Court in the mail fraud case in which the principal surveyor of C&A has already pleaded guilty (see "D. Other Matters" on page 24 of this report). Additionally, as shown in the next audit finding (finding C), C&A's contract could be invalid for failure to comply with the CNMI Procurement Regulations. Therefore, recovery of the whole contract price of \$229,438 on the basis that C&A's

contract was invalid may be undertaken in lieu of the approach taken above where recovery would be based on the overpayments made to C&A.

Subsequent Events

On March 12, 1999, OPA auditors met with the TSD Director to discuss the preliminary audit findings. During the meeting, the TSD Director agreed with the findings and stated that DPW will act on these findings as soon as possible. On March 22, 1999, the TSD Director sent a memorandum to the Director of Procurement and Supply (see Appendix J) to inform him of the undelivered severance survey preliminarily computed at \$53,580³. In this memorandum, the TSD Director requested the assistance of the P&S Director in recovering the improper payment to C&A.

In the same March 22 letter to the P&S Director, the TSD Director also requested assistance in recovering the \$40,825 off-island mobilization fee (see Appendix J) citing as reasons that these costs were not fully supported by any documents and some were not actually incurred.

Conclusion and Recommendations

Fees paid on government contracts should be fair and reasonable and should not be inflated with fictitious charges. Our audit showed, however, that C&A's contract price was not fair and reasonable as it was based on a grossly inflated fee proposal, which resulted in C&A receiving excessive payments from the government estimated at \$164,534. This occurred because C&A's contract was approved by government officials despite non-compliance with key provisions of the CNMI Procurement Regulations, and payments were made to C&A without ensuring that only those items of work actually completed were approved for payment.

Accordingly, we recommend that the Secretary of Finance:

4. Take adverse action against C&A for misrepresenting to the government that it had performed all the work required under its contract and for receiving

³ This amount was less than the \$62,130 severance survey cost stated in this report because in the preliminary computation of \$53,580, the \$6,300 mapping cost under the severance survey was pro-rated among the survey items based on the "computation" hours, as follows:

Controls (\$6,300 x 220/1,260hours)	\$ 1,100.00
Centerline Stakeout (\$6,300 x 330/1,260hours)	1,650.00
As-built/Spot Elevation \$6,300 x 350/1,260hours	1,750.00
Severance \$6,300 x 360/1,260hours	<u>1,800.00</u>
Total Cost of Mapping	<u>\$ 6,300.00</u>

Since the first three items above totaling \$4,500 were allocated to the other surveying services, the preliminary computation of the severance survey cost was lower by this amount plus the 90 percent charge for profit, tax, and overhead, or a total difference of \$8,550. Nevertheless, such preliminary computation is no longer applicable as we have already established the entire \$62,130 as an overpayment to C&A.

payment for work which it failed to do, including the debarment of C&A from participating in future government solicitations.

5. Continue to take necessary steps to recover the \$164,534 improper payments made to C&A, unless restitution to the CNMI Government is made in the Federal Court mail fraud case. Recovery efforts should be coordinated with the Attorney General's Office. In implementing this recommendation, recovery of the whole contract price of \$229,438 on the basis that C&A's contract was invalid as discussed in the next finding may be undertaken in lieu of the approach taken above where recovery would be based on the overpayments made to C&A.

Department of Finance Response

The Secretary of Finance issued a memorandum dated March 12, 2000 requesting the Attorney General's Office to render an opinion on whether a notice of debarment can be issued in this case. The Finance Secretary stated that her office will act accordingly upon receipt of the AGO's response. In the same memorandum, the Finance Secretary requested AGO's assistance in getting information on the federal court case involving C&A's contract. The Finance Secretary stated that her office will proceed with Recommendation 5 upon rendering of the court decision in the federal case.

OPA Comments

We consider Recommendation 4 resolved and Recommendation 5 open. The additional information or action required to close Recommendations 4 and 5 is presented in Appendix N.

C. C&A's Land Survey Contract Failed to Comply with the CNMI Procurement Regulations

C&A's land survey contract could be invalid since the award of this contract was not made in compliance with the CNMI-PR.

The CNMI Procurement Regulations (CNMI-PR) state the policy of publicly announcing all requirements for architect-engineer services. Our audit showed, however, that the land survey contract for the TRRP was not announced to other prospective proposers, and C&A was awarded the contract without the benefit of competition from other qualified land surveyors. This occurred because the P&S Director failed to ensure that the land survey contract awarded to C&A complied with the public announcement requirement of the CNMI-PR. As a result, the failure to comply with the CNMI-PR could render C&A's contract invalid, and recovery from C&A for payments totaling \$229,438 is warranted.

Requirement for Competition under the CNMI-PR

CNMI-PR Section 4-102 sets forth the policy of publicly announcing all requirements for architect-engineer services. This is in line with one of the stated purposes of the CNMI-PR which is to foster effective broad-based competition within the free enterprise system. Although the CNMI-PR does not provide the specific services covered under "architect-engineer" services, survey services can be considered under this definition based on guidelines available from other jurisdictions. The U.S. Federal Acquisition Regulations (FAR) subpart 36.102 defines "architect-engineer services" to include other professional services of an architectural or engineering nature, or incidental services, which members of the architectural and engineering professions (and individuals in their employ) may logically or justifiably perform, including studies, investigations, survey and mapping, and other related services.

Survey Work on the TRRP Not Publicly Announced

Our review showed that the scope of work described in C&A's contract pertained to the TVRIP, the predecessor of the TRRP. This earlier road project covered a wider scope than the TRRP. On June 2, 1997, the original full reconstruction project of Tinian roads under the TVRIP was revised and changed to a mere resurfacing and paving of the existing eight miles of roads. Accordingly, the RFP for the A&E design and survey services under the TVRIP was canceled on June 4, 1997 since these were no longer needed for the resurfacing project under the TRRP.

In implementing the TRRP, DPW published a new RFP for the asphalt paving and awarded a contract to Hawaiian Rock Products Corp. (HRPC) based on this solicitation. However, no new RFP was issued for the survey services needed for the TRRP. C&A's previous selection as surveyor for the TVRIP was merely reinstated for the TRRP, and the company was awarded the new land survey contract

based on its revised fee proposal submitted to DPW. C&A was allowed to submit a revised proposal fee based on what it stated as revised requirements (there was no record of revised survey requirements set forth for the TRRP). No other firms were asked to submit new proposals or revise their earlier proposals. Accordingly, C&A was awarded the land survey contract without the benefit of competition from other qualified land surveyors.

The contract price was a revised version of C&A's original fee proposal for the TVRIP. C&A proposed to do almost the same survey work it had earlier proposed for the TVRIP for a reduced total price of \$229,438. A severance survey, which was included in C&A's proposal for the TVRIP, was again included in C&A's later proposal for the TRRP even though the latter did not involve any land acquisition.

We believe that it was not proper to base a contract award on the reinstatement of a previously canceled RFP where the requirements had significantly changed. It also prevented fair competition by limiting the choice to only one firm when there were other qualified firms. Since an RFP was issued for the road paving work, there is no reason why the land survey work for the TRRP could not have been published and announced for competition.

Noncompliance with the CNMI-PR

This occurred because the P&S Director, whose duty is to oversee the implementation of the CNMI-PR, failed to ensure that the land survey contract awarded to C&A complied with applicable provisions of the CNMI-PR.

As a result, the failure to comply with the CNMI-PR could render C&A's contract invalid. Section 1-301 provides that no government contract shall be valid unless it complies with the CNMI-PR. Should C&A's contract be determined invalid (judicially or otherwise), the company can be required to return all payments it received from the CNMI government. Recovery of the whole contract price of \$229,438 on the basis that C&A's contract was invalid may be undertaken in lieu of the approach taken under finding B where recovery would be based on the overpayments made to C&A.

Conclusion and Recommendations

Land survey services for the TRRP were not announced to prospective proposers and C&A was awarded a \$229,438 land survey contract for the TRRP without the benefit of competition, in violation of the CNMI-PR. This occurred because the P&S Director failed to ensure that the land survey contract awarded to C&A complied with applicable provisions of the CNMI-PR.

Accordingly, we recommend that the Secretary of Finance:

6. Issue a memorandum to the P&S Director requiring him to enforce compliance with procurement regulations for the publication of all government requirements for goods and services, and for the promotion of competition as a basis for selection of contractors.

Department of Finance Response

The Secretary of Finance issued a memorandum to the P&S Director on March 12, 2000 directing him to require that government agencies comply with the procurement regulations concerning publication of the government's procurement of goods and services. The memorandum also asked the P&S Director to remind his staff to be cognizant of and enforce all provisions of the procurement regulations.

OPA Comment

We consider Recommendation 6 closed.

D. OTHER MATTERS

During our audit, some information that came to our attention pertaining to C&A's contract was either incomplete or unclear. Accordingly, on February 4, 1999, we requested OPA's Investigations Unit to assist the auditors in getting information needed to complete the audit. Since C&A's land survey contract was funded by Federal money administered by OIA, the matter was subsequently referred to Federal investigators who then pursued further investigation of the contract, including interviews with the contractor, government officials, and other knowledgeable persons.

Result of the Investigation

The investigation of C&A's land survey contract led to the filing of criminal case no. 99-00052 in the U.S. District Court against Candido Castro, C&A's Principal Surveyor, for violation of Title 18 United States Code Sections 2 and 1341 (mail fraud). On November 19, 1999, Castro entered into a plea agreement with the U.S. Attorney, agreeing to waive indictment by a Grand Jury and plead guilty to the charge of mail fraud. In the same plea agreement, Castro admitted the following allegations:

1. Beginning about May 1997 and continuing through September 1997, Candido Castro (Castro) knowingly, intentionally, and unlawfully devised a scheme and plan to defraud the citizens of the CNMI government and to obtain money from the latter by means of false and fraudulent pretenses, representations, and promises (collectively referred to as "the scheme").
2. On or about July 7, 1997, in furtherance of and for the purpose of executing the scheme and plan, Castro knowingly caused the CNMI government to send a letter through the U.S. Postal Service to the U.S. Department of Interior, Office of Insular Affairs, which enclosed a copy of an inflated fee proposal, described in the "Information" filed in this case as follows:

"It was part of the scheme that on or about June 30, 1997, CANDIDO CASTRO submitted a \$229,438 fee proposal to the CNMI government in relation to a Tinian road survey project. CANDIDO CASTRO knew that he had obtained the government road survey project illegally, he knew that the \$229,438 fee proposal was grossly inflated, and he knew that the fee proposal misinterpreted the true nature of the work that CANDIDO CASTRO intended to perform, which was significantly less than that represented by the proposal."

The plea agreement showed that C&A indeed submitted a grossly inflated fee proposal for the survey work on the TRRP. The overpriced fee proposal was not a mere oversight because C&A's Principal Surveyor knew that the \$229,438 fee proposal was grossly inflated, and knew that the fee proposal misinterpreted the true nature of the work that C&A intended to perform.

Bribes Paid to the Former Tinian Mayor

Interviews conducted by investigators with the former Tinian Mayor showed that a total of \$14,000 was paid by Castro to the former Mayor in connection with Castro getting the Tinian road survey contract. The \$14,000 bribe to the former Tinian Mayor consisted of:

1. Cash amounting to \$7,000 given by Castro sometime in 1995-96 for steering the Tinian Road Improvement Project (TRIP) to him. The TRIP was the original road construction project that was later changed to a road resurfacing under the TRRP.
2. Cash amounting to \$7,000 that Castro paid sometime in 1997 for obtaining reinstatement of the land survey work for the TRRP.

Later in 1997, Castro agreed to pay the former Tinian Mayor another \$7,000 (or more) if he could obtain a change order increasing the value of Castro's land survey contract. However, a change order was never approved and the promised bribe was never paid.

HISTORY OF THE SOURCE OF FUNDING FOR THE TRRP

The land survey contract for the TRRP was funded under Public Law (P.L.) 9-24 which appropriated the Covenant funds made available by the U.S. Congress for FY 1994. Under the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (Covenant), the Commonwealth of the Northern Mariana Islands (CNMI) was guaranteed multi-year direct grant assistance by the U.S. Government. When the second period of assistance expired at the end of fiscal year 1992, representatives from the CNMI and the U.S. Government (Special Representatives) signed an agreement⁴ on December 17, 1992 in which the U.S. Government pledged the full faith and credit of the United States to the appropriation of \$120 million in capital development funding according to a specified schedule. The schedule provided \$120 million in Federal funds (also called 702 Covenant funds) and an equal amount of local matching funds, or a total capital development fund of \$240 million for fiscal years 1994 to 2000. These funds were spread over a period of seven years, with the Federal funds decreasing annually from the first to the seventh year and the local matching funds increasing annually over the same period.

Subsequently, on November 11, 1993, U.S. Public Law 103-138 was enacted to provide appropriations for the Department of Interior (DOI) and related agencies for fiscal year ending September 30, 1994. This appropriation included the Federal share of Covenant funding according to the terms of the Special Representatives' agreement on future U.S. financial assistance to the CNMI. In accordance with departmental regulations, the DOI Assistant Secretary for Territorial and International Affairs issued a grant award to the CNMI on January 26, 1994 for \$24.72 million representing the Federal share for fiscal year 1994 as authorized under Public Law 103-138.

The terms and conditions of the fiscal year 1994 grant award require that the Federal funds be matched by a contribution of \$9,000,000 provided by the CNMI which must consist of non-Federal funds appropriated by the CNMI Legislature. It also requires that the CNMI present a list of projects to which the combined Federal and Commonwealth contributions shall be dedicated. Financing for each project will be shared between the Federal and CNMI contributions in the ratio of 73.3 to 26.7 percent, respectively.

Appropriation by the CNMI Legislature

On January 24, 1995, the Ninth CNMI Legislature passed P.L. 9-24, the Special Capital Improvement Projects Appropriation Act of 1995. The Act appropriated available funds for capital improvement projects (CIP) for the Commonwealth totaling \$33.72 million, consisting of \$24.72 million in covenant funding earlier awarded by the Federal Government, and \$9 million in local matching funds derived from bond interest deposited in the Bank of Guam. The \$33.72 million was distributed among the CNMI's three senatorial districts as follows: \$5,300,000 to the first senatorial district; \$5,275,000 to

⁴ The Covenant provides that at least one year prior to the expiration of the period of financial assistance, special representatives will be appointed to consider and to make recommendations regarding future multi-year financial assistance to the CNMI.

the second senatorial district, and \$23,145,000 to the third senatorial district. As stated in P.L. 9-24, these funds were to be used for the design and construction of sewer, water, road, storm drain, and other infrastructure projects in these districts.

On May 3, 1995, after the enactment of P.L. 9-24, the former Governor submitted to the DOI Assistant Secretary for Territorial and International Affairs a comprehensive list⁵ of projects to be funded from the covenant funds, as required by the terms and conditions of DOI's Fiscal Year 1994 grant. This list included projects for the island of Tinian (second senatorial district) consisting of six water improvement projects and architect-engineering (A&E) design of various sewer projects totaling \$5.3 million. After receiving CNMI's list of projects, the Office of Territorial and International Affairs (OTIA) informed the former Governor on May 3, 1995 that OTIA could begin accepting individual project documents for review.

Funding for a Road Project in Tinian

On January 25, 1996, after the list of projects was submitted to OTIA, the former Mayor of Tinian together with five members of the Tinian Joint Legislative Delegation (TJLD) requested the Office of the Governor to set aside \$2,000,000 from the CIP funds appropriated under P.L. 9-24 for a road project in Tinian. They also stated that the surveying services for this road project was awarded to a local surveyor, Castro & Associates, and the A&E design was awarded to another company.

However, when the Department of Public Works (DPW) was about to award the land survey and A&E contracts, it was found that no funds from P.L. 9-24 were earmarked for a road project on Tinian. DPW then suggested that the OTIA project list for Tinian be modified by the TJLD to include the road project. Additionally, DPW suggested that the expenditure authority for CIP projects appropriated under P.L. 9-24 be delegated to the DPW Secretary, in consultation with the Mayor of Tinian, in order to expedite the approval and implementation of the projects.

On October 1, 1996, the TJLD passed Resolution 10-02, (see Appendix B) which approved \$2,275,000 for the design and construction of the road project. The resolution was submitted to OTIA, now the Office of Insular Affairs (OIA), on October 16, 1996. Resolution 10-02 delegated expenditure authority to the DPW Secretary with the consent of the Mayor of Tinian. On October 25, 1996, an OIA-Saipan employee stated that OIA took note of these changes, but project documents must be submitted to OIA (thru the DPW 702 CIP Coordinator) for its review and approval.

⁵ In past years, the former Planning and Budget Office (now Office of Management and Budget (OMB)) requested from each department and agency a list of needed CIP projects. For Rota and Tinian, the respective Mayor's office submitted this list. The list included a narrative description of each project as well as a preliminary cost estimate. The Governor's Office examined all the projects submitted for the particular fiscal year and determined priority projects given the available 702 Covenant funding. A recommended list of priority projects as approved by the Governor was then sent to the Legislature for a CIP appropriations bill. After passage, a copy of the appropriation act which listed each individual project was forwarded to the Office of Territorial and International Affairs (OTIA). For fiscal year 1994, however, the procedure was slightly different because a detailed list of projects was finalized after the enactment of the appropriation act which had only authorized distribution of the funds to the senatorial districts and the general project categories for which the funds would be spent.

Submission of Project Documents to OIA

On November 19, 1996, DPW sent to OIA the required project submittal and necessary information on the survey work and A&E design for the road project then known as the Tinian Village Road Improvement Project (TVRIP). Appendix C shows a vicinity map of this project. On December 11, 1996, however, OIA informed the former DPW Secretary that the submittal did not meet the grant terms due to lack of a full project scope. OIA explained that the specified budget was clearly insufficient to construct twelve miles of paved road.

On February 3, 1997, DPW sent additional documents to OIA showing that Castro & Associates (C&A) proposed \$386,700 and SSFM Engineers, Inc. proposed \$358,438 for the land survey and design of the road, respectively. These two contractors were selected through Request for Proposals (RFP) No. DPW95-RFP-00322⁶ (see Appendix D). But since the documents submitted to OIA showed a total estimated construction cost of \$7,062,000, OIA again informed DPW's 702 Coordinator, on February 19, 1997, that the TVRIP could not be approved because there were no available funds for the total construction cost.

The Tinian Road Resurfacing Project (TRRP)

Because of the absence of available funds for the TVRIP, the road project was changed from a road reconstruction to a road resurfacing project. The TVRIP was then replaced by a road paving project called the Tinian Road Resurfacing Project (TRRP). The TRRP covered the asphalt resurfacing of eight miles of existing roadways in San Jose Village and the main road from San Jose to Marpo Heights, ending at the Carolinas Heights entrance.

DPW then submitted to OIA the required documentation for the TRRP, including the project budget of \$3,175,000⁷, which was allocated mainly to paving (resurfacing). *No A&E design nor land survey costs were allocated from the budget.* On June 20, 1997, OIA concurred in the plans submitted for the TRRP.




⁶ DPW prepared RFP No. DPW95-RFP-00322 which solicited proposals from qualified surveying firms and A&E design firms to perform survey, engineering and design services, respectively, for the San Jose Village road project. RFP announcements were published in local newspapers at various times from April 10 to 21, 1995. The RFP stated that the survey work consisted of topographic and as-built surveys, cadastral surveys, and preparation of severance maps, while the A&E design work consisted of soil investigation (where necessary), road structural section design recommendations, asphalt concrete overlay or road reconstruction design (as appropriate), drainage system and other engineering and design services as required for a complete and usable facility. The proposal evaluation committee, on August 28, 1995, determined that SSFM Engineers, Inc. had the most acceptable A&E design proposal, and Castro & Associates was selected as contractor for surveying services because of its recent work on the Tinian High School project and its computer aided design (CAD) capability.

⁷ On November 22, 1996, the Tenth CNMI Legislature passed P.L. 10-38, the appropriation covering the second annual funding of the existing seven-year covenant funds. From the total appropriated funds of \$31,867,000, Tinian was allocated a total of \$3,983,375 consisting of \$1,000,000 for sewer projects and \$900,000 for road paving and drainage, among other infrastructure projects. As shown in the documents submitted to OIA, a total of \$900,000 was taken from P.L. 10-38 to supplement the original budget of \$2.275 million previously available for the TVRIP, the predecessor of the TRRP. Total budget for the TRRP thus became \$3,175,000.

TJLD RESOLUTION NO. 10-02

RESOLUTION NO. 10-02

INTRODUCED BY
 Joaquin G. Adriano
 Henry DLG. San Nicolas
 David B. Cing
 Esteven M. King

TINIAN JOINT DELEGATION

A RESOLUTION
 RELATIVE TO AUTHORIZING THE SECRETARY OF THE
 DEPARTMENT OF PUBLIC WORKS TO EXPEDITE THE
 IMPLEMENTATION OF THE SAN JOSE VILLAGE ROADS PROJECT
 FUNDED UNDER FY 1994 702 CIP (P. L. 9-24)

WHEREAS, certain Capital Improvement Projects were funded under FY 1994 702 CIP (P. L. 9-24) allocations for Tinian; and

WHEREAS, the Tinian Joint Legislative Delegation has approved \$2,275,000 for the design and construction of the San Jose Village Roads Project for Tinian; and

WHEREAS, this project is badly needed to help build the infrastructure of Tinian; and

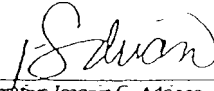
WHEREAS, in order to expedite the approval and implementation of this project, the Secretary of the Department of Public Works should be delegated the authority over this project.


NOW THEREFORE, BE IT RESOLVED BY THE TINIAN JOINT LEGISLATIVE DELEGATION, that the Secretary of the Department of Public Works, with the consent of the Mayor of Tinian, is hereby authorized to expedite the implementation of the San Jose Village Roads Project funded under FY 1994 702 Capital Improvement Projects (P. L. 9-24) and that this project be substituted for those certain projects identified in Appendix A attached hereto and made a part of this Resolution.


BE IT FURTHER RESOLVED, that the Chairman of the Tinian Joint Legislative Delegation, Representative Joaquin G. Adriano, shall certify and the Secretary, Senator David M. Cing, attest to the adoption of this Resolution and thereafter transmit certified copies to The Secretary of Public Works, Mr. Edward Deleon Guerrero, The Mayor of Tinian and Agupuan, the Honorable Herman M. Mangiona, the Resident Director of Public Works, Tinian, Mr. Gabriel DLC Evangelista.

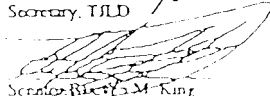
APPROVED ON THIS 19th DAY OF Oct 1996

Attested by

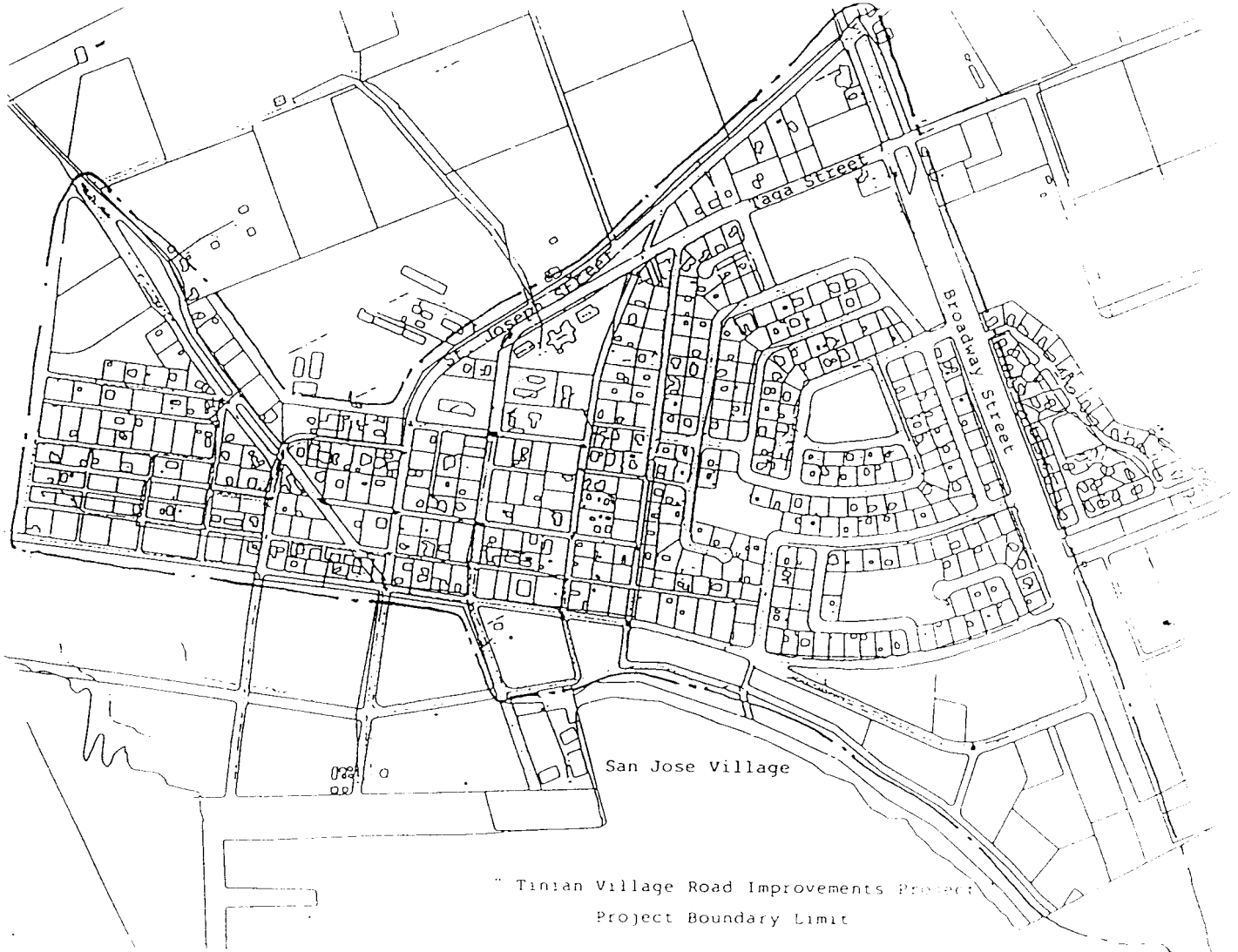

 Representative Joaquin G. Adriano
 Chairman, TJLD


 Senator David M. Cing
 Secretary, TJLD


 Senator Henry DLG. San Nicolas
 Vice-Chairman, TJLD


 Senator Esteven M. King
 Member, TJLD

TINIAN VILLAGE ROAD IMPROVEMENT PROJECT ORIGINAL PROJECT BOUNDARY





Commonwealth of the Northern Mariana Islands
Office of the Secretary of Public Works

Saipan, Mariana Islands 96950

☎: (670) 322-9482/9570
☎: (670) 322-3547

REQUEST FOR PROPOSAL
DPW95-RFP-00322

The Department of Public Works, Technical Services Division is soliciting proposals from qualified Surveying Firms and A/E Design firm to perform survey, engineering and design services respectively for Tinian Village Road Improvement, Tinian

A. SURVEY WORKS:

The Surveying Firm shall provide topographic as necessary and as-built surveys. The survey shall also include to conduct cadastral surveys and prepare severance maps necessary for the acquisition of land required for implementation of the project.

B. A/E ENGINEERING & DESIGN WORKS:

The A/E Consulting Firm shall provide soil investigation where necessary road structural section design recommendations, asphalt concrete overlay or road reconstruction design as appropriate, drainage system to include final disposal, utilities adjustment design and other engineering and design services as required for a complete and usable facility

The evaluation of qualifications and proposals will be based on the following factors included but not limited to

1. Recent experience with project of similar size and scope,
2. Past record of performance on contract with the CNMI and other public and private agencies, in terms of quality of works, ability to meet schedules, cooperation and responsiveness to clients needs,
3. The firm's capacity to perform the work within the time limitation,
4. The firm's methodology or approach for addressing the scope of work, and
5. The firm's project staff, their assignments and summary of expertise which would enable to have satisfactory completion of the scope of work

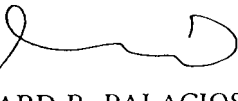
The Scope of Work can be obtained on or after April 11, 1995, at the Technical Services Division, Department of Public Works, Lower Base, Saipan

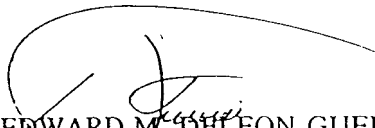
Survey work and A/E will be treated as two separate proposals independent of each other

Request for Proposal
Tinian Village Road Improvement
April 04, 1995
Page 2

Interested firms must submit SF-254 and SF-255 and other relevant materials in quadruplicate to the office of the Director, Division of Procurement and Supply at Lower Base, Saipan, CNMI no later than April 27, 1995 at 2:30 p.m.

The Government reserves the right to reject any or all proposals in the interest of the Government. For further information, contact the office of the Mayor, Tinian and Aguiguan at telephone numbers 433-9231, 433-9268 or 433-9269.


EDWARD B. PALACIOS
Director, Division of Procurement & Supply


EDWARD M. DELEON GUERRERO
Acting Secretary of Public Works

Date: 4/07/95

Date: 4/4/95

NOTICE OF CANCELLATION OF DPW95-RFP-00322



Commonwealth of the Northern Mariana Islands
Office of the Secretary of Public Works

Saipan, Mariana Islands 96950

Tel: (670) 322-9482/9570
Fax: (670) 322-3547

June 04, 1997
Serial No. PW50321

Mr. Candido L Castro
Principal Surveyor
Castro & Associates
PPP 377 Box 10000
Saipan, MP 96950

Subject: Tinian Village Road Improvement Project; DPW95-RFP-00322

Dear Mr. Castro:

This is to notify you that the Survey and Engineering Design of Tinian Village Road Improvement Project under Request for Proposal DPW95-RFP-00322 has been canceled pursuant to CNMI Procurement Regulations, Subsections 3-201 (2) - scope of work which has been revised, (3) - services being procured which are no longer required, and (8) - cancellation is determined to be in the best interest of the government.

The reason for this cancellation is that the project has been revised to accommodate funding requirements. Under the revised project, survey and design work is no longer needed. This project will be re-advertised under a new Request for Proposals.

We thank you for your interest in this project and we hope you will continue to participate in future government Request for Proposals.

Sincerely,


EDWARD M. DELEON GUERRERO

cc: Special Assistant for Programs
Director, Technical Services Division
Tinian Legislative Delegation
Mayor of Tinian

TINIAN VILLAGE ROAD IMPROVEMENT PROJECT
SCOPE OF WORK FOR LAND SURVEY SERVICES



Commonwealth of the Northern Mariana Islands
Office of the Secretary of Public Works

Saipan, Mariana Islands 96950

☎Tel: (670) 322-9482/9570
☎Fax: (670) 322-3547

SCOPE OF WORK
Surveying Services
for
Tinian Village Road Improvement

I. INTENT

It is the intent of the scope of work to provide for surveying services for the improvement of Tinian Village Road, satisfactory to the CNMI Lands & Survey and Department of Public Works.

II. PROJECT LOCATION AND LIMITS

To be determined by Tinian Mayor's Office and Tinian Public Works

III. ITEMS OF WORK

The Consultant shall provide the following services:

1. Complete field survey of the project area based on the Mariana Islands District Coordinate System of 1966.
2. Complete compilation and/or preparation of severance survey and mapping as necessary to acquire land for the construction of improvement on this project in accordance with the requirements of the Department of Public Works, the Lands and Survey Division of the Department of Lands and Natural Resources and the Division of Public Lands (former MPLC).
3. Topographic where required and as-built surveys and mapping in sufficient detail for design of asphalt concrete or reconstruction work, or widening of the roadway including necessary roadside drainage facilities and adjustment of existing utilities. Such surveys shall document the following which may affect or be affected by the construction of roadway improvements


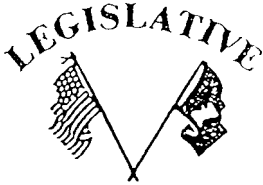

Tinian Road Improvement
Surveying Services
Page 2

- a) Location of power poles, telephone boxes, trees and other features; and
 - b) Location, top and invert elevation of utility covers, catch basins, manholes, drainage structures and other structures.
4. Cross-section of every 50 feet intervals or at closed intervals where necessary. Indicate elevation at center line, edge of existing pavement where applicable, existing swale and/or drainage system and at 5 feet interval to and at the right-of-way. Use a horizontal scale of 1" = 10' and a vertical scale of 1" = 5' or as approved by Public Works.
 5. Limits of topographic and As-built survey shall be extended 25 feet beyond the proposed/established Right-of-Way.
 6. Complete plans and profiles of existing roadway.
 7. Plans in the metric system

TJLD RESOLUTION NO. 10-12

Rep. Joaquin Adriano
Sen. David Cing
INTRODUCED BY Sen. Esteven King

RESOLUTION NO. 10-12

TINIAN JOINT DELEGATION

A RESOLUTION

RELATIVE TO AUTHORIZING THE SECRETARY OF THE DEPARTMENT OF PUBLIC WORKS TO REPROGRAM ALL UNOBLIGATED CIP FUNDS AND TO USE SAID FUNDS FOR THE IMPLEMENTATION OF THE TINIAN ROAD RESURFACING PROJECT AND SURVEY

WHEREAS, certain Capital Improvement Projects were funded under prior 702 CIP allocations for Tinian, and

WHEREAS, the Tinian Road Resurfacing Project is urgently needed to help build the infrastructure of Tinian, and


WHEREAS, in order to expedite the approval and implementation of this project, the Secretary of the Department of Public Works should be delegated the authority over this project

NOW THEREFORE, BE IT RESOLVED BY THE TINIAN JOINT LEGISLATIVE DELEGATION that the Secretary of the Department of Public Works, in consultation with the Mayor of Tinian, is hereby authorized to reprogram all unobligated CIP funds and all remaining funds from any previous CIP projects which have been completed. These funds are to be used for the implementation of the Tinian Road Resurfacing Project, to include but not limited to, general survey and other requirements

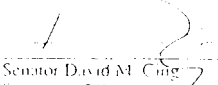
BE IT FURTHER RESOLVED, that the Chairman of the Tinian Joint Legislative Delegation, Representative Joaquin G. Adriano, shall certify and the Secretary, Senator David M. Cing, attest to the adoption of this Resolution and thereafter transmit certified copies to: The Honorable Froilan C. Tenorio, Governor of the Commonwealth of the Northern Mariana Islands; Mr. Steve Lemieux, Governor's Representative for 702 CIP; Mr. Edward Deleon Guerrero, the Secretary of Public Works; the Honorable Herman M. Manglona, the Mayor of Tinian and Aguiangan, and Mr. Gabriel DLC Evangelista, the Resident Director of Public Works, Tinian

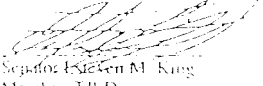
APPROVED ON THIS 3rd DAY OF April 1997

Attested by


Representative Joaquin G. Adriano
Chairman, TJLD

Senator Henry DLG. San Nicolas
Vice Chairman, TJLD


Senator David M. Cing
Secretary, TJLD


Senator Esteven M. King
Member, TJLD



Commonwealth of the Northern Mariana Islands
Office of the Secretary of Public Works

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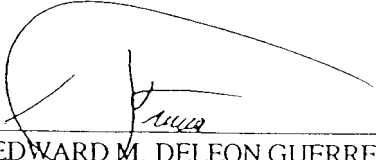
RIGHT-OF-WAY CERTIFICATION

San Jose Village Road Project
Carolina Heights Road Project

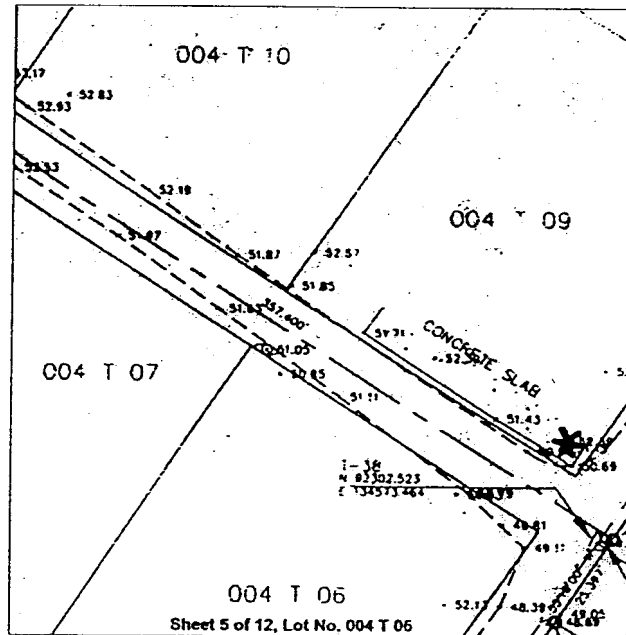
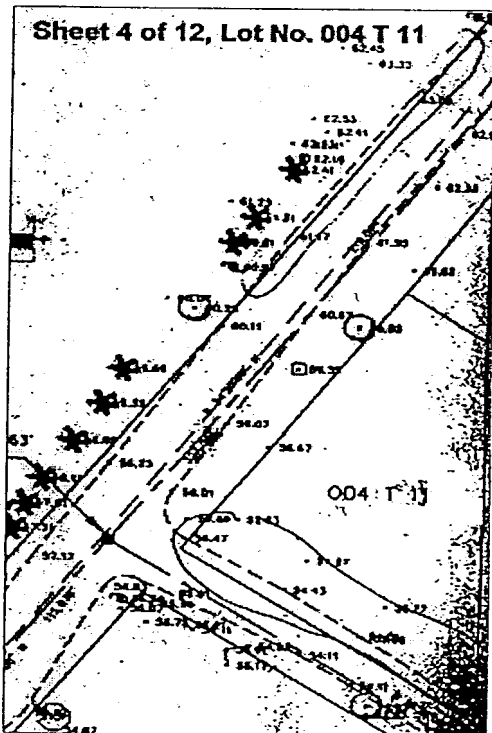
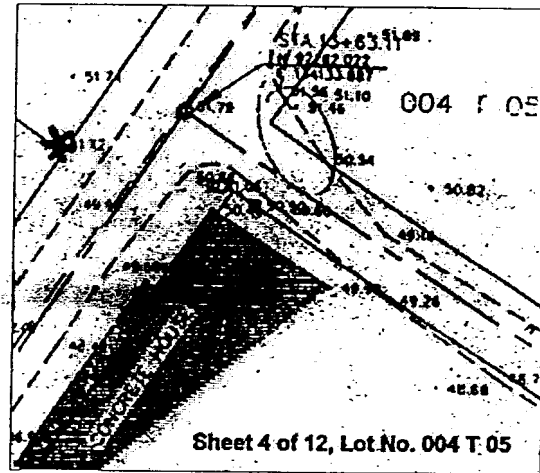
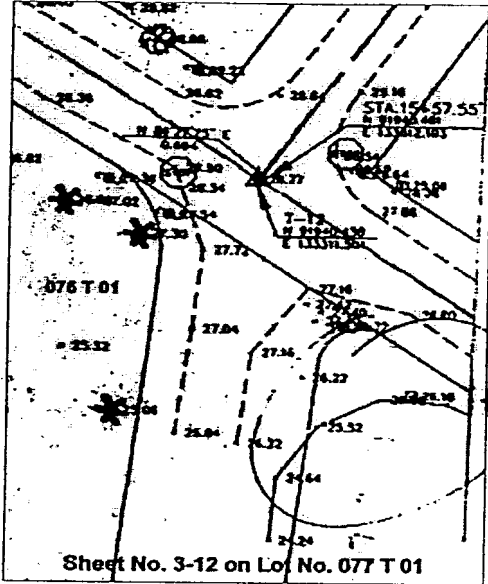
I have reviewed the subdivision maps prepared by the Department of Natural Resources, Division of Public Lands, for **SAN JOSE VILLAGE** and **CAROLINA HEIGHTS** on the Island of Tinian, Commonwealth of the Northern Mariana Islands (CNMI). In addition, I have reviewed the rights-of-way of various interconnecting access roads as shown on the maps submitted by the Department of Public Works. Pursuant to 2 CMC, Division 4, Article 3, Public Roads, the Department of Public Works has jurisdiction over construction within public road rights-of-way in the CNMI.

Based on the said map review, I hereby certify that the existing roadways to be resurfaced lie within the rights-of-way and easements owned by the Government of the CNMI. The CNMI Government has the legal authority for use of the land upon which the proposed road project is to be constructed.

Dated this 02 day of June, 1997.

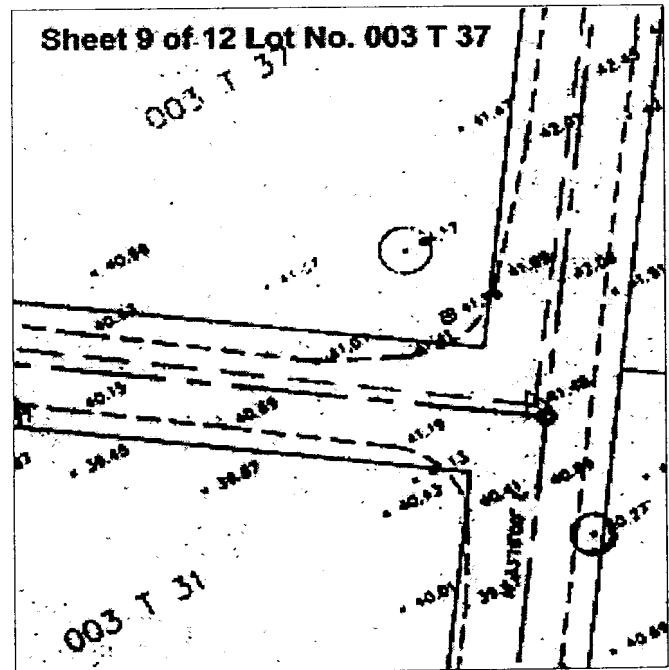
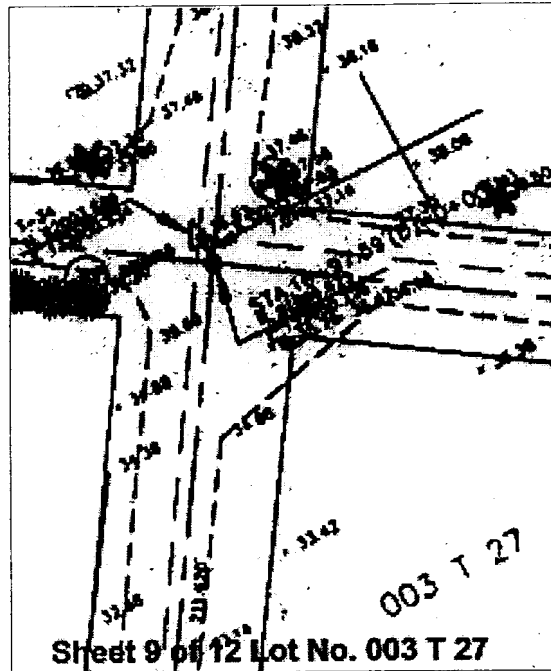
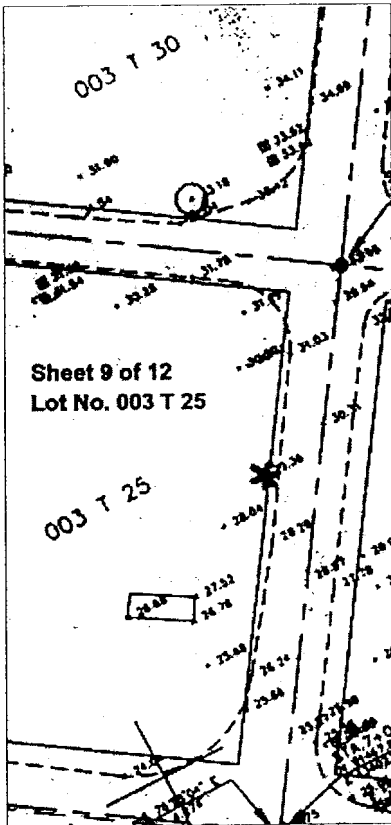

EDWARD M. DELEON GUERRERO
Secretary of Public Works

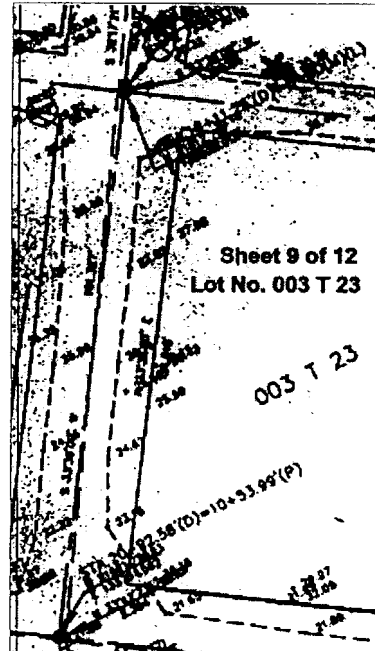
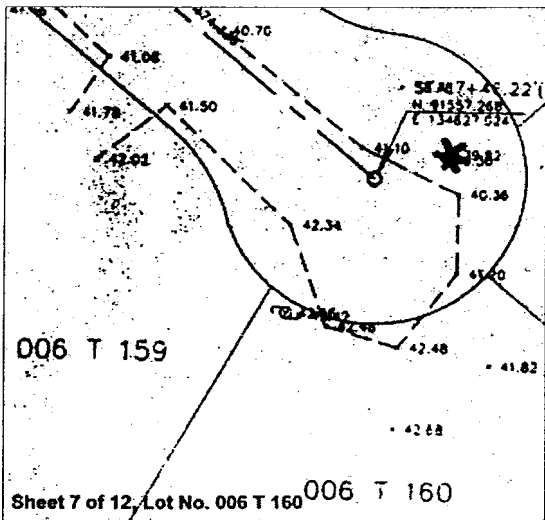
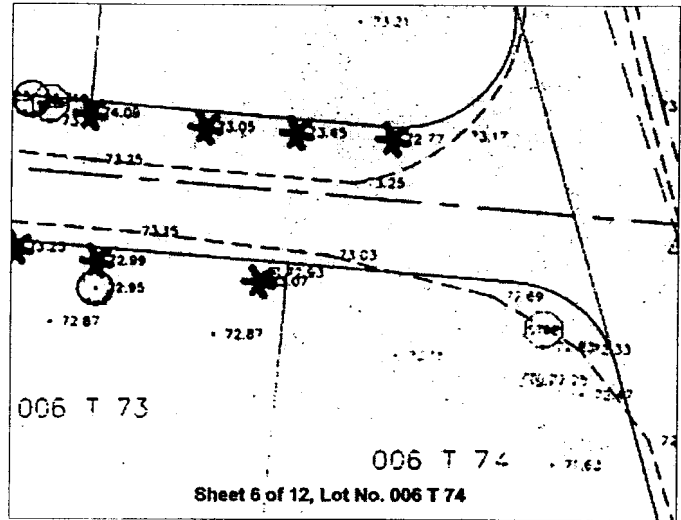
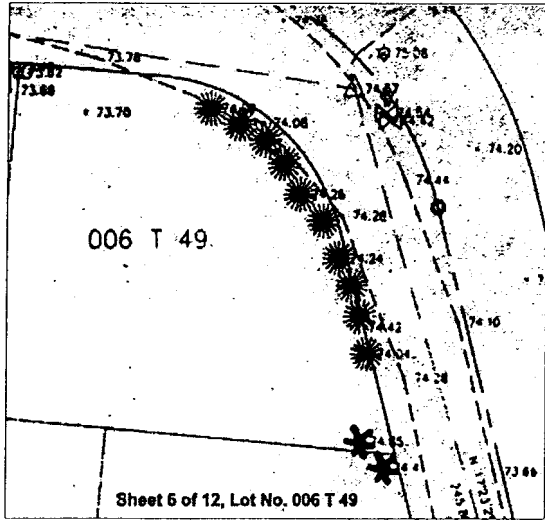
SURVEY MAPS SHOWING CORNER LOT ENCROACHMENTS



Note: The broken lines above (-----) represent the actual roadway while the continuous lines next to the broken line represent the government's right-of-way boundary. As shown in these survey maps, some turning points of the actual roadway encroached on several corner lots (those where two continuous lines intersect).

Appendix I
Page 2 of 3





LETTER REQUEST FOR RECOVERY OF OVERPAYMENT

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

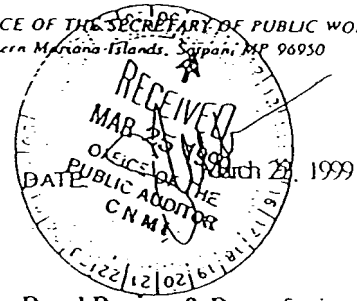
OFFICE OF THE SECRETARY OF PUBLIC WORKS
Northern Mariana Islands, Saipan, MP 96950

MEMORANDUM

TO : Director, Procurement & Supply

FROM : Director, Technical Services Division

SUBJECT : Contract No. C30775, Survey Work, for Tinian Road Paving & Resurfacing



The Office of the Public Auditor has recently contacted this Division about their investigation into the referenced contract. As a result of their contract audit, it appears that an overpayment has been made to Castro & Associates. This is for work not performed on severances mapping and off-island (Tinian) mobilization. The details of this overpayment consist of the following

Severance		
A.	Computation	\$ 5,400.00
B.	Survey Crew	21,000.00
C.	Mapping (Pro-rated)	<u>1,800.00</u>
	Subtotal	28,200.00
	Profit Tax & Overhead (90%)	<u>25,380.00</u>
	Subtotal	53,580.00
	Off-Island Mobilization	<u>40,825.00</u>
	Total	\$94,405.00

The severance work was not required since all road paving occurred within the public right-of-way. The reimbursement for off-island work is not supported by any documents obtained by the Public Auditor. As such, we are requesting your assistance in recovering the overpayment which has been brought to our attention.

Please do not hesitate to contact this office if you have any questions regarding this matter.

ANDREW W. SMITH, P.E.

- xc: Secretary Public Works
- Secretary of Finance
- Acting Attorney General (DPW Legal Counsel)
- Office of the Public Auditor
- Castro & Associates



Office of the Secretary
Department of Finance

P.O. Box 5234 CHRBSAIPAN, MP 96950

TEL. (670) 664-1100 FAX: (670) 664-1115

March 15, 2000

Mr. Leo L. LaMotte
Public Auditor, CNMI
Office of the Public Auditor
P.O. Box 1399
Saipan, MP 96950

SFL 2000-201

RE: Response to Draft Report on the Audit of the Land Survey Contract for the Tinian Road Resurfacing Project, FY 1997

Dear Mr. LaMotte:

We have reviewed the draft report on the audit of the Land Survey Contract for the Tinian Road Resurfacing Project executed in fiscal year 1997. This addresses all four recommendations in the report addressed to the Department of Finance.

Recommendation one. For the Secretary to take adverse action against P&S officials and employees who allowed the approval of Castro & Associate's (C&A) contract despite its obvious inappropriateness. The Director of Procurement and Supply in question no longer works for the CNMI government so an adverse action is not possible. However, we have forwarded a request to the Director of Personnel to place a memorandum in the former Director's personnel file, summarizing the audit findings, for reference by future employers. We have attached a copy of this memorandum. We consider this recommendation closed

Recommendation four. For the Secretary to take action against C&A for misrepresentation of work performed and receiving payment for work that it failed to do, including debarment from participating in future government solicitations. Please refer to the attached memorandum to the Temporary Attorney General requesting an opinion on whether we can give notice of debarment. We will act accordingly once we receive a response from the Attorney General.

Recommendation five. For the Secretary to take necessary steps to recover the improper payments made to C&A. Recovery of the funds should be coordinated with the Attorney General's Office. Again, please refer to our memorandum to the Temporary Attorney General requesting the specifics of the plea agreement before we send any demand notice to the company.

Recommendation six. For the Secretary to issue a memorandum to the Director of Procurement and Supply requiring him to enforce compliance with procurement regulations for the publication

of all government requirements of goods and services, and for the promotion of competition as a basis for selection of contractors. Please refer to the attached memorandum to the Director of Procurement and Supply requiring compliance with the procurement regulations. We consider this recommendation closed.

Thank you very much for the opportunity to respond to your draft report. Please do not hesitate to contact my office if you should have any questions.



Lucy DLG. Nielsen
Secretary of Finance

cc: Temporary Attorney General
Director of Personnel
Director of Procurement and Supply



Office of the Secretary
Department of Finance

P.O. Box 5234 CHRBSAIPAN, MP 96950

TEL: (670) 664-1100 FAX: (670) 664-1115

MEMORANDUM

TO : Director of Personnel

DATE: 03/12/2000

SFM 2000-190

FROM : Secretary of Finance

SUBJECT : Memorandum to Personnel Records of Martin Manglona and Edward Palacios

This is to request that this memorandum be placed in the permanent personnel records of Martin Manglona, the former Acting Secretary of Public Works and Edward Palacios, the former Director of Procurement and Supply. Both individuals are no longer employed by the CNMI Government.

The Office of the Public Auditor conducted an audit on a contract awarded to Castro & Associates (C&A) to provide land survey services for the Tinian Road Resurfacing Project. One of the audit findings determined that the contract was unnecessary because the contractor for the project had already included land surveying fees in its proposal. The report further states this was allowed to occur because the former Acting Secretary of the Department of Public Works and the former Director for the Division of Procurement and Supply, approved the contract despite the apparent determination that only limited survey services were required for the project.

One of the recommendation in the report is to take adverse action against the former Director of Procurement and Supply for approving the contract despite its obvious inappropriateness and the former Acting Secretary of Public Works for approving the contract and subsequent billings despite the impropriety of the contract and billing process. The decision to pursue legal action against Mr. Manglona and Mr. Palacios rests with the Attorney General's Office. However, given the serious implications of this audit, we are requesting that this information be placed in their records for the consideration of any department or agency who may be interested in employing Mr. Manglona and Mr. Palacios.

Thank you very much for your attention. Please do not hesitate to contact me if you should have any questions or concerns.

LUCY DLG. NIELSEN

cc CNMI Public Auditor
Secretary of Public Works
Director, Procurement and Supply



Office of the Secretary
Department of Finance

P.O. Box 5234 CHRBSAIPAN, MP 96950

TEL. (670) 664-1100 FAX. (670) 664-1115

MEMORANDUM

TO : Temporary Attorney General
DATE: 03/12/2000
SFM 2000-182

FROM : Secretary of Finance

SUBJECT : Draft Audit Report on TIQ Land Survey Contract for the Tinian Road Resurfacing Project

I have received a copy of the draft audit report on the land survey contract for the Tinian Road Resurfacing Project. The report determined that Castro & Associates (C&A) was awarded an unnecessary land survey contract for \$229,438. The report further states this was allowed to occur because the former Acting Secretary of the Department of Public Works and the former Director for the Division of Procurement and Supply, approved the contract despite the apparent determination that only limited survey services were required for the project.

This is to request your assistance in rendering an opinion on two recommendations addressed to the Department of Finance on this matter. The first calls for the debarment of the C&A from participating in future government solicitations. We require your opinion on whether we can give notice of debarment given the circumstances in the case.

The second is to recover improper payments made to C&A under this contract. The draft report cites an on-going court case against C&A on charges of bribery and mail fraud. We will proceed with this recommendation upon court rendering its decision on the case. Can you please advise, if at all possible, on the status of the case and whether the plea agreement included repayment of the contract amount to the CNMI government?

Thank you very much for your attention. I look forward to your reply on this matter.

LUCY DLG. NIELSEN

cc: CNMI Public Auditor
Director, Procurement and Supply



Office of the Secretary
Department of Finance

P.O. Box 5234 CHRB SAIPAN, MP 96950

TEL (670) 664-1100 FAX (670) 664-1115

MEMORANDUM

TO : Director of Procurement and Supply DATE: 03/12/2000
 FROM : Secretary of Finance SFM 2000-183
 SUBJECT : Compliance with Procurement Regulations - Competitive Procurement Process

To ensure compliance and prevent the occurrence of audit exceptions, this is to direct you and your office to require government agencies to comply with the procurement regulations concerning the publication of government procurement of goods and services to ensure competitive selection of vendors for those goods and services. Enforcement of this regulation will ensure that the CNMI receives the goods and services it requires at the lowest possible price.

The Division and Procurement and Supply has made tremendous effort to enforce this component of the procurement regulations, however, past activities of the Division continue to surface. Most recently, the Office of the Public Auditor issued a draft report on the improper approval of a land surveying contract for the Tinian Road Resurfacing Project in FY 1997.

One of the recommendations on the report was to direct the Director of Procurement and Supply to adhere to the Procurement Regulations. Further, I also ask that you remind your staff to be cognizant of and to enforce all provisions of the Procurement Regulation.

Thank you for your attention. Please do not hesitate to contact me if you should have any questions.

LUCY DLG. NIELSEN

cc: CNMI Public Auditor

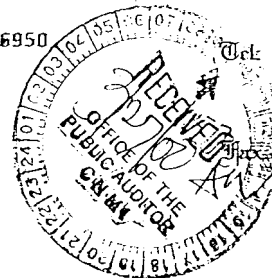


Commonwealth of the Northern Mariana Islands
Office of the Secretary of Public Works



Gualo Rai
Saipan, Mariana Islands 96950

Tele: (670) 235-9714 / 9570
235-5827 / 5828
235-5830
Fax: (670) 235-6346



March 27, 2000
Serial No. PW0371

Mr. Leo L. LaMotte
Public Auditor, CNMI
2nd Floor J. E. Tenorio Bldg.
Gualo Rai, Saipan, MP 96950

Subject: Draft Report – Audit of Land Survey Contract for the
Tinian Road Resurfacing Project, Fiscal Year 1997

Dear Mr. LaMotte:

This is in response to your letter dated February 25, 2000, which transmitted the draft audit report presenting the preliminary results of your audit of the land survey contract for the Tinian Road Resurfacing Project. The contract was awarded to Castro and Associates, Inc. in fiscal year 1997.


We have read the draft audit report and find we are in general agreement with the findings and recommendations. In particular, we take note of Recommendation No. 2. which requires DPW to take adverse action against department officials and employees who allowed the approval of the Castro contract. Primary responsibility for the approval and execution of this contract lies with the former Secretary of Public Works and with the former Deputy Secretary of Public Works who often served as Acting Secretary during this time period. The signatures of these individuals on an architectural/engineering contract attest that they are acting as the contracting officer for DPW, and clearly state that the proposed contract is for a public purpose and does not constitute a waste or abuse of public funds. Apparently, this was not the case.

To the best of our knowledge, neither the former Secretary nor Deputy Secretary of Public Works is presently working for the CNMI Government in any capacity. So in accordance with the recommendation made in your draft report, DPW will, within 30 days of the final audit report on this contract, prepare a negative report on these two former employees as it relates to this matter and place the reports in their permanent personnel files.

Page 2 of 2
Mr. Leo L. LaMotte
Public Auditor, CNMI

Thank you for bringing this matter to our attention.

Sincerely,



JUAN B. CEPEDA
Secretary of Public Works



Commonwealth of the Northern Mariana Islands
Office of the Attorney General

2nd Floor-Administration Building Capitol Hill
Caller Box 10007, Saipan, MP 96950

Attorney General/Civil Division
Tel: (670) 664-2341
Fax: (670) 664-2349

Criminal Division
Tel: (670) 664-2366/2367/2368
Fax: (670) 234-7016

March 29, 2000

Office of the Public Auditor
Commonwealth of the Northern Mariana Islands
2nd Floor J.E. Tenorio Building
PO Box 1399
Saipan, MP 96950

Re: Draft Audit Report on the Tinian Road Re-Surfacing Project

Dear Mr. LaMotte:

We are in receipt of your draft audit report, and your request for comment on your recommendations. Specifically your request that actions be taken with respect to the former Acting Secretary of Public Works, and the former Director of Procurement & Supply for the recovery of public funds. Certainly this matter as presented to our office warrants further investigation on our part. Such investigation would include reviewing the criminal plea in the matter, as well as interviews with certain individuals that were involved in the contract.

As soon as such information becomes available, then we will be in a better position to state what actions if any we intend to take with respect to the recovery of public funds that were involved in this contract.

We hope this response which is based on just our reading of the draft report, will suffice at this time. We will of course keep your office advised about any actions we take in follow-up to your report.

Sincerely yours,

A handwritten signature in cursive script that reads "Herb Soll".

Herb Soll
Temporary Attorney General

STATUS OF RECOMMENDATIONS

Recommendations	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. Take adverse action against P&S officials and employees who allowed the approval of C&A's contract despite its obvious impropriety. Such adverse action may include, but is not limited to, reprimand and suspension without pay. For former P&S employees, such adverse action may take the form of a negative report placed in an employee's permanent personnel file.</p>	<p>DOF</p>	<p>Closed</p>	<p>The DOF Secretary stated that the P&S Director in question no longer works for the CNMI government so an adverse action is not possible. Instead, the DOF Secretary issued a memorandum to the Director of Personnel summarizing the audit findings, with emphasis on the improper action taken by the former P&S Director. The DOF Secretary requested that this memorandum be placed in the permanent personnel records of the former P&S Director.</p> <p>Further Action Required</p> <p>None.</p>
<p>2. Take adverse action against the DPW officials and employees who allowed the approval of C&A's contract and subsequent billings despite the impropriety of the contract and billing process. Such adverse action may include, but is not limited to, reprimand and suspension without pay. For former DPW employees, such adverse actions may take the form of a negative report placed in an employee's permanent personnel file.</p>	<p>DPW</p>	<p>Resolved</p>	<p>The DPW Secretary concurred with the recommendation. He stated that the former Secretary and Deputy Secretary of Public Works who were primarily responsible for the approval and execution of C&A's contract are not presently working for the CNMI government in any capacity. Thus, DPW will, within 30 days of the final audit report on C&A's contract, prepare a negative report on these two former employees as it relates to this matter and place the report in their permanent personnel files.</p> <p>Further Action Required</p> <p>The DPW Secretary should provide OPA a copy of the negative report within 30 days of the issuance of the final audit report, along with a statement by the DPW Secretary that the report has been added to the former officials' personnel files.</p>

STATUS OF RECOMMENDATIONS

Recommendations	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>3. Consider filing legal action against government officials who approved the award of C&A's contract, particularly the former Director of P&S and the then-Acting DPW Secretary who certified that C&A's contract did not waste or abuse public funds.</p>	<p>AGO</p>	<p>Open</p>	<p>AGO responded that the recommendation warrants further investigation, including a review of the criminal plea in this matter as well as interviews with certain individuals involved in the contract.</p> <p>Further Action Required</p> <p>The AGO should notify OPA of its planned legal action against the officials who improperly approved C&A contract.</p>
<p>4. Take adverse action against C&A for misrepresenting to the government that it had performed all the work required under its contract and for receiving payment for work which it failed to do, including the debarment of C&A from participating in future government solicitations.</p>	<p>DOF</p>	<p>Resolved</p>	<p>The DOF Secretary issued a memorandum dated March 12, 2000 requesting the Attorney General's Office to render an opinion on whether a notice of debarment can be issued in this case. The DOF Secretary stated that her office will act accordingly upon receipt of the AGO's response.</p> <p>Further Action Required</p> <p>The DOF Secretary should provide OPA a copy of the AGO's opinion when she receives it. If the AGO determines that C&A should be debarred, the DOF Secretary should provide OPA a copy of the notice of C&A's debarment.</p>
<p>5. Continue to take necessary steps to recover the \$164,534 improper payments made to C&A, unless restitution to the CNMI Government is made in the Federal Court mail fraud case. Recovery efforts should be coordinated with the Attorney General's Office. In implementing this recommendation, recovery of the whole contract price of \$229,438 on the basis that C&A's contract was invalid may be undertaken in lieu of the approach taken above where recovery would be based on the overpayments made to C&A.</p>	<p>DOF</p>	<p>Open</p>	<p>The DOF Secretary requested AGO's assistance in getting information on the Federal Court case involving C&A's contract. The DOF Secretary stated that her office will proceed with the recommendation after the Federal Court's decision.</p> <p>Further Action Required</p> <p>The DOF Secretary should inform OPA as soon as possible of its planned action to recover the improper payments from C&A after the Federal Court has imposed sentence in the mail fraud case.</p>

STATUS OF RECOMMENDATIONS

Recommendations	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>6. Issue a memorandum to the P&S Director requiring him to enforce compliance with procurement regulations for the publication of all government requirements for goods and services, and for the promotion of competition as a basis for selection of contractors.</p>	<p>DOF</p>	<p>Closed</p>	<p>The DOF Secretary issued a memorandum to the P&S Director on March 12, 2000 directing him to require that government agencies comply with the procurement regulations concerning publication of the government’s procurement of goods and services. The memorandum also asked the P&S Director to remind his staff to be cognizant of and enforce all provisions of the procurement regulations.</p> <p>Further Action Required</p> <p>None.</p>